

1 STATE OF INDIANA
2 INDIANA GAMING COMMISSION

3 ORIGINAL

4 BUSINESS MEETING

5 HELD ON

6 AUGUST 20, 1999

7 10:00 A.M.

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9
10
11 AT THE INDIANA GOVERNMENT CENTER

12 402 WEST WASHINGTON STREET

13 SOUTH AUDITORIUM

14 INDIANAPOLIS, INDIANA

15
16
17 A STENOGRAPHIC RECORD

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APPEARANCES

INDIANA GAMING
COMMISSIONERS:

Donald R. Vowels, Chairman
Ann Bochnowski
Thomas Milcarek
Robert Swan
Richard Darko

ALSO PRESENT:

John J. Thar, Executive Director
Cynthia L. Dean

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1 MR. VOWELS: We'll call the
2 meeting to order. It's presently 10:42 or
3 so. I apologize for starting later than
4 what we intended. We'll show that we
5 called the meeting to order. That there
6 are five of the six existing commissioners
7 present. Dr. Ross is unavailable to be
8 with us here today. So we will call the
9 meeting to order. We do have a quorum.

10 The first order on the agenda is the
11 approval of the minutes, and we've all, I
12 believe, went through those minutes from
13 the last telephonic meeting for most of us.

14 Is there any motion in reference to
15 the minutes?

16 MR. MILCAREK: I have a motion to
17 accept the minutes.

18 MR. VOWELS: Is there a second?

19 MS. BOCHNOWSKI: I'll second.

20 MR. VOWELS: All those in favor
21 of approving the minutes from the last
22 meeting say aye.

23 (Commissioners responding).

24 MR. VOWELS: The next matter on
25 the agenda is the report of the Executive

1 Director, and we'll turn to Mr. Thar.

2 MR. THAR: Thank you, Mr.

3 Chairman, and members of the Commission.

4 It's been a while since we've been together
5 and a lot has happened, at least from an
6 Indiana Gaming Commission point of view,
7 from a staffing matter.

8 We've had a couple of departures
9 recently, or announced departures. Field
10 auditor, Jim Seiver left the Commission
11 staff last Friday to take a position with
12 Ivy Tech.

13 Controller Phil Beck -- Phil are you
14 here?

15 MR. BECK: Yes.

16 MR. THAR: Phil has given notice
17 that he is going to be leaving August 27th
18 to take a position with Cummins Engine in
19 Columbus. Phil was our first controller
20 who is responsible for setting up all the
21 internal financial matters with regards to
22 Commission and its payrolls, its ability to
23 pay bills, its ability to collect money.
24 Phil has done an excellent job with us and
25 we're going to miss him, but it's a good

1 career opportunity for him. We all wish
2 you well, Phil. Thank you very much.

3 We've had some internal changes.
4 Kendra Nicks, formerly a supervising field
5 auditor with the Commission, has given up
6 that position to become a senior systems
7 analyst in our MIS Department or computers,
8 for lack of a better term.

9 Likewise, Chris Gray, who is
10 presently a field auditor, is in line to
11 take Kendra's place, but she hired Edgerrin
12 James' agent and we're still negotiating
13 over what it's going to take to get her
14 there. So, Chris, we hope to be able to
15 come to terms with you shortly.

16 With regard to new employees, we have
17 quite a few. Clarence Long. Clarence has
18 joined our legal division as support staff
19 position. He comes to us from the Indiana
20 Department of Revenue.

21 Jennifer Chow. Jennifer has joined
22 our legal division as a staff attorney.
23 She's likewise a new attorney that comes to
24 us via her recent graduation from law
25 school. Jennifer, do you have a few words

1 you want to say?

2 MS. CHOW: Hello.

3 MR. THAR: Very few, I take it.

4 Also, Melody Fields. Melody. Melody
5 joins us as a field auditor. She comes to
6 us from private industry. We welcome her
7 and hope she does as fine a job for us as
8 all the other field auditors do. Thank
9 you.

10 Lisa Slack, our receptionist, this is
11 the second time she's avoided being at a
12 live meeting where she could be introduced,
13 so we will catch her the third time when
14 she comes.

15 From a legislative point of view, the
16 interim study committee on economic
17 development held its first meeting on
18 August 3rd. One of the agenda items became
19 changing cruise requirements. This item
20 was put on the agenda by Senator Earline
21 Rogers and will most likely be a discussion
22 point for that subcommittee.

23 The issue comes about from Illinois'
24 recent legislative change which allows
25 dockside gambling or free ingress, egress

1 with elimination of the cruising rule. We
2 will watch to see what, if any,
3 recommendations come out of that committee.

4 We did not put Minority Business
5 Enterprises and Women's Business
6 Enterprises on the agenda, but we did put
7 it as part of my Executive Director's
8 report.

9 I'd like to refer to John Krause, one
10 of our staff attorneys, who has been
11 working on this and can give the Commission
12 an update on what's transpiring there.

13 MR. KRAUSE: Thank you, Mr. Thar,
14 Mr. Chairman and members of the Commission.

15 The Commission staff continues to work
16 closely with the Governor's Commission on
17 Minority Business Development and staff at
18 the office of Minority Business Development
19 to ensure that there's progress being made
20 for the MBE-WBE statutory goals.

21 We have participated in meetings with
22 purchasing managers and other personnel
23 from the riverboats to show the importance
24 of the initiative, provide information and
25 clarification to Riverboat personnel, and

1 to keep abreast of the efforts and steps
2 being taken to meet the statutory goals.

3 '98 numbers as reported by the
4 riverboats show virtually an
5 across-the-board improvement with just a
6 few exceptions. Audited figures for '98
7 will be available at the next meeting.

8 I'd be happy to answer any questions
9 or concerns.

10 MR. SWAN: I think we ended at
11 the last live meeting that we were going to
12 get some form of report, and this is part
13 of it this time. Is there a way to get a
14 statistical report at each meeting?

15 I'm very interested in this subject.

16 MR. THAR: Yes. We will start
17 preparing that. John has been working on
18 this relative hard. We had the statistical
19 report which showed what the audited
20 figures revealed in the past, and we should
21 have the audited report for the next
22 meeting. Then we will try to get figures
23 to you and probably label them audited or
24 unaudited each time.

25 MR. SWAN: Each quarter?

1 MR. THAR: Yes. John, you
2 attended a meeting with the riverboats up
3 north, did you not, on this issue?

4 MR. KRAUSE: Yes.

5 MR. THAR: And how did that go?
6 Can you tell the Commission what type of
7 ideas, if any, were developed at this
8 meeting, whether it was considered to be a
9 --

10 MR. KRAUSE: I think the meetings
11 in general are a sharing of ideas between
12 the purchasing managers. Different
13 properties have purchasing staff that have
14 come in at different times. Some of the
15 persons who have been there the longest
16 have a lot of ideas as far as working with
17 the community, getting word out that they
18 are looking and actively seeking vendors
19 for minority business enterprises and women
20 business enterprises. It's a sharing of
21 ideas.

22 It also provides myself and staff in
23 the Minority Business Development
24 Commission an opportunity to clarify
25 different areas of what exemptions need to

1 be taken, what we're going to go through
2 during the auditing process.

3 It also, specifically with Minority
4 Business Development, they get to show
5 where different vendors are at in the
6 certification process, which at times is a
7 concern for those riverboats.

8 MR. SWAN: As part of the audit
9 process do you look through to the
10 organization to see that it's a viable,
11 real women-owned or minority-owned business
12 versus some --

13 MR. KRAUSE: Absolutely, Mr.
14 Swan. The Minority Business Development,
15 we have a memorandum of understanding with
16 them. Because they have been in charge of
17 certifying vendors for state projects, so
18 they put possible vendors for riverboat
19 casinos under the same kind of standards.

20 MR. THAR: I think to clarify,
21 Bob, we don't, but Minority Business
22 Development does and we work with them on
23 it. But they actually do it.

24 MR. KRAUSE: Yes, sir.

25 MR. VOWELS: Any other questions,

1 then, for Mr. Krause?

2 Anything further, then, on that issue?

3 Okay. Thank you.

4 MR. THAR: With regard to
5 riverboats. Starting with Majestic Star.
6 The interest rate on the issuance of their
7 notes that we had discussed at our last
8 meeting came in higher than anticipated,
9 although we went ahead and authorized that
10 transaction. That will be explained during
11 the agenda item when they come in on the
12 second time with regard to bank financing.

13 Boyd Gaming Corporation has entered
14 into a definitive agreement to purchase
15 Blue Chip of Michigan City, and has filed
16 its application for change of ownership
17 with us. We are presently targeting
18 November as a time to present this matter
19 to the Commission for its consideration of
20 that application.

21 Since our last meeting, Sharon Wheeler
22 was named the first female general manager
23 of an Indiana riverboat; that being the
24 riverboat at Blue Chip. Also at our last
25 meeting she has resigned that position to

1 join Hyatt, I believe, at its Niagara
2 Casino operations.

3 Park Place has entered into an
4 agreement with Star to purchase Caesar's
5 World. We have been in discussions with
6 them now for probably about 45 days
7 concerning the filing of their application
8 for change in ownership, and we would
9 anticipate that that application will be
10 filed within the next 30 days, if not
11 significantly sooner.

12 Further on with Caesar's, their
13 Harrison County Project is progressing with
14 its construction. The pavilion is
15 basically built from a structural point of
16 view, and they will phasing in the opening
17 to the point where they hope to have their
18 special events room, as well as their
19 dining rooms, I think everything except
20 their fine dining open in time for New
21 Year's Eve. Although this stuff will come
22 on line starting as early as mid-September
23 with, I think, the expansion of the buffet
24 and relocation of a few other things. So
25 this is starting to progress along fairly

1 well.

2 They still have archaeological issues
3 with regard to the location of where some
4 of the archaeological digs are going on,
5 which has slowed down the start time for
6 the construction of the hotel, and they're
7 also proposing the construction of a new or
8 additional parking garage.

9 Pinnacle, in Switzerland County,
10 recently broke ground for the construction
11 of its facility. The construction is at
12 risk, as they do not yet have their Army
13 Corp of Engineer permit. Although, from
14 the best we are able to understand, that is
15 presently a permit application that's going
16 with very little, if any, issues, and the
17 Army Corp of Engineers permit is
18 anticipated to come on line with the Army
19 Corp of Engineers general timing of these
20 things anyway.

21 From a general point of view, in the
22 legal division, the lawsuit filed by James
23 Rodney Martin challenging the Gaming
24 Commission's denial of allowing him access
25 to meter readings from Aztar Casino was

1 denied by the Court. In other words, the
2 Court ruled that the refusal to give those
3 records was proper, and thereby ruled in
4 favor of the Commission.

5 The United States Coast Guard in
6 Louisville has issued a directive that the
7 riverboats on the Ohio River are not to
8 cruise during the following times, which
9 are considered to be year 2000 high risk
10 times and therefore potentially dangerous
11 and hazardous. They are 6:00 a.m. on
12 September 9th through 6:00 a.m. on
13 September 10th. I'm sorry. It's September
14 8th through September 10th. Also, 6:00
15 a.m. on December 31st through 6:00 a.m.
16 January 2, 2000. Finally, 6:00 a.m. on
17 February 28th and March 1st of 2000, which
18 encompasses a 48-hour period rather than a
19 24-hour period.

20 MS. BOCHNOWSKI: Why the
21 September date?

22 MR. THAR: I believe they're
23 doing tests.

24 MR. SWAN: It's 9/9/99. That's
25 what happened. It can botch a computer.

1 People have put in phony dates to test that
2 and they're afraid of it crashing.

3 MR. VOWELS: Did you just make
4 that up, or is that something you really
5 know?

6 MR. THAR: Sounds better than
7 what I had to say.

8 Finally, with regard to our own MIS
9 Department, we're in the process of putting
10 together a computer program that will
11 enable each of the riverboats to file their
12 daily and monthly tax returns
13 electronically.

14 For approximately two months -- the
15 first part of June or first part of July?
16 Probably the first part of June, mid-June,
17 we hired a consultant through agreements
18 with the riverboats, and we're in the
19 process of having the formulation of what
20 the computer program will look like put in
21 shape. And the programming will begin once
22 the consultant finishes that particular
23 project, which we hope to have in rough
24 stages and on line in October and
25 functional by November or early December.

1 We'll start another program that has to do
2 with the keeping computerized inventory of
3 all the electronic gaming devices that are
4 approved that are in this district as well
5 as what is approved and what isn't from
6 both a software and hardware point of view.

7 With that notation I will conclude my
8 report. Are there any questions?

9 MR. SWAN: I have one quick
10 question.

11 You touched on Y2K compliance and
12 we've brought that up before, and I think
13 we were asking all the licensees to provide
14 us with assurances as to their efforts on
15 compliance. Where do we stand with that?

16 MR. THAR: Pat Wright has been
17 the one that has -- she's the head of our
18 MIS Department. She is the one that has
19 been primarily responsible for it. When
20 you first brought that suggestion up -- I
21 want to say it was June of '98 -- in any
22 event, that's when we started polling the
23 riverboats. Pat developed a questionnaire
24 asking each riverboat to respond to her on
25 the condition in the Y2K compliance issues

1 that may exist with regard to a whole
2 series of software and hardware issues,
3 vendor issues, et cetera. We have been
4 continually in contact with them, I think
5 on a quarterly basis, with updating that
6 questionnaire and updating their
7 information.

8 The present position is that about 80
9 percent of the computer programs of the
10 various casinos, or anything that could be
11 Y2K sensitive that we know about, is
12 believed to be in compliance based upon
13 assurance from the vendors of the
14 hardware-software with the casino, as well
15 as representations by the casino. The
16 remaining percentage has represented that
17 it will be in compliance before January 1.
18 So that has progressed along, and if you
19 like, I would have that as part of my
20 report and have Pat give us an update on
21 where we're at at the next meeting.

22 MR. SWAN: I would like to know
23 that.

24 MR. VOWELS: Any other questions
25 for Mr. Thar?

1 Next on the agenda is old business.
2 Is there any old business? Then we'll move
3 on to new business.

4 The first matter under new business
5 are the rules, and we'll turn to Ms. Dean.

6 MS. DEAN: Thank you, Jim.

7 Commissioners, you have before you the
8 Resolution 1999-19, a resolution amending
9 68 IAC 10-8 for publication of a proposed
10 rule. This is an amendment of the rule for
11 Caribbean Draw Poker. As earlier
12 promulgated, the amendment will bring the
13 minimum stand level hand in line with the
14 patented rules of the game. The Commission
15 staff requests that the Commission adopt
16 the rule for publication as a proposed
17 rule.

18 MR. VOWELS: Any questions, then,
19 for Ms. Dean with reference to Resolution
20 1999-19?

21 Is there a motion in reference to that
22 resolution?

23 MR. DARKO: Move to approve.

24 MR. VOWELS: Is there a second?

25 MS. BOCHNOWSKI: Second.

1 MR. VOWELS: Any further
2 discussion?

3 All those in favor of the approval of
4 Resolution 1999-19 say aye.

5 (Commissioners responding)

6 MR. VOWELS: Show that the
7 resolution is approved.

8 Next, Ms. Dean.

9 MS. DEAN: Yes. We move to
10 occupational license matters.

11 The first is Alfonzo Borom. We ask
12 the Commission to act on Mr. Borom's
13 license.

14 Mr. Borom was a dealer at Blue Chip
15 Casino. It was discovered that he had
16 stolen \$1,300 while working as a boxperson.
17 Mr. Borom's employment was terminated
18 because of this incident.

19 The Commission staff revoked Mr.
20 Borom's temporary occupational license and
21 denied his application for a permanent
22 license due to theft. The Commission staff
23 requested that the Commission uphold the
24 revocation and the denial of the
25 application for the permanent licensure.

1 And if the Commission does uphold the
2 Staff's actions, Mr. Borom will have the
3 opportunity to appeal the matter to an
4 Administrative Law Judge.

5 MR. VOWELS: Any questions of Ms.
6 Dean in reference to this?

7 In front of us, then, we have the
8 Commission action on this revocation to
9 either deny or approve the application for
10 the occupational license.

11 Is there a motion in reference to the
12 denial or approval of that application?

13 MS. BOCHNOWSKI: I move that we
14 deny the application.

15 MR. SWAN: Second.

16 MR. VOWELS: Any further
17 discussion?

18 All those in favor of the motion to
19 deny say aye.

20 (Commissioners responding)

21 MR. VOWELS: Show it is denied.

22 MS. DEAN: The next one we have
23 is the revocation of the temporary license
24 and denial of the application for Bridget
25 Bullock.

1 Ms. Bullock was a slot attendant at
2 Harrah's East Chicago Casino. It was
3 discovered that Ms. Bullock duplicated a
4 jackpot fill slip, forged the necessary
5 signatures and stole \$625.00 while working
6 on the boat. Ms. Bullock's employment was
7 terminated because of this incident.

8 The Commission staff revoked Ms.
9 Bullock's temporary occupational license
10 and denied her application. The Commission
11 staff recommends that the Commission uphold
12 the revocation of her temporary license and
13 denial of her application. If the
14 Commission does uphold the staff's actions,
15 Ms. Bullock will have an opportunity to
16 appeal the matter to an Administrative Law
17 Judge.

18 MR. VOWELS: Any questions, then,
19 for Ms. Dean?

20 In front of us, then, is the
21 Commission action on the revocation of the
22 license to either deny or approve.

23 Is there a motion either way?

24 MR. MILCAREK: I would move to
25 deny.

1 MR. VOWELS: Is there a second?

2 MS. BOCHNOWSKI: Second.

3 MR. VOWELS: Any further
4 discussion?

5 All those in favor of the denial of
6 the application for an occupational license
7 for Ms. Bullock say aye.

8 (Commissioners responding)

9 MR. VOWELS: Show it is denied.

10 Ms. Dean.

11 MS. DEAN: We have the revocation
12 of the temporary license and denial of the
13 application of Heather Garrett.

14 Ms. Garrett was a shipping and
15 receiving clerk at the Blue Chip Casino.
16 She failed to disclose on her application
17 for occupational license that she had been
18 arrested for theft on August 28, 1998 in
19 Lafayette, Louisiana, which is considered a
20 relative felony in Louisiana. Ms. Garrett
21 had an active fugitive warrant as a result
22 of this charge. Her failure to disclose
23 this information on her application
24 violates Indiana Code 4-33-8-7.

25 The Commission staff revoked Ms.

1 Garrett's temporary occupational license
2 and denied her application for a permanent
3 license due to the active warrant on a
4 felony-related charge. The Commission
5 staff recommends that the Commission uphold
6 the revocation of the temporary license and
7 the denial of the application for permanent
8 licensure. If the Commission upholds the
9 staff's actions, Ms. Garrett will have the
10 opportunity to appeal the matter to an
11 Administrative Law Judge.

12 MR. VOWELS: Any questions for
13 Ms. Dean?

14 Is there a motion in reference to our
15 action on the revocation to either deny or
16 approve the application?

17 MR. DARKO: I move to deny.

18 MR. VOWELS: Second?

19 MR. SWAN: Second.

20 MR. VOWELS: Any further
21 discussion?

22 All those in favor of denying the
23 application of Ms. Garrett say aye.

24 (Commissioners responding)

25 MR. VOWELS: Show it's denied.

1 Ms. Dean.

2 MS. DEAN: We have the revocation
3 of the temporary license and denial of the
4 application for Mr. Jeffrey Irons.

5 Mr. Irons was a slot machine
6 technician at Trump Casino. It was
7 discovered that Mr. Irons had stolen \$51
8 while servicing the slot machines aboard
9 the boat. Mr. Irons' employment was
10 terminated because of this incident.

11 The Commission staff revoked Mr.
12 Irons' temporary occupational license and
13 denied his application for a permanent
14 license. The Commission staff recommended
15 that the Commission uphold the revocation
16 and denial. If the Commission upholds the
17 staff's actions, Mr. Irons will have the
18 opportunity to appeal the matter to an
19 Administrative Law Judge.

20 MR. VOWELS: Any questions of Ms.
21 Dean?

22 Then in reference to the Commission
23 action on the revocation of the application
24 for occupational license of Mr. Irons, to
25 either deny or approve that, is there a

1 motion?

2 MR. MILCAREK: Motion to deny.

3 MR. VOWELS: Is there a second?

4 MS. BOCHNOWSKI: Second.

5 MR. VOWELS: Any further

6 discussion?

7 All those in favor of the denial of
8 the application say aye.

9 (Commissioners responding)

10 MR. VOWELS: Show it's denied.

11 Ms. Dean.

12 MS. DEAN: And the final one,
13 revocation of the temporary license and
14 denial of application of Antonio Woods.

15 Mr. Woods applied to be a hard count
16 attendant at Harrah's East Chicago Casino.
17 He failed to disclose on his application
18 for occupational license that he had been
19 arrested two times for possession of a
20 controlled substance in Lake County,
21 Indiana. Mr. Woods had an active warrant
22 as a result of these charges and was taken
23 into custody. His failure to disclose this
24 information on his application violates
25 Indiana Code 4-33-8-7.

1 The Commission staff revoked Mr.
2 Woods' temporary occupational license and
3 denied his application for a permanent
4 license due to the active warrant for
5 felony charges. The Commission staff
6 recommends that the Commission uphold the
7 revocation and denial, and Mr. Woods will
8 have an opportunity to appeal the matter to
9 an Administrative Law Judge.

10 MR. VOWELS: Any questions of Ms.
11 Dean then?

12 In reference to the Commission action
13 on the revocation of Mr. Woods' application
14 for an occupational license, either to deny
15 or approve that application, is there a
16 motion in reference to that?

17 MR. SWAN: I move to deny.

18 MR. VOWELS: Is there a second?

19 MR. DARKO: Second.

20 MR. VOWELS: Any further
21 discussion?

22 All those in favor of the denial of
23 the application for an occupational license
24 for Antonio Woods say aye.

25 (Commissioners responding)

1 MR. VOWELS: Show it's denied.

2 MS. DEAN: Mr. Chairman, I'm
3 sorry. I skipped one.

4 The revocation of temporary license
5 and denial of application of Denise
6 Simmons.

7 Ms. Simmons was a bar porter at Blue
8 Chip Casino. It was discovered that she
9 had stolen a bottle of Hennessy Cognac
10 while working on the boat. Ms. Simmons'
11 employment was terminated because to this
12 incident.

13 The Commission staff revoked her
14 temporary occupational license and denied
15 her application for a permanent license
16 because of theft of the alcohol. The
17 Commission staff recommends that the
18 Commission uphold the revocation and the
19 denial. Ms. Simmons will then have the
20 opportunity to appeal the matter to an
21 Administrative Law Judge.

22 MR. VOWELS: Any questions for
23 Ms. Dean then?

24 Is there a motion in reference to
25 denial or approval of the application?

1 MR. DARKO: I move to deny.

2 MR. VOWELS: Is there a second?

3 MR. MILCAREK: Second.

4 MR. VOWELS: Is there any further
5 discussion?

6 All those in favor of the denial of
7 the application for an occupational license
8 say aye.

9 (Commissioners responding)

10 MR. VOWELS: We'll show that it's
11 denied.

12 And Ms. Dean, that handle it for you
13 right now?

14 MS. DEAN: It does. Thank you.

15 MR. VOWELS: And the next matter
16 on the agenda are the disciplinary matters,
17 and I believe we go to Mr. Krause, is that
18 correct?

19 MR. KRAUSE: We have one matter
20 concerning disciplinary action. You have
21 before you a proposed order approving the
22 settlement agreement in the disciplinary
23 action initiated against Indiana Gaming
24 Company, L.P., Argosy, Complaint Number
25 98-AR-1.

1 I'd like to provide you with a brief
2 factual background.

3 It was discovered by Commission audit
4 staff that staff at Argosy were not reading
5 exit turnstile meters at the appropriate
6 time. Specifically, they were reading them
7 after the embarkation period had begun.
8 Based on that the amount of patrons on the
9 vessel were miscounted, and then admission
10 tax was miscalculated.

11 On July 20, 1998, Argosy was assessed
12 a total of 63,729 by the Commission to
13 recover those admission taxes on the
14 improperly recorded exits.

15 After the assessment the Commission
16 audit staff again found more instances of
17 failure to read the exit turnstile meters
18 at the appropriate time, and then
19 disciplinary action was initiated.

20 The terms of the settlement agreement
21 are that Argosy is to pay the tax
22 assessment in the amount of \$2,928, and
23 then to pay a fine in the amount of
24 \$34,729.50. And Argosy will continue to
25 take steps to insure that all admissions

1 counting procedures be executed in
2 accordance with IC 4-33 and 68 IAC.

3 MR. VOWELS: The number of
4 \$34,729.50, I assume, was arrived at in
5 some logical sequence?

6 MR. KRAUSE: Yes.

7 MR. VOWELS: Just for curiosity
8 sake.

9 MR. KRAUSE: Mr. Chairman, the
10 amount of the settlement was taking the
11 initial assessment, making 50 percent of
12 that be the penalty. In the new assessment
13 it was 100 percent of that. So thus the 50
14 cents.

15 MS. BOCHNOWSKI: Those two added
16 together then?

17 MR. KRAUSE: Yes.

18 MS. BOCHNOWSKI: Have they been
19 doing anything to improve their systems
20 there?

21 MR. KRAUSE: Yes. They have
22 updated their exit turnstiles to an
23 electronic system, and management of Argosy
24 has taken steps to insure that this is not
25 happening.

1 MR. THAR: What we originally
2 thought with regard to the penalties with
3 regard to the first offense, it would be 50
4 percent of the tax due and owing. If there
5 was no penalty then there is no incentive
6 to do it right, because if we just
7 recalculate the tax that's what they get to
8 begin with.

9 Then the philosophy was that for each
10 subsequent violation the multiple would go
11 up. So if it's half one time, it's equal
12 to it the next time and then doubled the
13 third time and so on. So that there is now
14 an incentive for people to do this
15 properly.

16 It wasn't anything that we found that
17 was intentional. What it was was a lack of
18 training and lack of diligence in making
19 sure that the people that were asked to
20 take the manual readings did it on time.
21 If they did it 10 minutes late, which we
22 saw on some occasions, then you have 10
23 minutes of people getting off the boat that
24 are no longer counted in the multiple
25 excursions.

1 This was caught and the number of
2 people caught because we required a fixed
3 camera to be set up at the entrance and
4 exit area so we could count the people
5 going out that weren't counted in the
6 turnstile count.

7 MR. VOWELS: Any other questions,
8 then, of Mr. Krause or Mr. Thar?

9 Is there anything else, Mr. Krause?

10 MR. KRAUSE: No, sir.

11 MR. VOWELS: In front of us,
12 then, is an order of the Gaming Commission
13 approving the settlement agreement in this
14 disciplinary action against Indiana Gaming,
15 and our job is to either approve or
16 disapprove the proposed settlements of the
17 settlement agreement and we have those with
18 us to be able to review.

19 Is there a motion in reference to
20 approving or disapproving these proposed
21 terms?

22 MR. SWAN: Move to approve.

23 MR. VOWELS: Is there a second?

24 MR. MILCAREK: Second.

25 MR. VOWELS: Is there any further

1 discussion?

2 All those in favor of approving the
3 proposed terms of the settlement agreement
4 say aye.

5 (Commissioners responding)

6 MR. VOWELS: Show that it is
7 approved.

8 And nothing further from you right
9 now, Mr. Krause; is that right?

10 MR. KRAUSE: No, sir.

11 MR. VOWELS: The next matter on
12 the agenda is supplier license issues, and
13 we will turn to Michele Marsden.

14 Good morning Ms. Marsden.

15 MS. MARSDEN: Thank you. Good
16 morning.

17 In the past temporary supplier
18 licenses were issued to applicants to
19 supply goods and services, with assurances,
20 to gambling operations licensed by the
21 Indiana Gaming Commission. Upon completion
22 of the background investigation, a
23 supplier's license, until now referred to
24 as a permanent supplier's license, was
25 issued to all suppliers holding a temporary

1 license upon final approval by the
2 Commission. As the need for a temporary
3 supplier's license no longer appears to
4 exist, what was previously known as a
5 permanent supplier's license will now be
6 referred to as a supplier's license.
7 Should the need arise for a temporary
8 supplier's license in the future, such a
9 license will be so designated as a
10 temporary supplier's license.

11 Now with that said, before you is
12 Resolution 1999-20 describing and granting
13 supplier's licenses to the following
14 temporary supplier's licenses:

15 Atronic Casino Technology, Kilmartin
16 Industries, Inc. d/b/a Roger Williams Mint
17 and V.S.R. Lock, Inc.

18 Supplier's licenses are valid for a
19 period of one year. Issuance of a
20 supplier's license is conditioned upon
21 payment of the cost of the license
22 investigation and payment of the \$5,000
23 annual license fee. If payment is not
24 received by the Commission staff, your
25 license will be subject to revocation.

1 MR. VOWELS: Any questions, then,
2 of Ms. Marsden's in reference to this
3 resolution?

4 Then we have in front of us Resolution
5 1999-20, which is a resolution describing
6 and granting the supplier's license to
7 Atronic Casino Technology, Kilmartin
8 Industries, Inc. d/b/a Roger Williams Mint
9 and V.S.R. Lock, Inc.

10 Is there a motion in reference to this
11 resolution?

12 MR. MILCAREK: I just have one
13 question as to the staff's recommendation.

14 Does the staff have anything to say
15 about these people that would be
16 derogatory?

17 MR. THAR: No.

18 MR. MILCAREK: It's routine.

19 MR. THAR: Yes.

20 MR. MILCAREK: With that I would
21 suggest that we approve.

22 MR. VOWELS: All right. We have
23 a motion to approve this resolution. Is
24 there a second?

25 MS. BOCHNOWSKI: I'll second it.

1 MR. VOWELS: Is there any further
2 discussion?

3 All those in favor of approving
4 1999-20 say aye.

5 (Commissioners responding)

6 MR. VOWELS: Show it is approved.

7 MR. VOWELS: Ms. Marsden,
8 anything further from you?

9 MS. MARSDEN: Yes. Resolution
10 1999-21 is a granting of a supplier's
11 license to Riverboat Services, Inc.
12 Riverboat Services, Inc. provides maritime
13 services to riverboats, which involves
14 staffing of experienced personnel and
15 maintaining the mechanical aspects of the
16 riverboat casino. The supplier's license
17 in the State of Indiana -- and our
18 understanding is that Riverboat Services,
19 Inc. provides maritime services for
20 Harrah's East Chicago casinos. The
21 supplier's license has been valid for a
22 period of one year. Issuance of a
23 supplier's license is conditioned upon
24 payment of the cost of the license
25 investigation and the payment of \$5,000

1 annual license fee. If payment is not
2 received as directed by Commission staff,
3 their license will be subject to
4 revocation.

5 MR. VOWELS: Any questions, then,
6 of Ms. Marsden?

7 Then in reference to 1999-21 granting
8 supplier license for Riverboat Services,
9 Inc., is there a motion?

10 MR. DARKO: Move to adopt the
11 resolution.

12 MR. VOWELS: Is there a second?

13 MR. SWAN: Yes.

14 MR. VOWELS: Mr. Swan.

15 And any further discussion?

16 All those in favor of approving the
17 resolution say aye.

18 (Commissioners responding)

19 MR. VOWELS: Show it's approved.

20 And Ms. Marsden.

21 MS. MARSDEN: Resolution 1999-22
22 is concerning the renewal of supplier's
23 licenses.

24 On August 19, 1997, by Resolution
25 1997-32, the Indiana Gaming Commission

1 granted supplier's licenses to the
2 following:

3 Bud Jones Company, Inc.

4 GEMACO Playing Card Company.

5 Mikohn Gaming Corporation.

6 Osborne Coinage Company

7 Paul-Son Gaming Supplies, Inc.

8 On August 14, 1998, by Resolution
9 1998-22, the Commission granted supplier's
10 license to riverboat suppliers which were
11 valid for one year.

12 On September 14, 1998, by Resolution
13 1998-24, a supplier's license was issued to
14 VLC, Inc.

15 The first condition for renewal of the
16 supplier's license is that the first
17 request for renewal of a supplier's license
18 be at least 30 days before the expiration
19 of their license in accordance with 68 IAC
20 2-2-8. The Commission has received the
21 request for renewal from all the suppliers.
22 The renewal will be conditioned upon
23 payment of the renewal fee. If the payment
24 is not received as directed by the
25 Commission staff, the license will be

1 subject to revocation. These suppliers
2 remain approved for licensure. So before
3 you is Resolution 1999-22 for further
4 renewal of a supplier's license.

5 MR. VOWELS: Any questions of Ms.
6 Marsden?

7 Is there a motion in reference to this
8 resolution?

9 MR. SWAN: The resolution as read
10 didn't include VLC, Inc., but I think they
11 are to be included; is that right?

12 MS. MARSDEN: It's in Number 2.

13 MR. SWAN: Oh, I'm sorry.

14 MR. VOWELS: All right. And it
15 lists out six companies?

16 MS. MARSDEN: Yes.

17 MR. VOWELS: Is there any other
18 questions or discussion?

19 Any motion?

20 MR. DARKO: Move to adopt.

21 MR. VOWELS: Is there a second?

22 MR. MILCAREK: Second.

23 MR. VOWELS: Is there any further
24 discussion?

25 All those in favor of adopting

1 Resolution 1999-22 say aye.

2 (Commissioners responding)

3 MR. VOWELS: Show it's adopted.

4 Ms. Marsden.

5 MS. MARSDEN: Resolution 1999-23
6 concerning the request of Wico Company
7 Corporation to withdraw its application for
8 a supplier's license.

9 On or about June 1st of 1995, Wico
10 submitted an application for a supplier's
11 license to the Indiana Gaming Commission.

12 On or about April 12, 1996, the
13 Commission received a written request from
14 Wico Corporation to withdraw its
15 application.

16 Wico Corporation was in good standing
17 with the Commission at the time the request
18 to withdraw its application, and there is
19 no pending disciplinary action filed
20 against them.

21 The Commission will need to grant or
22 deny the request of Wico Corporation to
23 withdraw its application for a supplier's
24 license.

25 MR. VOWELS: There's an attached

1 letter from the chief operating officer of
2 the corporation.

3 Are there any other questions or any
4 questions for Ms. Marsden?

5 MR. DARKO: I hate to ask an
6 embarrassing question, but where has this
7 been for the last three and a half years?

8 MR. VOWELS: Is there -- do you
9 know?

10 MR. DARKO: I guess it was a
11 worse question than I knew it was.

12 MR. THAR: I think what happened
13 is it fell through the cracks.

14 MR. VOWELS: That's one of the
15 questions you ask on the way to the
16 restroom. The new commissioner, ladies and
17 gentlemen.

18 MR. DARKO: Two years you'd think
19 I'd learn.

20 MR. VOWELS: In reference to
21 Resolution 1999-23, is there a motion to
22 either grant or deny the withdrawal of this
23 application?

24 MR. DARKO: Only fair that I move
25 to grant.

1 MR. VOWELS: Is there a second?

2 MR. MILCAREK: Second.

3 MR. VOWELS: Is there any other
4 discussion?

5 All those in favor of granting the
6 withdraw of the application of Resolution
7 199-23 say aye?

8 (Commissioners responding)

9 MR. VOWELS: Show it is approved
10 and withdrawn.

11 And Ms. Marsden, you have one more
12 matter?

13 MS. MARSDEN: Resolution 1999-24
14 is considering the request of GDC, Inc. to
15 withdraw its application for a supplier's
16 license.

17 On July 19, 1995, GDC submitted an
18 application for a supplier's license to the
19 Indiana Gaming Commission.

20 A temporary supplier's license was
21 granted on November 17, 1995, and a
22 permanent supplier's license was granted on
23 February 22, 1999.

24 The Commission received a written
25 letter from GDC, Inc. announcing they would

1 cease doing business in the USA by the end
2 of July, 1999.

3 GDC, Inc. is in good standing with the
4 Commission at the time of the request to
5 withdraw its supplier's license and there
6 are no pending disciplinary actions filed
7 against them.

8 The Commission will need to grant or
9 deny the request of GDC to withdraw its
10 application of its license.

11 MR. VOWELS: And there's an
12 attached letter.

13 Any other questions or any questions
14 of Ms. Marsden?

15 We have in front of us, then,
16 Resolution 1999-24 which asks us to either
17 grant or deny the withdraw of the
18 application. Is there a motion either way.

19 MR. SWAN: Move to grant.

20 MR. VOWELS: Is there a second?

21 MR. DARKO: Second.

22 MR. VOWELS: Is there any further
23 discussion?

24 All those in favor of granting the
25 withdraw of the application in 1999-24 say

1 aye.

2 (Commissioners responding)

3 MR. VOWELS: Show that the
4 resolution is granted and the withdraw is
5 granted.

6 Thank you, Ms. Marsden.

7 Then the next matter on the agenda,
8 the new game approval and we're back to Mr.
9 Krause.

10 MR. KRAUSE: Members of the
11 Commission, we have two separate new table
12 game approvals taking the form of
13 Resolutions 1999-25 and 1999-26.

14 I'd like to discuss what they have in
15 common. They are both variations of the
16 traditional game of Blackjack. They both
17 have provided rules and explanations the
18 Commission staff has required. They both
19 have been submitted to and approved by
20 Gaming Laboratories International. And in
21 both cases at least one riverboat has
22 expressed interest through a letter, and
23 also submitted a proposed internal controls
24 for the games.

25 The first resolution is 1999-25

1 concerning the game Spanish 21. Majestic
2 Star, Grand Victoria and Trump have advised
3 the Commission they are in support of the
4 game of Spanish 21 and have submitted draft
5 rules of the game that they propose to
6 utilize if the game of Spanish 21 is
7 approved.

8 Again, Spanish 21 is a variation of
9 Blackjack. The differences are that there
10 are no 10's, you can double down at anytime
11 with a surrender option, 21 is paid even
12 when the dealer has 21, and they have
13 several additional payouts including when
14 21 total is reached with five or more
15 cards, the patron is dealt 6-7-8 in either
16 mixed suits, all same suit or spades, and
17 if the patron is dealt three 7's in either
18 mixed suits, all same suit or spades.
19 There is also a super bonus which occurs
20 when the patron is dealt three 7's of the
21 same suit when the dealer's up card is also
22 a 7.

23 If the Commission chooses to
24 conditionally approve the game of Spanish
25 21, each riverboat utilizing this game will

1 report to the Commission revenue generated
2 by the game, whether the riverboat licensee
3 continues to offer the game and any patron
4 disputes or complaints arise from the game.

5 MR. VOWELS: Are there any
6 questions, then, for Mr. Krause?

7 MR. DARKO: Has Gaming
8 Laboratories advised us what the house
9 advantage or odds are on either of the two
10 variations?

11 MR. KRAUSE: We do have that
12 information on Spanish 21.

13 MR. DARKO: If it's readily
14 available I would be interested. If not,
15 that's okay.

16 MR. KRAUSE: I could provide you
17 with that information.

18 MR. DARKO: Thank you.

19 MR. VOWELS: Do we have any other
20 questions, then, for Mr. Krause?

21 In front of us is a resolution which
22 looks like a Super Bowl series 1999-XX.

23 MR. KRAUSE: 25.

24 MR. VOWELS: Okay. Mine says

25 "XX."

1 Resolution 1999-25, then, the
2 conditional approval of the game of Spanish
3 21. Is in a motion in reference to this
4 resolution?

5 MR. SWAN: Move to approve.

6 MR. VOWELS: Is there a second?

7 MS. BOCHNOWSKI: Second.

8 MR. VOWELS: Is there any further
9 discussion?

10 All those in favor of approving
11 Resolution 1999-25 say aye.

12 (Commissioners responding)

13 MR. VOWELS: Show it as approved.

14 And, Mr. Krause, anything further?

15 MR. KRAUSE: The next resolution
16 -- I'm sorry. Are we prepared to go on to
17 the next.

18 MR. SWAN: Blackjack Double?

19 MR. KRAUSE: Yes. This is the
20 next Resolution 1999-26, which is BlackJack
21 Double Exposure. Grand Victoria Casino &
22 Resort has advised the Commission that it
23 supports the game of Blackjack Double
24 Exposure and it has submitted a draft
25 proposed rules of the game. The

1 differences between Double Exposure and
2 regular Blackjack are that in Double
3 Exposure both of the dealer's cards dealt
4 face up, the player does lose all pushes
5 and Blackjack for the patron only pays 1 to
6 1 regardless of the dealer hand and no
7 insurance, obviously, is available.

8 If the Commission chooses to
9 conditionally approve this game for six
10 months, any riverboat utilizing the game
11 must provide information including the
12 amount of revenue generated by the game and
13 any customer complaints or incidents
14 involving the game.

15 MR. VOWELS: Any questions of Mr.
16 Krause?

17 Then we in front of the us Resolution
18 1999-26, which is the conditional approval
19 of the game of Blackjack Double Exposure.
20 Is there a motion in reference to that
21 resolution?

22 MR. MILCAREK: Move to adopt the
23 resolution.

24 MR. VOWELS: Is there a second?

25 MR. DARKO: Second.

1 MR. VOWELS: Any further
2 discussion?

3 All those in favor of approving
4 Resolution 1999-26 say aye.

5 (Commissioners responding)

6 MR. VOWELS: Show it is approved.

7 And, Mr. Krause, anything further from
8 you?

9 MR. KRAUSE: Nothing on this
10 matter.

11 MR. VOWELS: Thank you.

12 Next matter on the agenda is the
13 renewal of the Certificate of Suitability
14 for Pinnacle Gaming. We return to Mr.
15 Thar.

16 MR. THAR: Thank you.

17 Pinnacle Gaming has submitted a letter
18 requesting renewal of their application.
19 They are in the audience today with Mr.
20 Boyd, their attorney.

21 J., if you would like to give the
22 introductions.

23 MR. BOYD: Thank you. I'm J.
24 Boyd from Johnson-Smith, Indiana counsel
25 for Hollywood Park, Inc. and its affiliate,

1 Pinnacle Gaming Development Corporation,
2 for which the Commission, on September 14th
3 of last year, awarded the Certificate of
4 Suitability to develop the facility in
5 Switzerland County.

6 Here today is Paul Alanis, who is the
7 Vice-President and Director of Development
8 for Hollywood Park, and Lawrence Ostrow,
9 Senior Vice-President and General Counsel
10 for Hollywood Park. Also here today is
11 John House representing Full House
12 Investments, which is the other minority
13 participant in this venture.

14 The certificate was issued last year
15 in September with the understanding that
16 the applicant would be back before the
17 Commission on several occasions for
18 renewals of the Certificate pursuant to its
19 approximate two-year development schedule
20 for opening of its permanent facility near
21 Vevay, Indiana.

22 In March of this year the Commission
23 renewed the Certificate for an additional
24 180 days, and we're back here today
25 pursuant to the letter submitted to the

1 Commission on August 3rd for an additional
2 renewal.

3 I would summarize for the Commission
4 activities thus far. Hollywood Park has
5 assembled a 270 acre facility for
6 development of the hotel-side golf course,
7 dockside facilities and the like. It's now
8 the fee owner of the entirety of that
9 facility.

10 Hollywood Park has entered into a
11 construction agreement with F.A. Wilhelm
12 Construction Company of Indianapolis to
13 develop the facility. Wilhelm now has
14 approximately 100 present on the site
15 involved in development activities.
16 Hollywood park has entered into an
17 architectural services and engineering
18 services agreement with HNTB of
19 Indianapolis.

20 The permitting activities, as the
21 Executive Director noted in his report, has
22 moved forward with respect to the facility,
23 and we hopeful of receiving a permit from
24 the Army Corp of Engineers in the very near
25 future that will finalize the permit, a

1 draft of which has been circulated. The
2 Corp of Engineers and Department of Natural
3 Resources of the State of Indiana have
4 allowed the development to proceed.
5 Pursuant to letters we changed the
6 footprint of the facility and location of
7 the hotel slightly.

8 Construction of the facility commenced
9 on July 14th with the formal
10 groundbreaking, again at the risk of the
11 developer of the facility pending final
12 approval of the Army Corp of Engineers'
13 permit.

14 Specifications for the boat have been
15 let and we've received six different
16 responses to the bid package and Mr.
17 Quorton will be reviewing those with the
18 plan of letting the construction contract
19 for the boat before the end of this month.

20 We contemplate an 11-month
21 construction period, so that will get us
22 back before the Commission and ready to be
23 licensed approximately the same time when
24 we originally suggested that to the
25 Commission at the award of the Certificate

1 last year.

2 After a lengthy period of analysis and
3 review by the spinmiesters and the like,
4 the name of Belterra Resort & Casino has
5 been settled to replace the name of
6 Pinnacle, and that will be the name used
7 for the facility. I'm not a great Italian
8 scholar, but I believe that stands for
9 beautiful ground, which the facility is.

10 The Hollywood Park has continued with
11 its program of providing both required and
12 voluntary funds to local entities. Those
13 have been scheduled on the letter. Since
14 we were last before the Commission, more
15 than \$1,000,000 has been provided to local
16 entities in Switzerland County and related
17 to areas.

18 We are now in the process of
19 completing a development agreement and
20 permanent agreement with the Florence
21 Regional Sewer District for one of the key
22 pieces of infrastructure regarding the
23 project.

24 So based upon that and our continued
25 compliance with the conditions in the

1 Certificate and our progress towards
2 completion of this facility importance with
3 the schedule as originally brought before
4 this Commission, we would ask that the
5 Certificate of Suitability be renewed for
6 an additional 180 days through March of
7 next year.

8 Again, we anticipate at least one more
9 renewal of the Certificate depending upon
10 the actual completion date of the boat and
11 the facility be right on the edge, maybe
12 even a few days after, that last expected
13 extension is completed.

14 If there are any questions in
15 connection with the facility or the
16 progress of the facility, where we are,
17 where we're going, Mr. Quorton will be
18 happy to respond to those questions. Thank
19 you.

20 MR. VOWELS: Are there any
21 questions of Mr. Boyd or any of the other
22 gentlemen here?

23 MS. BOCHNOWSKI: Seems like
24 everything is going okay. I don't remember
25 on this one, do you have a development

1 agreement with the county or is that being
2 worked on; an actual written --

3 MR. BOYD: Yes. There is a
4 written agreement with the county that
5 requires us to provide funds to various
6 county instrumentalities and we have
7 actually been ahead of schedule in
8 providing funds to the local entities. We
9 advanced some funds to the school
10 corporation that were needed in order to
11 meet its objectives and fiscal requirements
12 for the current fiscal year.

13 MR. VOWELS: Do any of the other
14 gentlemen want to address the Commission at
15 all.

16 MR. BOYD: I think not.

17 MR. THAR: Mr. Boyd, you asked
18 for extension until what date?

19 MR. BOYD: We got 180 days. I
20 guess under the regulation of the statute
21 that would take us, I think, until March
22 14th of next year or sometime -- I haven't
23 actually pulled out fingers and counted
24 like we're required to do in law school,
25 but I think until March 14th next year

1 would be the date.

2 MR. VOWELS: Your extension now
3 expires on what, September 14th?

4 MR. BOYD: September 14th. It
5 was dated back to the date of the
6 Commission's original award of the
7 Certificate.

8 MR. THAR: Just for Commission's
9 point of view, on the resolution as
10 prepared, we had utilized a date of
11 February 16, 2000, which would be 180 days
12 from today. Mr. Boyd's request, since
13 their certificate has not expired as of
14 today, that that go forward from that date.
15 Either option, I think, is available to the
16 Commission, depending upon which way you
17 would like to go.

18 MR. VOWELS: Looks like we
19 extended it in March to September 10th of
20 '99.

21 MR. BOYD: That may be right.

22 MR. VOWELS: So six months from
23 now would be sometime around March the 10th
24 of 2000.

25 Anyone have any other questions or

1 anything about the project itself?

2 MR. SWAN: Is there anybody here
3 from the county?

4 MR. BOYD: I haven't seen anybody
5 this morning, Commissioner Swan.

6 MR. SWAN: We haven't had any
7 word of any agreements on the development
8 agreement or anything like that?

9 MR. THAR: No. The development
10 agreement was presented to us and the date
11 that they got -- let's put it this way, it
12 had always been presented to us and all the
13 amendments, plus summaries, were presented
14 to us on the date that the Certificate of
15 Suitability was originally issued.

16 The relationship between Hollywood
17 Park/Pinnacle in Switzerland County is
18 probably as good as any relationship we
19 have seen. I'm unaware of any type of
20 complaints or disagreements that have
21 existed between the county and the company.
22 It's really quite the opposite. I think
23 they're like hand-in-hand.

24 MR. BOYD: There was a love fest
25 on July 14th down on the site.

1 MR. DARKO: It's amazing what
2 money won't buy.

3 MR. VOWELS: That was Bastille
4 Day, too, if I remember right.

5 Any other questions, then, in
6 reference to the project?

7 We then have in front of us Resolution
8 1999-27, which concerns the extension of
9 the Certificate of Suitability. We have a
10 couple of dates that we can look at.

11 It appears that the Certificate of
12 Suitability that exists now would expire on
13 September 10, 1999. As Mr. Thar stated, we
14 could take that from 180 days from today,
15 or 180 days from September 10th of '99.
16 Does anyone have a suggestion and then we
17 can figure out just what --

18 MR. SWAN: Let's go with the
19 later date.

20 MR. VOWELS: Later date all
21 right?

22 MR. SWAN: I think so.

23 MR. THAR: My only observation is
24 that it's for 180 days, therefore it's 360
25 days. So I don't know how we can get to

1 March 14th, if our last one was March 13th.
2 We'd have to be short of that. So I would
3 just recommend picking an arbitrary date of
4 something like March 1 to March 5 so that
5 we know we're inside the 180 days, but
6 longer than the February date.

7 MR. VOWELS: All right.

8 Is there some thought about that?
9 Just go 180 days from September 10, 1999,
10 which would put us somewhere March 1, March
11 5, March 10, somewhere in there.

12 MR. THAR: Well we can do it one
13 of two ways. We can say 180 days from
14 September 10th, or we can just pick a date.

15 MR. VOWELS: Do you have any
16 druthers?

17 MR. BOYD: The longest period
18 possible.

19 MR. VOWELS: Call us if there's a
20 problem.

21 MR. BOYD: I guess it's a leap
22 year, so it would be 366 days. So maybe it
23 would be the 6th of March would be 360
24 days.

25 MS. BOCHNOWSKI: Okay. Do it to

1 March 5th.

2 MR. VOWELS: We can figure it out
3 quickly here.

4 MR. THAR: I don't know if we
5 could figure it out quickly.

6 MR. VOWELS: I used to do good
7 time credit work for the probation office.

8 MR. SWAN: Let's extend to March
9 5th of the year 2000. That's my motion.

10 (A brief discussion was held off
11 the record at this time).

12 MR. SWAN: That was a motion.

13 MR. VOWELS: There is a motion
14 to extend the Certificate of Suitability,
15 then, to did you say March 5, 2000. Is
16 there a second?

17 MR. DARKO: Second.

18 MR. VOWELS: All right. Is there
19 any further discussion?

20 All those in favor of the Resolution
21 1999-27 extending the Certificate of
22 Suitability to March 5, 2000 say aye.

23 (Commissioners responding)

24 MR. VOWELS: Show that it's
25 approved.

1 Thank you. The next matter on the
2 agenda, the Proposed Amendment to the
3 Development Agreement Between RDI/Caesar's
4 and Harrison County. Mr. Thar.

5 MR. THAR: Yes. Thank you.
6 Since the agenda was prepared there has
7 been a request by Caesar's that no action
8 be taken on this proposed amendment, but we
9 did keep it on the agenda so that we could
10 have a brief description of what this
11 amendment -- what the amendment is proposed
12 to do and why no action was requested. So
13 I would at this time ask Ms. Mumford, if
14 you would step forward to brief the
15 Commission on this matter.

16 MR. VOWELS: Good morning, Ms.
17 Mumford.

18 MS. MUMFORD: Good morning. As
19 you all are aware, there's a development
20 agreement between Caesar's and Harrison
21 County. And that development agreement
22 called for revenue sharing, but it also had
23 some requirements for funding for specific
24 projects and purposes. And one of the sort
25 of checkup provisions under the development

1 agreement was that after the boat had been
2 opened about six or twelve months, the
3 parties would get back together and see how
4 the funding was going for those specific
5 projects.

6 That get-together meeting occurred
7 this summer, and all of the specific items
8 were addressed except for the water utility
9 for the Town of Elizabeth.

10 The development agreement was then
11 proposed to be amended. We have a listing
12 of items that have been resolved. And as
13 Mr. Thar stated, we hoped to be able to
14 bring that to you in its final form today.
15 However, we had some last minute wording
16 changes. As a result, were not being able
17 to present the amendment to the County
18 Commissioners this past Monday. It will
19 roll over to a meeting occurring in about
20 10 days.

21 And so what I wanted to do today is
22 present you with a brief outline of what we
23 think the final version will include.

24 The development agreement called for
25 there to be two foundations created in

1 Harrison County. After the first one had
2 been up and running, the County
3 Commissioners decided they'd rather just
4 dispense with the creation of the second
5 one and fold the ongoing funding into the
6 first one. So one of the amendments in the
7 proposed amendment would be to delete
8 requirement for a second foundation and
9 just send the revenue sharing to the
10 existing community foundation.

11 Additionally, we have set up the Floyd
12 County Foundation. We should have a
13 organizational meeting coming up very
14 shortly on that. And so the development
15 agreement is proposed to be amended to
16 reflect that.

17 In addition, there is proposed to be a
18 cap on the overall allocation going to the
19 Harrison County Foundation of \$50 million
20 which will be a significant chunk of change
21 for them. They are going from a \$5 million
22 foundation to a \$50 million foundation.
23 This amendment has been agreed to by the
24 foundation.

25 We've also provided that with regard

1 to the Floyd County Foundation, that if
2 gaming is legalized in Floyd County they
3 would cease to get their revenue sharing,
4 which is similar to what has occurred in
5 other situations.

6 The final element of the proposed
7 amendment would just be to clarify that
8 Caesar's met all its other obligations for
9 county reimbursements, including payments
10 for police, fire and emergency response.

11 As I said, what that leaves to be
12 resolved is the water utility for the Town
13 of Elizabeth, which we hope to resolve yet
14 this year, but we need to work through with
15 IDEM on some permitting issues.

16 MR. VOWELS: Any questions, then,
17 of Ms. Mumford.

18 MR. SWAN: Couple of questions.

19 One, when we approved licensing
20 sometime ago and included the development
21 agreement, it included terms of the
22 development agreement that said X percent
23 would go to these foundations. So the
24 allocation of those funds was then made
25 later, I think, to Floyd and to Harrison

1 County. Anyway, now we're pulling the
2 Floyd one out if gaming is approved in the
3 county. Whether gaming goes on or not,
4 just if it's approved. And the way I saw
5 that original draft, it sounded like those
6 funds would not then be diverted back to
7 Harrison or anywhere else, they just simply
8 wouldn't be paid. And that was a 25
9 percent of the total allocation.

10 I'm not convinced that that's the
11 right thing to do based on our action of
12 approving the development agreement in the
13 first place. You may want to tend to that
14 while you're talking with these folks.

15 Then there was another issue. On the
16 utilities, can you just bring us up to
17 speed what the problem is? This is getting
18 some bad press. I really haven't read it
19 all. I just know it's not real favorable
20 right now and I would like to know more
21 about what is going on.

22 MS. MUMFORD: I can bring you up
23 to date.

24 What has occurred is that Caesar's has
25 constructed what is in essence a water

1 utility system that just serves its needs
2 at this time. It was built as a
3 privately-owned facility. When we went to
4 IDEM and said okay, now this is the
5 facility we may want to turn over to the
6 town under the terms of the development
7 agreement, it was determined that the
8 permitting standards that would have to be
9 met in order for it to be a publicly-owned
10 utility would not be met by that facility.

11 So what we are examining is whether or
12 not there are retrofitting -- whether there
13 was retrofitting that could be done that
14 would let us turn that over to the town, or
15 whether or not at this point the town would
16 prefer to basically strike out on its own
17 with some kind of funding arrangement from
18 Caesar's and construct their own facility.

19 So really we have two different
20 populations. One, working with IDEM on
21 permitting, and the other is working with
22 the Town of Elizabeth to see whether or not
23 they want to change their focus at this
24 point and go to something which they will
25 construct as they see fit, as opposed to

1 taking something we turn over to them.

2 MR. SWAN: I think our position
3 on that would be one that said we present a
4 package in the first place and the Town of
5 Elizabeth or County was expecting this to
6 happen and this is what needs to happen
7 when all is said and done. And I think
8 that was part of the development cost to
9 get that done.

10 MR. VOWELS: Is there anything
11 further then? Is there any other
12 questions? Is there anything you need to
13 add?

14 So this is on the agenda, but actually
15 we're not doing anything with it?

16 MR. THAR: Since it's not been
17 approved by the governing body down there,
18 we would not want to take action on it
19 until they bring it to us in an approved
20 state see what our position is.

21 So since it was on anyway, I thought
22 we might as well get a preview as to what
23 all this is, and then it will be placed
24 back on the next agenda for next -- once
25 it's approved, should it be, and brought

1 before us again.

2 MR. VOWELS: All right. Thank
3 you, Ms. Mumford.

4 The next matter, then, on the agenda
5 we'll move on to bond reductions, and we
6 turn back to Mr. Krause.

7 MR. KRAUSE: Mr. Chairman and
8 members of the Commission, we have two
9 requests for action on bond reductions.
10 Actually the first one is a request to
11 reduce the letter of credit for Casino
12 Aztar.

13 On April 5th, May 3rd, June 29th and
14 July 7th of 1999, identical payments of
15 \$140,166 .67 was made to the City of
16 Evansville pursuant to the development
17 agreement between Casino Aztar and the City
18 of Evansville. At this time they are
19 requesting to reduce the letter of credit
20 posted by Casino Aztar in the total amount
21 of those payments \$416,666.68.

22 MR. VOWELS: Mr. Krause, how does
23 this work that this information comes to
24 the Commission. I recall at one time there
25 was some notarized statement from the

1 controller's office that reflected the City
2 of Evansville received X.

3 MR. KRAUSE: That's exactly what
4 we have, Mr. Chairman, notarized copies of
5 receipts from the City of Evansville noting
6 those payments.

7 MR. VOWELS: Are there any
8 questions, then, in reference to this
9 action?

10 This is not in the form of a
11 resolution, or is it?

12 MR. THAR: It's in the form of an
13 action.

14 MR. VOWELS: In front of us we
15 have this action to reduce the letter of
16 credit for Casino Aztar. Is there a motion
17 in reference to that?

18 MR. SWAN: Move to approve.

19 MR. VOWELS: Is there a second?

20 MR. DARKO: Second.

21 MR. VOWELS: Is there any further
22 discussion?

23 All those in favor of reducing the
24 letter of credit say aye.

25 (Commissioners responding)

1 MR. VOWELS: Show that is reduced.
2 And then Grand Victoria Casino?

3 MR. KRAUSE: Yes. You have
4 before you an action on request to reduce
5 surety bond posted by Grand Victoria Casino
6 & Resort.

7 On July 6, 1999, Grand Victoria Casino
8 & Resort made the payments in the aggregate
9 of \$354,926 to the City of Rising Sun,
10 which was pursuant to their development
11 agreement between Grand Victoria and the
12 City of Rising Sun. Again, evidence of
13 these were in the form of notarized
14 receipts submitted by the City of Rising
15 Sun. Grand Victoria had previously posted
16 surety bonds to guarantee these types of
17 payments, and so they are now requesting
18 the surety bond be reduced in the total
19 amount of \$354,926.

20 MR. VOWELS: Any questions, then,
21 of Mr. Krause?

22 Is there a motion in reference to this
23 action to reduce the surety bond?

24 MS. BOCHNOWSKI: I move that we
25 reduce the surety bond.

1 MR. VOWELS: Is there a second?

2 MR. MILCAREK: Second?

3 MR. VOWELS: Any further

4 discussion?

5 All those in favor of the reduction

6 say aye.

7 (Commissioners responding)

8 MR. VOWELS: Mr. Krause, anything

9 further for you?

10 MR. KRAUSE: No, sir.

11 MR. VOWELS: Okay. Thank you.

12 Then the next matter on the agenda,

13 then, is refinancing, and we'll turn to Mr.

14 Thar again.

15 MR. THAR: We have a request from

16 Blue Chip Casino that asks two things.

17 First is that they're asking for a waiver

18 of the two meeting rule. They're asking

19 for a waiver so they can engage in

20 financing.

21 The thumbnail sketch is basically

22 this. They can get bank financing at lower

23 interest rates on certain notes that they

24 presently have. They would use the bank

25 financing to pay the notes at their first

1 opportunity, which is sometime in
2 September. But to provide you with more
3 information, I think both Mr. McQuaid and
4 Walter Hanley are here. Walter.

5 MR. HANLEY: Good morning, Mr.
6 Vowels, Commissions, Ms. Dean. I'm Walter
7 Hanley, Senior Vice-President of Blue Chip
8 Casino. As Jack mentioned, Joe McQuaid and
9 I here today to request your approval of a
10 refinancing of existing indebtedness of
11 Blue Chip Casino.

12 Two years ago yesterday in Michigan
13 City this Commission approved the issuance
14 by Blue Chip of senior subordinated notes
15 and junior subordinated notes. At that
16 time I told you that we intended to
17 refinance those notes at the earliest
18 possible date. Under the terms of the
19 notes, Blue Chip has its first right to
20 redeem those notes on September 15, 1999,
21 which is the second anniversary of the
22 issuance of the notes.

23 Bank of America, the lender under Blue
24 Chip's existing bank loan, has agreed to
25 increase the amount available under that

1 bank loan to \$50 million to allow this
2 refinancing. Blue Chip will not incur any
3 new indebtedness under this refinancing.
4 It's merely a refinancing of existing debt.
5 Because the bank loan has a lower interest
6 rate than the notes, Blue Chip's debt
7 service will be reduced by this
8 refinancing.

9 We've delivered to staff a copy of the
10 three and a half page amendment the
11 existing bank loan, together with a legal
12 opinion from Indiana counsel regarding its
13 compliance with Indiana gaming laws.
14 Because the redemption of the notes occurs
15 on September 15th, which is less than a
16 month away, we respectfully request a
17 waiver of the two meeting rule and your
18 approval of this refinancing today.

19 I'd be happy to address any questions.

20 MR. VOWELS: Does anyone have any
21 questions?

22 MS. BOCHNOWSKI: So this is
23 fairly straightforward. You're just taking
24 it and reducing the interest and redeeming
25 the notes, then your debt will go to the

1 Bank of America instead?

2 MR. HANLEY: Exactly.

3 MR. VOWELS: Mr. Thar, you have
4 any thoughts on that?

5 MR. THAR: Just as Ann noted,
6 this is really straightforward. All it
7 does is basically reduce their interest
8 cost. And by waiving the first meeting
9 rule it allows them to do it at their a
10 first opportunity September 15th.

11 I believe Mr. Hanley is correct. When
12 they originally got the license one of the
13 concerns was should they have competition
14 from tribal gaming up there, what was their
15 plan to reduce debt so they would be in a
16 more competitive position. Their statement
17 was we would use cash flow to reduce debt
18 at our earliest opportunity. Not
19 necessarily cash flow, but they would
20 refinance -- that their casino has been, I
21 think, successful beyond their highest --
22 they had low, medium expected and high
23 expectations -- beyond their high
24 expectations, so as a result they're
25 getting more favorable rates than they did

1 before.

2 To me it's a simple one to say yes
3 we'll waive it, and secondly we'll approve
4 the request to do this refinancing.

5 MR. VOWELS: Okay. Any other
6 questions then?

7 We have in front of us, then,
8 Resolution 1999-28, which concerns the
9 financing matters of Blue Chip Casino, Inc.
10 it appears that -- well there are two
11 matters that we have to approach here.
12 Either to approve or disapprove the waiver
13 of the two meeting rule. And if that
14 waiver is approved by the Commission, then
15 we move forward to approving or
16 disapproving the refinancing.

17 So is there a motion in respect to the
18 two approvals and disapprovals?

19 MS. BOCHNOWSKI: Could I lump
20 them together?

21 MR. VOWELS: Yes.

22 MS. BOCHNOWSKI: I would move
23 that we approve the request for a waiver of
24 the two meeting rule, so that today we
25 would then approve the restructuring and

1 refinancing of the debt.

2 MR. SWAN: I second.

3 MR. VOWELS: Is there any further
4 discussion?

5 All those in favor of the Resolution
6 say aye.

7 (Commissioners responding)

8 MR. VOWELS: All right. Show
9 it's approved. Thank you.

10 And, Mr. Thar, we have Majestic Star
11 Casino on the agenda next.

12 MR. THAR: Yes, if you'll
13 remember, Commissioner Darko's
14 recommendation deferred to bank financing
15 and did not waive the two meeting rule with
16 regard to the refinancing package presented
17 by Majestic Star. As a result they are
18 here today with regard to the second
19 meeting on that bank financing. I see Mr.
20 Kelly at the podium to explain it. And I
21 would also ask, Mike, while you're doing
22 that, if you could also explain the
23 interest rate that came out with regard to
24 the notes.

25 MR. KELLY: With me today, in

1 addition to myself, is our legal counsel,
2 Frank Zinn, Dykema Gossett, as well as
3 Steve Crockeston and Jeffrey Bark,
4 investment bankers.

5 When we first met we were talking
6 about a refinancing of the Majestic Star
7 back in May. We successfully refinanced
8 \$30 million of senior secured notes on June
9 18th. Those notes were issued to redeem
10 the \$105 million of senior notes existing
11 at the time. The notes carried a 12 and
12 three-quarter percent interest and a 5
13 percent continuing interest on the old
14 notes. The new notes were intended to
15 replace those notes and get an advantageous
16 interest rate.

17 When met we were on a phone conference
18 and the question was asked did I have a
19 range. At the time I was quoted a range
20 that I thought would be somewhere hopefully
21 in a single digit. As the markets do
22 change the rates did creep up. We got the
23 notes at an interest rate of 10
24 seven-eighths, which was slightly above the
25 9 and a half that we were looking for.

1 That rate is still significantly below
2 where we were before. The previous notes
3 were carrying an effective rate that was 14
4 and a half percent. So we pressed them at
5 10 and seven-eighths. The notes themselves
6 were fully subscribed and were issued on
7 June 18th as part of the successful tender
8 offer for the previous notes.

9 The new notes have maturity of seven
10 years. They also have a no-call provision
11 of four years, and they do give the
12 additional financial flexibility.

13 With respect to how we rank or how we
14 look compared to other gaming deals in the
15 community immediately before us, you may
16 recall Argosy Gaming was pressing a deal
17 and their deal was 10 and three-quarters.
18 So slightly below ours and they're a much
19 larger company.

20 Immediately following our
21 transactions, two subsequent gaming
22 companies have issued their financials.
23 One in Iowa, Pin Slick Gaming and they
24 pressed at 12 and a half percent, and
25 Hollywood Casino, which pressed at 13

1 percent.

2 So our rate was very favorable at the
3 time. Obviously we were happy with the
4 conclusion, so we're very comfortable with
5 the rate that we did achieve, and it does
6 allow the company to enjoy multi-million
7 dollar a year cost savings in annual
8 interest payment, and does give us
9 additional financial flexibility. And we
10 also communicated that to the staff at the
11 time and staff and the Commission had
12 dictated prior to (inaudible).

13 What we're here today to also discuss
14 is the second part of the refinancing. The
15 second part of the refinancing, as you may
16 recall from the May meeting, was to enter
17 into a \$20 million revolving credit
18 facility. The \$20 million credit facility
19 would be the company or bank known as
20 foothill. Foothill Financial is a division
21 of Wells Fargo Bank. The facility would be
22 a four-year facility. It would carry an
23 interest rate that at today's rates would
24 be effective around 9 and a half percent.
25 It's a floating rate that's tied to the

1 prime, so at today's rates it would be 9
2 and a half. We would use those proceeds in
3 the future for capital purposes as well as
4 capital investment. The line itself would
5 be secured by the same assets as the
6 existing \$130 million notes, and they would
7 actually be structured senior to those
8 notes. And we are respectfully asking the
9 permission to enter into that today, being
10 the second meeting.

11 MR. VOWELS: Any questions for
12 Mr. Kelly or the other gentlemen?

13 MS. BOCHNOWSKI: On the first
14 part you told us what the rate would be.
15 Was there a contingent rate on that?

16 MR. KELLY: No. On ours? The
17 contingent for the senior notes?

18 MS. BOCHNOWSKI: Right.

19 MR. KELLY: No. There is no
20 contingent interest. We eliminated that,
21 which was previously 5 percent of cash
22 flow.

23 MS. BOCHNOWSKI: Thank you.

24 MR. VOWELS: Any other questions?

25 Then we have in front of us Resolution

1 1999-29, which is an action on the request
2 for approval of a revolving credit facility
3 by Majestic Star Casino.

4 It's either to approve or disapproved.

5 And if it is approved, it's subject to the
6 terms of the final draft and associated
7 documents by the Commission staff.

8 Is there a motion in reference to
9 approving or disapproving?

10 MR. DARKO: Move to approve it.

11 MR. VOWELS: Is there a second?

12 MS. BOCHNOWSKI: Second.

13 MR. VOWELS: Any further
14 discussion?

15 All those in favor of approving
16 Resolution 1999-29, a revolving credit
17 facility, say aye.

18 (Commissioners responding)

19 MR. VOWELS: Okay. Show that it
20 is approved.

21 Next matter, then, is the merger of
22 Centaur, Inc. and Pegasus Group, Inc. Mr.
23 Thar.

24 MR. THAR: Yes. I see Mr. Hughes
25 is here on behalf of certainly Centaur and

1 my guess is all three of the companies that
2 are wishing to do the merger.

3 MR. HUGHES: Your guess is
4 correct.

5 MR. THAR: Rather than me explain
6 it and have Mr. Hughes reexplain it, I'll
7 just have ask Mr. Hughes to explain it.

8 MR. HUGHES: Mr. Chairman,
9 members of the Commission. I'm Jim Hughes
10 from the law firm of Sommer-Barnard.

11 I'm placing before you a proposed
12 merger that does not quite rise to the
13 level of Alcoa and Reynolds and some of the
14 other get-togethers we've been reading
15 about this summer.

16 There are three related corporations.
17 Centaur owns 9 and a half percent of the
18 Indiana Gaming L.P. R.J. Investments, Inc.
19 owns 4 percent of Indiana Gaming. We
20 provided the Commission with the chart
21 showing the breakdown of those two
22 corporations.

23 Also involved is Pegasus Group, Inc.,
24 which owns 13 percent of Hoosier Park.
25 We'd like to merge Pegasus Group and R.J.

1 Investments into Centaur.

2 I should emphasize that this brings no
3 new individuals or entities to the
4 ownership interest in the Lawrenceburg
5 boat. All of the people who were
6 previously shareholders of Centaur remain
7 shareholders of the merged entity.

8 The percentages vary a bit from
9 individual to individual. The bottom line
10 on the chart is the right-hand column shows
11 the indirect percentage ownership of
12 Indiana Gaming that would result after the
13 merger, which is slight in terms of total
14 ownership of the venture.

15 Two of the shareholders were
16 investigated when the original request for
17 the permit was made. The additional
18 shareholders have undergone a records check
19 that was conducted by the Commission staff
20 earlier this year. The same request was
21 made to the Horse Racing Commission, and
22 they approved it a few months ago.

23 If you have any further questions, I'd
24 be happy to answer them.

25 MR. VOWELS: Are there any

1 questions?

2 Mr. Thar, is there any -- you have any
3 thoughts on that? It appears that the
4 attachment of Exhibit A shows percentage of
5 ownership, that there appear to only be two
6 people who are close to 5 percent.

7 MR. THAR: With regard to the
8 people that were investigated originally, I
9 believe that Mr. Norton was. Mr. Ratcliff
10 was and I thought Mr. O'Malley was.

11 MR. HUGHES: I'm sorry. There
12 were three.

13 MR. THAR: So as you look at the
14 percentage owner that would be if this is
15 approved, the 3.9, the 2.1 and the 4.7,
16 those people were investigated at the time
17 we awarded the Certificates of Suitability
18 to Indiana Gaming Company. Some of the
19 other people were looked at. People that
20 were just looked at or that were not looked
21 at at all we had come in, they were
22 reviewed by the Indiana State Police. They
23 gave fingerprints, there have been
24 fingerprint checks and name checks.
25 Nothing -- let's put it this way. All the

1 responses back were negative, meaning that
2 there was nothing with regard to any of
3 these individuals which would prevent them
4 from holding the percentage interest that
5 they have.

6 So from a background surety point of
7 view, there's no reason to not approve this
8 request for merger. We are not changing
9 the ownership here at all. As a matter of
10 fact, what we're doing is a couple of
11 people are diluting their ownership
12 exchange for sharing in ownership of the
13 race track.

14 The only question that one might ask
15 -- I don't know if I would be the one -- is
16 why? I think I have a guess, but I don't
17 want to go into it. If somebody else wants
18 to ask.

19 MR. VOWELS: I'll ask it. Why?
20 Why would they do that?

21 MR. HUGHES: They simply want to
22 put together a larger, stronger entity with
23 more clout.

24 MS. BOCHNOWSKI: More clout
25 within Indiana Gaming you mean?

1 MR. HUGHES: More clout
2 economically period. There are other
3 possible business ventures.

4 MR. VOWELS: There are things
5 other than gaming?

6 MR. HUGHES: There are things
7 other than gaming.

8 MR. VOWELS: Are there any other
9 questions then?

10 Okay. In front of us, then, is
11 Resolution 1999-30 which ask us two things,
12 to either grant or deny this request on the
13 waiver of the normal transfer of ownership
14 procedures and the intended background
15 investigations. So we move from there, if
16 that is granted, we move to the request
17 that we approve the merger of R.J.
18 Investments and Pegasus and the resulting
19 transfer of ownership interest. So it's
20 two-fold there. I guess we could take it
21 as one.

22 Someone have a motion in reference to
23 that?

24 MR. DARKO: Move to approve.

25 MR. SWAN: Second.

1 MR. VOWELS: Okay. Move to
2 grant, and then move to grant the waiver
3 and then grant the merger; is that correct?

4 MR. DARKO: Yes.

5 MR. VOWELS: Mr. Swan, you had a
6 second to that; is that correct?

7 MR. SWAN: Yes.

8 MR. VOWELS: Any further
9 discussion then?

10 All those in favor of that motion on
11 Resolution 1999-30 say aye.

12 (Commissioners responding)

13 MR. VOWELS: All right. We'll
14 show that it's approved.

15 MR. HUGHES: Thank you.

16 MR. VOWELS: And the next matter
17 on the agenda is Casino Aztar
18 restructuring. Mr. Diener.

19 MR. DIENER: Good morning,
20 Chairman Vowels, the Commission, Mr. Thar,
21 Ms. Dean. My name is Bill Diener. The
22 firm of Ice Miller Donadio & Ryan. Indiana
23 counsel for Aztar Indiana Gaming
24 Corporation.

25 Proposing to you today a restructuring

1 of Aztar's riverboat operations. Aztar, as
2 you know, is headquartered in Phoenix,
3 Arizona. It's a publicly traded company.
4 Has casino hotel operations in Atlantic
5 City, New Jersey, as well as in Nevada in
6 both Las Vegas and Laughlin. Has two
7 riverboats, one in Missouri and one in
8 Indiana.

9 Strategically, Aztar wants to add a
10 separate riverboat division within its
11 corporation. One in which would eliminate
12 the need for intra-corporate marketing
13 services agreements and what have you, as
14 well to make some strategic management
15 moves more in line with overall supervision
16 of the riverboat operations. Specifically,
17 they would set up two new limited liability
18 companies in both Missouri and Indiana, to
19 which the current riverboat assets and
20 licenses would be transferred. There would
21 also be established another limited
22 liability company which would have
23 supervision, control and strategies over
24 the two riverboat operations, providing for
25 more coordinated management of the two.

1 What we are proposing from an Indiana
2 Gaming Commission standpoint this morning
3 is the transfer of the license to Aztar
4 Indiana Gaming Company L. L. C., from Aztar
5 Indiana Gaming Corporation.

6 There will be no change in the
7 officers, directors, shareholders,
8 beneficial owners. Aztar Indiana Gaming
9 Corporation is 100 percent owned by Aztar.
10 Always has been. The same will transpired
11 under this shift from one entity, a
12 corporation, to a limited liability
13 company.

14 And that is the request before you
15 this morning. I would be pleased to try to
16 answer any questions that you might have.

17 MR. VOWELS: Are there any
18 questions for Mr. Diener?

19 MS. BOCHNOWSKI: Well you said
20 that this is no way changes any of the
21 plans you have for your Evansville
22 facility.

23 MR. DIENER: No, not in any way
24 changes nobody's plans, nobody's
25 commitments to the State of Indiana, City

1 of Evansville or Vanderburgh County. There
2 are no additional owners, no changes in
3 control. Just a change in a corporate
4 entity from a corporation to a limited
5 liability company, a change which requires
6 this Commission's approval.

7 MR. VOWELS: Any further
8 questions?

9 Mr. Thar.

10 MR. THAR: I might point out a
11 couple of things. We went over this with
12 Mr. Diener a couple times.

13 One of the differences between this
14 and the Centaur request, if you'll notice
15 in the Centaur request they asked for a
16 waiver of certain procedures and then
17 approval of this particular merger.
18 Centaur did not disappear as an entity.
19 That was the ownership group. They wanted
20 others to collapse into it.

21 This particular instance the licensee
22 will disappear and they are asking the
23 license be transferred to a new corporate
24 entity.

25 MS. BOCHNOWSKI: Can you do that?

1 MR. THAR: Yes. But the
2 difference is that we can't waive the
3 procedures in -- we can waive the
4 procedures in certain regards, not all
5 regards.

6 One, by our rules, anytime there's a
7 change in the ownership, be it a technical
8 change in the applicant, a technical change
9 in the license holder, we have an
10 obligation to bill them \$50,000.
11 That was waived with regard to Centaur.
12 That's not being waived with regard to
13 Aztar.

14 So that's one of the reasons that the
15 waiver procedure is not included in here.
16 Other than that, this is a straightforward,
17 from what I see, business decision on the
18 part of Aztar overall, this is the way
19 they'd like to see their company and
20 subsidiary structured with regard to the
21 licenses they hold in Indiana and Missouri.

22 So we see no objection with it.

23 MS. BOCHNOWSKI: They've agreed
24 to the \$50,000? They are aware of that?

25 MR. THAR: Reluctantly, but yes.

1 As have other companies that have done the
2 same thing. For instance, Hyatt has
3 changed structure, if not once, twice. And
4 each time, even though there was no need to
5 do an extensive investigation or any
6 investigation at all, we've had to do that.

7 That is the same thing that may be
8 part of the transaction with regard to the
9 Boyd acquisition of Blue Chip.

10 MR. VOWELS: Any other questions?

11 Then in front of us we have Resolution
12 1999-31, which asks us to either approve or
13 deny this request. And is there a motion
14 to approve or deny?

15 MR. SWAN: Move to approve.

16 MR. VOWELS: Is there a second?

17 MS. BOCHNOWSKI: I'll second
18 that.

19 MR. VOWELS: Is there any further
20 discussion?

21 All those in favor of approving in
22 reference to 1999-31 say aye.

23 (Commissioners responding)

24 MR. VOWELS: Show it is approved.

25 Thank you Mr. Diener.

1 Mr. Thar, at this time maybe we should
2 take a short break, do you think?

3 MR. THAR: From my own personal
4 point of view I recommend it.

5 MR. VOWELS: I remember when I
6 became Chairman after Chairman Kleiman and
7 I went a long time and Dr. Ross leaned over
8 to me and said I was too young to be
9 Chairman because I didn't take enough
10 breaks.

11 MR. THAR: I would recommend a 10
12 minute break.

13 And then there's obviously another
14 option. There are four groups that should
15 address the Commission with regard to this
16 next matter: Horseshoe, Empress, Mr.
17 Yeager and Mr. Hamilton on behalf of the
18 Indiana Coalition Against Legalized
19 Gambling, as well as the representative
20 from the City of Hammond. Then it would be
21 time for questions and Commission
22 discussion.

23 I would recommend that we not break
24 for lunch until after we've completed this
25 issue, because that would about end it.

1 But by the same token, I think a quick
2 break at this point of view might make
3 everybody more comfortable.

4 MR. VOWELS: Well we'll take a 10
5 minute break. It's 10 after 12:00 now, so
6 let's be back about 20 after 12:00.

7 (A brief recess was taken at this
8 time.)

9 MR. VOWELS: All right. Well we
10 almost made 10 minutes. It's 25 after. So
11 we'll call the meeting to order again. We
12 have our quorum. Everyone is back in
13 place.

14 The next matter on the agenda is
15 acquisition of Empress by Horseshoe Gaming,
16 Inc., and we shall now turn to.

17 Mr. Thar, is there any preliminary
18 matter in that regard that you need to
19 address, or just move right into it?

20 MR. THAR: I think the only
21 preliminary matters that I think need to be
22 mentioned are that the Commission has
23 spent, through 78

24 its Indiana State Police Background Unit, a
25 considerable amount of time investigating this

1 request for change in ownership.

2 We have submitted to the Commission a
3 report in both a public and confidential
4 form.

5 We did hire Dr. Charlene Sullivan from
6 the Krannert School of Business at Purdue
7 to do a financial analysis of this
8 particular transaction. That is a
9 confidential report containing financial
10 information not required to be disclosed by
11 statute, which also probably to the extent
12 it contains closely held financial
13 information by each of the companies, also
14 be considered a trade secret. That has
15 been prepared, submitted to the Commission
16 and was discussed at our Executive Session
17 this morning. So other than to make a
18 record of the fact that these types of
19 reports have been provided to the
20 Commission.

21 And also that information submitted to
22 us by Reverend John Wolf, of the Indiana
23 Coalition Against Legalized Gambling, has
24 also been submitted to the Commission.
25 Along with my paraphrase of Reverend Wolf's

1 position, which I believe is that he is
2 very much or adamantly opposed to this
3 particular acquisition.

4 There is Mr. Yeager, who is here in
5 Reverend Wolf's stead, as Reverend Wolf
6 could not be here today. And he has asked
7 and we have said he could address the
8 Commission. He preferred to be in a
9 summary position after the Commission has
10 heard from Horseshoe, Empress and the City
11 of Hammond.

12 With those preliminary matters out of
13 the way, Mr. Chairman, I would probably
14 suggest that we hear from the groups
15 involved either for or against this
16 particular acquisition.

17 MR. VOWELS: My understanding is
18 that the order that they will go in will
19 then be -- Horseshoe will address us first,
20 followed by Empress, followed by the
21 representative of the City of Hammond and
22 then Mr. Yeager. So let's turn to
23 Horseshoe at this time.

24 MR. BAYT: Thank you Mr.
25 Chairman, members of the Commission, Mr.

1 Thar, Ms. Dean, members of the staff. I'm
2 Phil Bayt here representing Horseshoe
3 Gaming Holding Corp. That's a corporation
4 that's a Delaware corporation. It's
5 admitted to do business in the State of
6 Indiana. I've delivered some materials
7 this afternoon to Mr. Thar in response to
8 some inquiries concerning the organization
9 and admission to do business of that
10 company in the State of Indiana.

11 As a result of the merger agreement
12 between the Horseshoe family of companies
13 and the Empress family of companies, the
14 Empress Casino Hammond will continue to
15 operate and hold the license in the City of
16 Hammond at the gaming facility there. But
17 if this transfer is approved and if the
18 deal is consummated, the ownership of that
19 company will transfer from its current
20 owner, Empress Entertainment, to a new
21 owner, Horseshoe Gaming Holding Corp.

22 And I want to tell you from the
23 corporate facts that's a complicated name
24 to start with, so I'll probably reduce that
25 to Horseshoe from now on.

1 We're asking the Commission today to
2 approve that ownership transfer.

3 As you know, a few years ago a
4 Horseshoe-related entity made an
5 application for a license in southern
6 Indiana. While that application was not
7 successful, Horseshoe and Jack Binion
8 remain keenly interested in the Indiana
9 market. When the Empress opportunity
10 arose, Horseshoe quickly sought to strike a
11 deal.

12 If this deal is approved and if it's
13 consummated, the combined company will be a
14 major player in the gaming industry
15 throughout the entire United States.

16 I think it might be helpful to provide
17 a snapshot of what Horseshoe looked like
18 then, what it looks like today and what the
19 combined companies will look like on a few
20 important measures.

21 First as to locations. In 1995, and
22 again today, Horseshoe has two locations.
23 One in Bossier City, Louisiana serving the
24 Dallas-Fort Worth market, and one in
25 Tunica, Mississippi serving the Memphis

1 market. When the companies combine there
2 will be four locations. Bossier City,
3 Tunica, Hammond and Joliet, with Joliet
4 serving the northwest Indiana-Chicago
5 market.

6 The company has grown from an asset
7 base in 1995 of about \$200 million, to an
8 asset base today of some \$435 million.
9 Horseshoe boasts two new hotels, a 600 room
10 hotel in Bossier, and a 500 room hotel in
11 Tunica. The combined companies will have
12 assets of in excess of \$1.1 billion.

13 In 1995, Horseshoe had revenues of
14 about \$340 million. It had the largest
15 market share and the highest revenues in
16 each of its markets, even though there was
17 heavy competition and very few entry
18 barriers in Mississippi.

19 By 1998, Horseshoe had revenue of the
20 \$461 million, again with the leading market
21 share in both of its markets and the
22 highest revenues in both its markets, even
23 though there was even more competition and
24 no entry barriers to speak of in
25 Mississippi.

1 The combined company will have over
2 \$900 million in annual revenue, will be a
3 market leader in the northwest Indiana and
4 Chicago markets. It will enjoy broad
5 geographic diversity with a number of
6 different locations, and it will be larger
7 than any comparable gaming companies,
8 including Aztar, Station, Hollywood Park
9 and Argosy.

10 In 1995, Horseshoe had about 3,000
11 employees. That has now grown to over
12 5,200 employees. And the combined company
13 will have more than 8,700 employees.

14 Horseshoe has assembled an excellent
15 management team with considerable
16 experience both at Horseshoe and throughout
17 the industry.

18 As a result of the merger, and after
19 the merger, the Empress management team
20 will remain in place, with Joe Canfora,
21 current president of Empress, being the
22 president of the combined companies. Rick
23 Mazer remaining as the general manager and
24 Dave Fender remaining as the general
25 manager of the Joliet operation.

1 Horseshoe's management team has also
2 been working with Empress on transition
3 issues, and when the companies combine they
4 will constitute a tremendous human resource
5 base that make good things continue
6 happening for that company.

7 This merger isn't just about numbers.
8 It's about people. Once the merger is
9 consummated the employees will have an
10 absolutely excellent employee benefits
11 package comparable to the ones that Empress
12 has today. But more importantly, they're
13 going to have tremendous opportunities for
14 growth, for promotion and for training that
15 don't exist in either one of the companies
16 today.

17 The philosophy of the combined
18 companies is simple, and it rests on three
19 fundamental principles.

20 First, provide an excellent gaming
21 experience for the patron giving good odds,
22 good food, good surroundings in powerful
23 gaming markets.

24 Second, either exceed MBE-WBE minority
25 hiring and women hiring goals.

1 And third, be a good corporate citizen
2 in each of is jurisdictions.

3 Horseshoe and Empress have worked over
4 the last several months with the City of
5 Hammond to nail down the specifics of the
6 commitments made by Empress, both in their
7 license and in the development on housing,
8 commercial and hotel commitments. Empress
9 made a commitment to provide \$5 million
10 worse of funds for housing initiatives in
11 the City of Hammond. I'm pleased to say
12 they've worked out an arrangement under
13 which that money is being spent and housing
14 is being improved in the City of Hammond.

15 That commitment has now taken the form
16 of two different agreements. The first
17 agreement is a one and a half million
18 dollar loan from Empress to the City to
19 create a revolving loan fund to improve the
20 housing stock in City of Hammond. Of that
21 1.5 million, 1 million has already been
22 advanced and is at work. Another 500,000
23 is due to be advanced in May of the year
24 2000.

25 The second piece is that Empress

1 agreed to provide three and a half million
2 dollars worth of funds to build new
3 subdivisions and improve existing
4 subdivisions in the City of Hammond. I'm
5 pleased to report that they're in
6 development of a brand new subdivision in
7 the City of Hammond, and it's expended to
8 date over \$2 million and expected to spend
9 the balance by July of 2001.

10 For its commercial commitment Empress
11 agreed to facilitate \$10 million worth of
12 commercial development in the City of
13 Hammond, and I'm pleased to say those
14 arrangements have been worked out as well.

15 First, Empress has agreed to spend
16 \$500,000 to purchase the Rogue Capp
17 property, which is a south of Indianapolis
18 Boulevard near the overpass. That
19 transaction has been closed and the
20 property has been acquired.

21 Empress has agreed to provide a grant
22 to the City of Hammond to further its
23 economic development programs. That grant
24 was made on August 13th.

25 Empress also agreed to make a loan in

1 the amount of \$3 million to the City to
2 help finance some of its important projects
3 within the city. I am pleased to report
4 that that \$3 million has already been
5 advanced and the loan has been fully
6 funded.

7 Empress has agreed to spend a million
8 dollars for property acquisition and
9 surface parking improvements in the area
10 around each facility. I'm pleased to
11 report that money has also been spent as
12 well.

13 The balance of the 10 million, two and
14 a half million, has now been committed by
15 Empress and its successor, Horseshoe, to
16 further develop the 10-acre tract also
17 south of Indianapolis Boulevard commonly
18 known as the hotel parcel. And Empress has
19 committed by December of 2005 they will
20 spend two and a half million dollars in the
21 further development of that property.

22 Finally, the parties also agreed upon
23 the particulars of the hotel commitment.
24 If this transfer is approved and the deal
25 is consummated, Horseshoe will pay \$850,000

1 for an option to lease a parcel of ground
2 near the pavilion in order to build a
3 hotel. If the plan is not approved, they
4 will begin construction of a hotel by July
5 of next year on the 10-acre parcel known as
6 the hotel parcel.

7 This transaction needs not just the
8 approval of this Commission, but of the
9 Illinois Gaming Board. And I can report by
10 way of status that those matters are
11 ongoing. Investigations are being
12 conducted. Horseshoe is working closely
13 through its representatives there to
14 provide all information that's necessary,
15 and we are hopeful prior to December 1
16 we'll have a hearing and favorable outcome
17 in Illinois.

18 I'd like now to introduce Mr. Binion,
19 who is the chairman of the board of
20 Horseshoe Gaming Holding Corp. And the
21 question is, how do you introduce a man who
22 doesn't need an introduction? How do you
23 tell people something about a person who
24 has lived in the public eye of patrons,
25 regulators and press for all of his adult

1 life? I guess the answer is you try to get
2 past what is in the interview transcripts
3 and get past background reports and ask
4 yourself what is it that you can
5 communicate about the real Jack Binion
6 that doesn't show up in those background
7 reports.

8 Well we all know that Jack is a good
9 businessman. He's grown from a very meager
10 beginning into a very great success. And
11 we also know that notwithstanding the loss
12 of some of his management team last year,
13 he has put together a new management team
14 that has beaten all of its revenue
15 projections all year.

16 What we don't know is the Jack Binion
17 who meets regularly with the housekeepers
18 at his hotels to ask them how he can help
19 them do their job better and how they are
20 getting along. What we don't know is the
21 Jack Binion who spends more time in his
22 restaurants than his offices asking his
23 patrons firsthand if they're having a good
24 time. That's the Jack Binion I've come to
25 know and the one I'm proud to introduce to

1 you today.

2 MR. BINION: My name is Jack
3 Binion. I'm chairman of Horseshoe Gaming.

4 First of all, I'd like to thank the
5 staff and Commission today for considering
6 our application. I'd just like to say that
7 we are very excited about the vitality of
8 the northern Indiana market, and we're
9 looking forward to getting to work on
10 there.

11 Like Phil said, we plan on keeping the
12 Empress management team and combine it with
13 our Horseshoe system, which we are working
14 on already.

15 And let me introduce you to our team.
16 This is Perry Howard, our vice chairman.
17 Joe Confora, our president. Roger Wagner,
18 our chief of operations. Kirk Saylor, our
19 chief financial officer. David Carroll, our
20 vice-president human resources. And Rick
21 Mazer, the general manager of Hammond.

22 With that I'm going to turn it over to
23 Kirk Saylor. He can answer any questions
24 you might have about any of the financing.

25 MR. SAYLOR: Thanks Jack.

1 Chairman, Commissioners, Mr. Thar, Ms.
2 Dean.

3 First of all, I'd like to report on
4 the status of the agreement with the
5 Empress merger. I'd like to report that it
6 is in full force and effect and everything
7 is on track right now for a successful
8 closing.

9 Secondly, I'd like to talk about the
10 recent financing that has most recently
11 taken place. In May of '99 we closed a
12 \$600 million subordinated note issue with
13 an interest coupon rate of eight and
14 five-eighths percent, effective yield of
15 eight and eleven-sixteenths percent. The
16 notes are tender notes and they are
17 subordinated to our senior credit facility.

18 Some of the uses of this bond issue
19 really accomplice two things. Three
20 things. We refinanced some existing senior
21 notes that we had that were 12
22 three-quarters percent. Got a better
23 interest rate. We also refinanced a bank
24 facility that we had outstanding to the
25 tune of about 75 million. The remainder of

1 the issuance of about 325 million was
2 placed in a secured postage account to be
3 used to effect the merger with the Empress
4 entity once approved and finalized.

5 The second part of our financing was a
6 bank credit facility that just got
7 completed in June of 1999. It was a \$375
8 million facility that was comprised of a
9 \$250 million revolver and \$125 million term
10 B loan. The revolver has an interest rate
11 of 250 base points over LIBOR. The term
12 loan has an interest rates of 225 base
13 points over LIBOR.

14 Repayment terms on the revolver is a
15 five-year revolver. Beginning in the third
16 year that commitment is reduced by 15
17 percent, fourth year by 20 percent and
18 fifth year by 55 percent. The term loan is
19 a seven-year commitment, and there's a 1
20 percent principal payment requirement every
21 year on the term B loan.

22 Security, all four of the properties
23 will secure the debt and guarantee it.
24 Substantially all the assets will guarantee
25 the credit facility.

1 With that our financing is in place.
2 We are confident that our projections and
3 revenue base will certainly provide us with
4 enough financial wherewithal to repay the
5 debt on a timely basis. With that we
6 expect to close this merger by December 1
7 and start a new company.

8 I'd like to give it back to Mike
9 Hansen from Empress and he'll share some
10 information.

11 MR. HANSEN: Thank you, Kirk.

12 Good afternoon Chairman Vowels,
13 members of the Commission, Executive
14 Director Thar, Ms. Dean and staff.

15 My name is Mike Hansen, vice-president
16 and the chief legal officer for Empress
17 Casino Hammond.

18 We are present here before you today
19 to respectfully request the approval of the
20 merger of Empress Hammond Corporation into
21 Horseshoe Gaming and for the transfer of
22 the gaming license to Horseshoe. With me
23 today are the four people primarily
24 responsible for the success Empress Casino
25 Hammond has enjoyed since its opening in

1 late June, 1992.

2 First of all, Peter Ferro, Jr. Pete
3 is our chief executive officer and is one
4 of our seven owners. Pete is the
5 individual under whose direction Empress
6 III was constructed and started full-time
7 with the company in January 1977. His
8 focus and accomplishments include bringing
9 professional gaming experience to the
10 company and providing leadership and
11 cohesiveness with our board of directors.
12 He has done all of that and more, while
13 also directing all major elements of this
14 merger.

15 Secondly, Joseph Confora has been our
16 present beginning June of 1997. In those
17 two short years he has formed a holding
18 company, refinanced our company, enlarged
19 our boat with support staff and oversaw a
20 \$3 million major operation of the Hammond
21 facility. Joe's 20-plus years in the
22 gaming business has also proven integral in
23 long range planning for Empress Casino
24 Hammond. As you have heard, Joe is staying
25 on with Horseshoe as its president.

1 John Costello. John has been our
2 longest serving team member serving as our
3 chief financial officer for over five
4 years. You'll recall John's active role in
5 obtaining our license four years ago. He
6 oversaw the company's extremely successful
7 refinancing in 1998, and made certain the
8 company has remained on firm financial
9 footing. John also plans to remain with
10 Horseshoe.

11 And finally, everyone is familiar with
12 Rick Mazer, our one and only general
13 manager. We were lucky to take Rick from
14 Joliet as the head of marketing, and Rick
15 has provided solid leadership since opening
16 day. Revenues have remained high, while
17 expenses have been kept under control.
18 Horseshoe is fortunate that he will remain
19 as general manager.

20 I would also like to recognize some
21 people who cannot be with us today. First
22 of all, our 1,800 employees, without whom
23 we could not operate our business and every
24 one of them, as well as those people who
25 have also worked for Empress Hammond, have

1 helped to make Empress Hammond a great
2 operation. They will continue to thrive
3 under Horseshoe's great company culture.

4 Secondly, I would like to recognize
5 Hammond Mayor Duane Dedelow, who could not
6 be present today. We have had an excellent
7 partnership, always working together and
8 eventually achieving a result satisfactory
9 to both parties. Thank you Mayor Dedelow.

10 The numbers, as they say, tell the
11 story. Needless to say, they are
12 impressive. Total project development
13 since inception, \$155 million. More than
14 \$30 million above our estimate. Fixed and
15 contingent incentives, aid to local
16 government, \$63 million. Voluntary
17 charitable contributions in excess of \$3
18 million. Total tax revenue paid over \$200
19 million. Total gross annual revenues over
20 \$225 million.

21 In addition, Empress Hammond has
22 either fulfilled or is in the process of
23 fulfilling all of our commitments under the
24 Certificate of Authority with the Gaming
25 Commission or that are under the

1 development agreement with the City of
2 Hammond, and Horseshoe has committed to
3 honoring and completing any unfulfilled
4 commitments.

5 The owners of Empress Casino Hammond
6 leave Indiana with the company they formed
7 in excellent financial shape and poised to
8 proceed into the 21st century under the
9 successful and experienced hand of Jack
10 Binion and the Horseshoe organization. We
11 could not have found a better company with
12 whom to leave and improve our legacy. We
13 know all those involved with gaming, the
14 State of Indiana, the City of Hammond, our
15 employees and our loyal customers, will be
16 extremely well served with Horseshoe as the
17 owner of the license.

18 Therefore, on behalf of the owners of
19 Empress Casino Hammond, we respectfully
20 request the approval of the transfer of our
21 gaming license to Horseshoe Gaming. Thank
22 you.

23 MR. VOWELS: Thank you.

24 Mr. Bennett from the City.

25 MR. BENNETT: My name is Jim

1 Bennett. I'm representing Mayor Duane
2 Dedelow, who could not be here today.

3 Mr. Chairman, members of the
4 Commission, Mr. Thar. I would like to read
5 a letter from the Mayor.

6 "Ladies and gentlemen. Thank you for
7 allowing the City of Hammond to appear
8 before the Commission at this hearing. As
9 you know, riverboat gaming has become an
10 important industry in the City of Hammond,
11 and its benefits are evident in increased
12 levels of employment and increased tax base
13 and completion of vital infrastructure
14 projects which have renewed and improved
15 our entire community.

16 "Since being advised of the proposed
17 transfer last September, my staff and I
18 have met with Jack Binion and other
19 representatives of Horseshoe, as well as
20 representatives of Empress, to address
21 issues of importance to both of us. As a
22 group we addressed those issues and look
23 forward to a smooth transition to Horseshoe
24 as the license holder.

25 "With the involvement of Horseshoe,

1 Empress and the City have reached a written
2 agreement on the housing, commercial and
3 hotel components of the project that
4 outline the development agreement. We have
5 also come to an agreement on sharing
6 parking spaces to accommodate all who use
7 our beautiful lake front resources.

8 "I am happy to report that everything
9 in those agreements is on track and that
10 Empress has performed all material respects
11 under our agreement. To date Empress has
12 expended approximately 9.5 million in
13 fulfillment of its commitments, of which
14 7.5 million has taken the form of loans and
15 grants to the City. Horseshoe has
16 confirmed to the City that it will honor
17 those commitments after the transfer of the
18 license.

19 "We at the City support the transfer
20 of the Indiana license to Horseshoe, and
21 look forward to the bright future for
22 gaming in Hammond with our new gaming
23 operator. Thank you."

24 MR. VOWELS: Thank you.

25 Then Mr. Yeager.

1 Have we met before? Weren't we on a
2 television show together a year or so ago
3 in Evansville?

4 MR. YEAGER: Yes.

5 (A brief discussion was held off
6 the record at this time).

7 MR. YEAGER: I'm Dick Yeager,
8 representing the Indiana Coalition Against
9 Legalized Gambling, which will indicate to
10 you that I take a position very different
11 from most of what you've heard this day.

12 I understand that you have a copy of
13 John wolf's report and you've already seen
14 his copy. All right. Let me just, then,
15 on behalf of your time, simply summarize
16 some of Mr. Wolf's major conclusions. I
17 represent a report written by John wolf,
18 who is the coordinator of the Indiana
19 Coalition Against Legalized Gambling.

20 Let me say at the beginning, on my own
21 behalf, I do not envy you the task that is
22 yours. I respect the legislature having
23 put you folks in a position. And let me
24 say to you that among my regular prayer
25 life I regularly pray for you as well the

1 owners, the workers of our gambling
2 institutions.

3 Mr. Wolf's report is based on reports
4 from a book written by David Johnston,
5 Doubleday Press, 1992. Secondly, he quotes
6 a Newsweek Magazine article of July the
7 12th, 1999. And a book "Bad Bet" published
8 in 1998.

9 Let me simply share with you the basic
10 conclusion that Mr. Wolf comes to after
11 these conclusions. Would remind you that
12 the question before you is critical for our
13 State. How much of the history of Mr.
14 Binion will come to Indiana and it's
15 relationship to the forces that have made
16 gambling in Nevada and other states before
17 the expansion of gambling across the
18 nation.

19 He wants you also to refer to a
20 statement by David Holstrum in his review
21 of the book "Bad Bet." He calls into
22 question the future of America in gambling
23 cities. You have heard the immediate and
24 instant success by the representative of
25 the Mayor of Hammond, but how long will

1 that story stay with us. Some of us don't
2 believe it will stay with us over the long
3 haul. And Mr. Wolf would remind you that
4 David Holstrum says, "The question of the
5 future of America in gambling cities where
6 politics, mob involvement and sophisticated
7 marketing has turned America into a
8 gambling nation, which may be putting our
9 American way of life at risk." He reminds
10 us that East Chicago, Michigan City and now
11 Hammond are being bought up by the biggies
12 in the gambling industry, and Indiana had
13 better be very careful of the character of
14 the applicant, who they are and what they
15 are bringing into our state.

16 Again I say we do not envy you the
17 task that is yours in making the decision
18 as to who will and who will not run the
19 fastest growing industry in the United
20 States, which is gambling.

21 I appreciate the need in our nation
22 for some new forms of games, for some new
23 opportunities for relaxation and pleasure.
24 We may have taken the work ethic to its
25 fullest extent and need now to learn some

1 new forms of games. I'm not sure that the
2 uniting of games and gambling is the best
3 way to go.

4 I'm grateful for your role in helping
5 us to manage this industry as much as we
6 can in the process of seeing where it will
7 take us, but that the persons who are
8 running the industry need to be looked at.
9 Thank you.

10 MR. VOWELS: Thank you, Mr.
11 Yeager.

12 That completes the presentation. This
13 will be the time for any of the
14 Commissioners to address any questions of
15 either Empress or Horseshoe or City of
16 Hammond or Reverend Yeager. Anybody want
17 to start off or have any questions?

18 MR. SWAN: Yes. Let's get it out
19 on the table.

20 Mr. Yeager really brought up some
21 points by innuendo. I'd just like Mr.
22 Binion to tell us what baggage he's
23 bringing to Indiana when he does bring
24 Horseshoe here.

25 MR. BINION: Well there is no

1 doubt that my family background, which I
2 think was covered the first time we came
3 in, that unfortunately we discussed my
4 father who had, you know, a checkered
5 background and my brother, who is now dead.
6 And so these are the baggage I live with.
7 All I can say is if you notice we've been
8 good corporate citizens. If you ask the
9 areas that we are in they think we do a
10 good job.

11 That's all I can say.

12 MS. BOCHNOWSKI: It's not always
13 just your family, but some of the people in
14 the past that you've been associated with.
15 This is a real concern, you know, because
16 we are directly asked to give you a license
17 in our State and our law does talk about
18 moral character or character. Some of the
19 people that you've made loans to that
20 you've dealt with through the years are
21 also unsavory. How do you respond to that?

22 MR. BINION: Well all I can say
23 is the gambling business is a people that
24 maybe aren't of the highest quality
25 character, but now I really don't associate

1 with anybody. I handle my business I feel
2 like very well. And even though I've
3 rubbed elbows with those kind of people,
4 I'm not associated with them in any way.

5 MR. THAR: May I ask a couple
6 questions along that line.

7 Mr. Binion, have you ever been charged
8 with any felony?

9 MR. BINION: No. I've never been
10 arrested in my life.

11 MR. THAR: For anything?

12 MR. BINION: Nothing.

13 MR. THAR: I think you've self
14 described that your father had a colorful,
15 at a minimum, past?

16 MR. BINION: Yes.

17 MR. THAR: And I think most
18 people here, particularly with regard to
19 the information provided by Reverend Wolf,
20 are familiar with the incident surrounding
21 your brother.

22 Aside from what is said in the books
23 that were referred to by Mr. Yeager
24 concerning your father, your brother and
25 the other members of your family, what, if

1 anything, can you tell the Commission
2 that's been brought out that's derogatory
3 about you that's not rumor?

4 MR. BINION: Well even in the
5 books that you're talking about were really
6 exaggerated with pocky. If you notice, if
7 you read those books they never even
8 mention me.

9 MR. THAR: Have you ever had a
10 gaming license in any of the jurisdictions
11 you're presently in brought into question?

12 MR. BINION: No, I have not.

13 MR. THAR: Have you had any
14 investigation that did not being -- that
15 started out to ask whether or not this
16 license should be revoked but it wasn't.
17 Have you ever been in that situation?

18 MR. BINION: No, I have not.

19 MR. THAR: That would be all I
20 would have on that topic at this time.

21 MR. BINION: I am licensed in the
22 State of Nevada. I am licensed in the
23 State of Louisiana. And I'm licensed in
24 the State of Mississippi. And I just got
25 my license in the State of Mississippi

1 renewed once again because you have to have
2 it renewed every year or so.

3 MR. VOWELS: You're undergoing
4 the process in Illinois also just as -- the
5 application process in Illinois, you're
6 undergoing that at this time also just as
7 you are here; is that correct?

8 MR. BINION: Yes, I'm undergoing
9 investigation now.

10 MR. VOWELS: There were -- in the
11 lawsuit that your sister had brought, that
12 lawsuit has been settled; is that correct?

13 MR. BINION: Pardon me?

14 MR. VOWELS: The lawsuit that
15 your sister had brought against you has
16 been settled, is that correct?

17 MR. BINION: Yes.

18 MR. VOWELS: Reverend Yeager, if
19 I could just address you. If you come
20 forward just a second.

21 Our materials reflect for the second
22 time an exhaustive background investigation
23 of Mr. Binion, and a lot of that is
24 confidential so it can't be addressed
25 specifically. And as I read through what

1 was submitted by Reverend Wolf, I'm not
2 seeing anything that directly relates to
3 Jack Binion. I see things in the sins of
4 his father and sins of his brother.

5 MR. YEAGER: Yes.

6 MR. VOWELS: Is there something
7 I'm missing?

8 MR. YEAGER: I guess Mr. Wolf's
9 concern is for you to take a look at what
10 perhaps has been in the past a closer
11 relationship between the "underworld" and
12 the gambling industry, and whether this is
13 possible connection that might come forward
14 again. We all know that the difference in
15 gambling now is that we have legalized it,
16 and some folks would say well that means
17 what used to happen will no longer happen
18 because it's aboveboard now. And so that
19 is Mr. Wolf's concern, and it's at that
20 point that I said I don't envy you the task
21 anymore than I really envy myself the task
22 I have.

23 MR. VOWELS: I guess my direct
24 question to you would be is there anything
25 that you can tell us specifically, other

1 than rumor or innuendo, that would directly
2 stick on Jack Binion here today that you
3 need to tell us?

4 MR. YEAGER: Not that I know of,
5 no.

6 MR. VOWELS: And in the material
7 provided to us by Mr. Wolf, I assume you've
8 read everything that was provided to us by
9 him?

10 MR. YEAGER: Yes. I have not
11 read the book that he had referred to and I
12 am at a disadvantage at that point.

13 MR. VOWELS: But he had sent a
14 letter to Mr. Thar outlining his position
15 and you've reviewed that, is that right?

16 MR. YEAGER: Yes.

17 MR. VOWELS: My reading of that
18 still does not get to Jack Binion. There's
19 reference to his father, possibly some
20 reference there to his brother. I just
21 want to make sure, because this is your
22 time to tell me if there's anything I'm
23 missing. Is there anything that you want
24 to add to the materials that we have or to
25 substantiate the rumors and innuendo that

1 have been investigated by the State Police
2 here?

3 MR. YEAGER: No. Personal
4 testimony, that's where the task is
5 difficult for you. I would not want to be
6 judged on the basis of my brothers. Do you
7 hear me?

8 MR. VOWELS: I understand that
9 also.

10 MR. YEAGER: But that still means
11 you have the task of deciding whether the
12 information you have do thoroughly
13 disenfranchise Mr. Binion from all of those
14 other background things. My concern is the
15 future, and if it would perchance happen
16 that there is a connection. That's your
17 task.

18 MR. VOWELS: But if we don't know
19 anything more than what you know, can we be
20 held accountable for our sins today if that
21 would come out?

22 MR. YEAGER: That's why I pray
23 for you everyday.

24 MR. VOWELS: My question again to
25 you is this is your time as a

1 representative of the National Coalition
2 Against Legalized Gambling. You are the
3 south chairperson, as I understand it?

4 MR. YEAGER: Yes.

5 MR. VOWELS: There's nothing that
6 you need to tell us today other than what
7 is in this letter and what you said
8 earlier?

9 MR. YEAGER: Nothing more.

10 MR. VOWELS: All right. Any
11 questions for Reverend Yeager?

12 MR. SWAN: I have a question for
13 Mr. Saylor, I think, if we can go on.

14 Regarding the financing, we're looking
15 at some really heavy leverage here on debt
16 to equity ratios after the consolidation.
17 Can you speak to the cash flow implications
18 of that? I'm sure you're comfortable with
19 it, but I would like to be comfortable with
20 it myself.

21 MR. SAYLOR: Let's talk about
22 projected cash flows. We're projecting,
23 being done on a combined basis, roughly
24 \$250 million in combined revenues. After
25 debt service, after tax payments,

1 dividends, we're still looking at roughly
2 \$100 million a year in free cash flow.
3 That's after debt service and after
4 interest costs.

5 So based on the historical data for
6 both companies, we're very, very confident
7 that our cash flows as projected, even not
8 as projected, but with \$100 million
9 available of free cash flow, certainly
10 there's plenty of room for capital
11 expenditures, debt service, anything that
12 may come up that obviously we look at as a
13 business.

14 MR. SWAN: What do you plan as
15 far as tax distributions to your owners?

16 MR. SAYLOR: Our tax
17 distributions are pretty much laid out in
18 our debt agreements, and they're roughly 45
19 percent of taxable income.

20 MR. SWAN: And then as far as any
21 other distributions to them, you're limited
22 to just the tax portion; is that right, or
23 is there a capital on the --

24 MR. SAYLOR: There's a capital on
25 the debt agreements as well.

1 Let me touch a little bit on that.
2 Historically Horseshoe made two non-tax
3 distributions as a company from the
4 beginning of time, basically, and it was to
5 the tune of roughly \$18.7 million outside
6 of tax. So that's all we really
7 distributed back to our owners. All the
8 earnings have really been rolled back into
9 the company.

10 MR. SWAN: Will Mr. Binion have
11 an employment contract?

12 Does he have an employment contract
13 first? Seems like he does not.

14 MR. SAYLOR: That's in discussion
15 the this point.

16 MR. SWAN: Would that impact your
17 cash flow numbers?

18 MR. SAYLOR: No.

19 MR. SWAN: Is it spoken to in the
20 debt instrument, limitation on compensation
21 for officers?

22 MR. SAYLOR: No, it's not spoken
23 to.

24 MR. THAR: Could you describe the
25 other limitations that are involved with

1 regard to -- use that 100 million figure as
2 free cash flow. What are the limitations
3 on that?

4 MR. SAYLOR: We have limitations
5 on how much we can invest in other gaming
6 jurisdictions, if you will. There's
7 limitations on how much money we can
8 distribute to owners outside of tax
9 distributions in the form of restricted
10 payments, as they're called.

11 We are currently governed by an
12 existing debenture under 9 and three-eighths
13 senior subordinated notes that we have, and
14 at this point it's pretty restrictive.
15 There's not a lot of room we have available
16 to us to make payment to owners in the form
17 of distributions, additional investments
18 that may arise with other jurisdictions.
19 So at this point we're pretty limited.

20 MR. THAR: With regard to the
21 hotel commercial and housing commitments
22 with the City of Hammond that you would be
23 agreeing to take over, does that in any way
24 adversely effect your cash flow numbers; or
25 vice versa, do they impact any of the

1 restrictions you have on your cash flow?

2 MR. SAYLOR: No. We've allowed
3 for all those payments in our debt
4 agreement as a commitment or capital
5 expenditure. It merely falls into a
6 capital expenditure basis, and certainly
7 there's plenty of room. No limitations on
8 expenditures.

9 MR. THAR: One more question on
10 that topic.

11 To Mr. Binion, Mr. Bennett, Mr.
12 Hansen, if you're speaking on behalf of
13 that person, is there complete
14 understanding and agreement between the
15 three entities as to what the obligations
16 are to the City of Hammond, what has been
17 accomplished, what needs to be accomplished
18 and what Horseshoe has agreed to take over?

19 MR. HANSEN: On behalf of Empress
20 Hammond there is. We all executed some
21 agreements here just in the last couple of
22 weeks setting forth all those commitments
23 and reaffirming what those were and the
24 fact also Horseshoe is agreeing to fulfill
25 those commitments. What has been done and

1 what remains to be done.

2 MR. BAYT: On behalf of
3 Horseshoe, while we are not party directly
4 with the agreements because they're with
5 Empress and the City, we are prepared to
6 honor them in all respects. We
7 participated in the discussions. And as I
8 understand it, we have signed copies now of
9 Empress and the City, and I'm now told that
10 the Redevelopment Commission has approved
11 their portion as well.

12 MR. THAR: Can you represent on
13 behalf of Horseshoe that there is no
14 ambiguity about what it is their
15 obligations are?

16 MR. BAYT: We believe the
17 understandings and commitments are clearly
18 laid out and we intend to honor them.

19 MR. THAR: Mr. Bennett, on behalf
20 of the City, would you concur with what has
21 been said?

22 MR. BENNETT: Yes, I would, Mr.
23 Thar. We have had extensive meetings with
24 Horseshoe and Empress going over the
25 development agreement, making some

1 commitment how certain monies be
2 distributed. That commitment has been met
3 today and we feel everything will move
4 forward.

5 MR. THAR: Safe to say the city
6 has no objection to this acquisition?

7 MR. BENNETT: No, they do not.

8 MR. THAR: Can you go so far as
9 to say the City favors the --

10 MR. BENNETT: Yes.

11 MR. THAR: -- the redevelopment
12 as approved?

13 MR. BENNETT: Yes. There were
14 documents that had to have their approval
15 and those have been approved and they were
16 trying to get down here to this meeting
17 just recently.

18 MR. THAR: And it doesn't have to
19 go to any other counsel for further
20 approval?

21 MR. BENNETT: There's a parking
22 agreement that has to go to the Port
23 Authority Board and they've agreed to that.
24 So it's just a formality. But the
25 Redevelopment Commission was the Commission

1 that had to sign on to the documents, and
2 the Mayor, and he's done that.

3 MR. BAYT: There's a minor piece
4 that the water department has to approve.
5 And as I understand that meeting hasn't
6 been scheduled, but it's intended to be
7 scheduled in the next couple of weeks.

8 MR. DARKO: Could I ask any of
9 the representatives, given this pretty
10 picture of a hotel, is this something the
11 City and combined entity have agreed is
12 appropriate? What is this? Why do we have
13 that?

14 MR. BAYT: You have that because
15 it's a pretty picture and we need all the
16 --

17 (A brief discussion was held off
18 the record at this time).

19 MR. DARKO: It says within 10
20 days of closing for a seven-year option to
21 build a hotel. What does that seven-year
22 option to build a hotel mean?

23 MR. BAYT: What it means is that
24 the spot that has been agreed upon is the
25 spot that's tucked back behind the pavilion

1 and to parking garage to make it in
2 proximity to the current entities, but not
3 intrusive and not take anything away from
4 the lake front. In order to do all that we
5 needed to work with the water department to
6 make sure we don't impair their ability to
7 operate. We have a lot of permits,
8 including an Army Corp of Engineers permit,
9 a lot of development and a lot of planning
10 with respect to how it will all work out.
11 So we asked for and they granted a lengthy
12 term of options so we can work all that out
13 and not have to come back and renegotiate
14 where it will be relocated and start over
15 again, if you will.

16 MR. DARKO: You negotiated that
17 with the City?

18 MR. BAYT: We negotiated that
19 with the City of Hammond. The City of
20 Hammond agreed to that time frame in which
21 we plan develop the project in conjunction.
22 And the City of Hammond has approval rights
23 over the construction plans, and we need to
24 work through the water department issue and
25 corporate issues.

1 MR. DARKO: It says that if the
2 acquisition is not consummated, then
3 construction will begin July 1, 2000. Is
4 that the target date if the acquisition is
5 --

6 MR. BAYT: No, it is not. We
7 anticipate a lot of planning. We
8 anticipate the need for some significant
9 permitting. And we also have an issue with
10 respect to wanting to make sure we are in
11 compliance with all of our existing debt
12 covenants and how much we can spend by way
13 of capital expenditures. We do not
14 anticipate -- (unintelligible) -- with
15 respect to the hotel, we plan for it from a
16 regulatory point of view and plan for it
17 from a financial point of view.

18 MR. DARKO: That's clear with the
19 City?

20 MR. BENNETT: Yes, it is.
21 Because it will take some time to get all
22 the necessary permits, and there are some
23 issues of water intake and such as that
24 we'll have to work out with the gamer. We
25 believe that will all be done.

1 The City has the right to review and
2 approve the plans as they good go, so we
3 think that will work out.

4 MR. DARKO: There was discussion
5 earlier about the 1,800 employees of
6 Empress at Hammond. Are there any thoughts
7 of reducing that or expanding that?

8 MR. BAYT: No thought of reducing
9 it. We expect to certainly keep at least
10 that many, and I'll let David speak to
11 that.

12 MR. CARROLL: I'm David Carroll,
13 senior vice-president of human resources.
14 I think the question is what will happen to
15 the employee head count in Hammond.
16 Certainly with the addition of the hotel we
17 will expand the employee base, just as
18 we've done with both of our Horseshoe
19 locations, and it's roughly about a 20
20 percent addition in head count.

21 MR. DARKO: So there is no plan
22 to reduce that number below 1,800 then?

23 MR. CARROLL: No. It's really
24 hard to find employees right now. We Don't
25 want to let any of them go.

1 MR. DARKO: Do you know what the
2 average salary is in Hammond and how it
3 might compare to Horseshoe?

4 MR. CARROLL: That's a hard one
5 to answer because there's such a range of
6 --

7 MR. MAZER: Actually -- Rick
8 Mazer, general manager. The average salary
9 is approximately \$23,000, with the average
10 dealer salary being \$31,000.

11 MR. DARKO: Anybody know how that
12 compares to the existing Horseshoe Casino?

13 MR. WAGNER: I'm Roger Wagner,
14 chief operating officer. I did a little
15 time with Mr. Trump until I joined
16 Horseshoe.

17 The wages are pretty similar, the
18 hourly rates. The management at Horseshoe,
19 from what we can tell, probably makes a
20 couple of bucks more, but everything is
21 pretty equal. The lack of employees in all
22 of these emerging markets is a problem for
23 us, but we have been able to solve by being
24 the employer of choice where we're at now,
25 and we hope to have Empress be the employer

1 of choice when we're running it.

2 MR. DARKO: Fringe benefit
3 packages for the two companies compatible?

4 MR. WAGNER: they're very
5 comparable. You know, it's like pushing
6 the dough boy. You pop one way, it pops
7 out the other way. Very comparable and the
8 cost structure of the benefit package is
9 very similar.

10 MR. SWAN: Mr. Bayt, just kind of
11 digesting what you said about the hotel.
12 It sort of sounded to me like you said
13 this. That if this merger weren't going
14 through that we would be building a hotel
15 fairly quickly.

16 MR. BAYT: Correct.

17 MR. SWAN: But now that it is,
18 the debt service requirements of the merger
19 are probably going to stall it out some.

20 MR. BAYT: Not quite, no. I
21 think the answer is if it doesn't go
22 through, the current Empress ownership use
23 the hotel as a lesser amenity and is
24 prepared to put it in a different location.
25 The vision for Horseshoe is a larger

1 facility, a nearly all-suite facility
2 immediately adjacent to the pavilion, and
3 in order to do that and accommodate the
4 corporate philosophy takes a longer period
5 of time to accomplish that.

6 MR. MILCAREK: A different hotel
7 in a different location is what you're
8 trying to say?

9 MR. BAYT: That's correct.

10 MR. DARKO: With another pretty
11 picture, I hope.

12 MR. BAYT: We hope to have a
13 series of those.

14 (A brief discussion was held off
15 the record at this time).

16 MS. BOCHNOWSKI: A couple of
17 issues.

18 One is we've had a lot of discussion
19 here recently, and oddly enough I've been
20 up in northwest Indiana and we had some
21 problem with compliance with the minority
22 and women-owned business use of those.
23 What is the plan for Horseshoe. What is
24 your record on that?

25 Well go ahead and tell me what is

1 going on, that will be fine, because this
2 is something we're going to --

3 MR. MAZER: I'm Rick Mazer.
4 We're pleased with our continued efforts in
5 that behalf. Of our employees 45 percent
6 of our employees are minority employees and
7 56 percent are women, which far exceeds --
8 on the minority side -- far exceeds the
9 Hammond demographics. In addition, what's
10 even more important, in our management
11 close to 23 percent of our management is
12 minority. In addition, 44 percent of our
13 management is women. So we're very pleased
14 and very aggressive in that area.

15 As far as our statistics -- these are
16 unaudited by the State for MBE-WBE
17 purchases -- and as of the second quarter
18 of 1999 our MBE purchases were 18.62
19 percent, and our WBE purchases were 9 3
20 percent, far in excess of statutory
21 requirements.

22 MS. BOCHNOWSKI: How does
23 Horseshoe rank in this area in your other
24 locations?

25 MR. CARROLL: Again, I can speak

1 to the employees. We have relatively the
2 same demographics that Rick spoke about.

3 In terms of our management ranks,
4 minorities represent in the high 30's
5 between the two properties. Females are at
6 about 42 percent. We watch that pretty
7 closely. Based on the promise we made to
8 the community we serve there, I can't
9 really speak about the vendor situation.

10 MR. DARKO: Addressing the vendor
11 issue, can you also address the vendor
12 issue as presently being looked at in
13 Louisiana?

14 MS. BOCHNOWSKI: Right. That's a
15 good point, because some of these minority
16 vendors are nothing but shells and they are
17 really not valid vendors. We want actual
18 companies that are minority-owned and
19 women-owned.

20 MR. BAYT: We have Mr. Johnson,
21 and Mr. Johnson will speak about what is
22 going on in Louisiana.

23 MR. JOHNSON: My name is John
24 Johnson, and I can't give you a definite
25 percentage of minority and women-owned

1 business; however, when I heard Ricks
2 numbers I know ours are higher than that.

3 The issue that is currently being
4 looked at is there's a company that is
5 named Peer that is a minority company.
6 Peer is a developer for another major
7 company called Conco, and the issue that is
8 being looked at right now is some possible
9 discrepancies from the Louisiana State
10 Police point of view about whether or not
11 the MBE credit was actually reported higher
12 than it actually is. That topic is being
13 addressed. It's being looked at. We are
14 cooperating completely with Louisiana an
15 Illinois. I believe the issue is very
16 close to being resolved. I know that our
17 company has not participated in any way in
18 anything that is illegal, and I do know
19 that there has been no attempt on our part
20 to misrepresent any numbers at all?

21 MR. JOHNSON: I'm Lexy Johnson
22 Johnson. As it relates to that issue, the
23 State of Louisiana permitted brokerage, for
24 lack of a better word, companies that would
25 be pastors that was permissible under their

1 statute, and recently Horseshoe has started
2 an incubator program to establish new
3 relationships with other companies and help
4 them get started. Andy Ashtercan is here
5 and he's helping to shape that issue.

6 MR. ASHTERCAN: Hi. My name is
7 Andy Ashtercan. I'm a shareholder of
8 Horseshoe and a board member as well. I've
9 been involved with the company since its
10 inception.

11 Mr. Binion has asked me as both a
12 shareholder and a board member to spear
13 head an initiative that the company is in
14 the process of undertaking, as Mr. Johnson
15 said, create an incubator program to set up
16 legitimate minority-owned distribution
17 companies with the sole purpose of
18 providing goods and services to both
19 Horseshoe initially, then other companies
20 in the various geographic vicinities in
21 which they exist.

22 What we've done in order to get the
23 ball rolling, so to speak, is we formed a
24 -- well we have a relationship and are
25 forming a joint venture with a New York

1 based minority-owned investment banking
2 firm known as Utendahl Capital Partners.
3 They are, to my knowledge, the largest
4 minority investment banking firm in the
5 United States. And I'm proud to say that
6 they were a participate in the 600 million
7 bond financing that, to my knowledge, was
8 the first time that a minority-owned
9 investment bank comanaged a so-called high
10 yield bond offering.

11 We're working with them to set up a
12 program where we will let contracts to new
13 companies. They will fund those companies.
14 They will identify management. Hopefully
15 locally-based where available and as
16 appropriate, and they are going to utilize
17 their significant relationships in some of
18 the large board rooms of corporate America
19 to be able to access the breweries and
20 bottling companies, et cetera, in order to
21 bring businesses that will be
22 minority-owned and operated. And we like
23 to think we'll be way out ahead of the
24 curve in instituting this.

25 I know from Utendahl's standpoint

1 they're looking at this as an opportunity
2 to create an investment vehicle which will
3 be a third vehicle. They have two others.
4 One to invest in real estate owned and
5 operated fast food franchises. This will
6 be their third vehicle to actually set up
7 small and medium-sized
8 distribution-oriented companies and working
9 with them on an ongoing basis. They had
10 their senior people to Horseshoe and they
11 are collaborating and I'm responsible for
12 that project.

13 MR. VOWELS: Do any of the other
14 Commissioners have any questions?

15 MR. THAR: In the event that the
16 Commission wants to approve this
17 acquisition today, the staff has
18 recommended nine conditions to the
19 Commission that we would ask to put on this
20 approval. I would like at this time to go
21 through the nine conditions, Mr. Binion,
22 representatives from Empress, to insure if
23 you're willing to accept these. Of course,
24 in the event the Commission does not
25 approve the acquisition, there is no reason

1 to find out if you like them for not.

2 So the first condition is that, "All
3 terms, conditions and obligations contained
4 in the Riverboat Owner's License as
5 originally issued by the Indiana Gaming
6 Commission and any written reference
7 thereto, or any changes made with
8 permission of the Commission."

9 You agree to abide by all of those,
10 would you?

11 MR. BAYT: Yes.

12 MR. THAR: The second one is,
13 "All terms, conditions and obligations as
14 contained in the development agreement with
15 the City of Hammond, and any written
16 amendments thereto, or any changes made
17 with the permission of the Commission."

18 You agree to abide by all of those?

19 MR. BAYT: Yes.

20 MR. THAR: May the record reflect
21 that Mr. Binion is indicating yes to Mr.
22 Bayt, who is answering the question.

23 MR. BAYT: Can we answer at the
24 end?

25 MR. THAR: Number 3, all aspects

1 of the financial transaction of this
2 acquisition remained exactly as described
3 on August 20, 1999, including, but not
4 limited to, the purchase price, consulting
5 agreement, escrow accounts, interest rates
6 and borrowings."

7 MR. BINION: Yes.

8 MR. THAR: Number 4, "All aspects
9 of the purchase agreement remain exactly as
10 described on August 20, 1999

11 MR. BINION: Yes.

12 MR. THAR: Number 5, "The status
13 of Horseshoe Gaming Holding Corporation's
14 suitability for licensure as well as that
15 of its subsidiaries shall remain as
16 described on August 20, 1999."

17 MR. BINION: Yes.

18 MR. THAR: Number 6, "Regardless
19 of the timing of any action taken by the
20 Illinois Gaming Board, the acquisition
21 shall not take place unless and until
22 Empress and Empress Hammond have met with
23 the Commission staff and complied with all
24 staff requirements concerning the operation
25 of Empress Hammond's main bank, cage, hard

1 count and soft count operations and
2 inter-relationships. This must be
3 completed by September 24, 1999, or this
4 approval becomes null and void."

5 MR. BINION: Yes.

6 MR. THAR: Number 7, "Ownership
7 of Empress, and therefore of Empress
8 Hammond, shall not become effective unless
9 and until the Illinois Gaming Board
10 approves the acquisition of Empress and
11 therefore Empress Joliet, and upon said
12 action shall become effective simultaneous
13 with the effective date of the Illinois
14 Gaming Board action."

15 MR. BINION: Yes.

16 MR. THAR: Number 8, "In the
17 event the Illinois Gaming Board has taken
18 no action on the acquisition by December 1,
19 1999, this approval becomes null and void.
20 In the event the Illinois Gaming Board
21 disallows the acquisition, this approval
22 becomes null and void simultaneous with
23 such action."

24 MR. BINION: Yes.

25 MR. THAR: It's not that you

1 don't have any choice. If you have room to
2 voice disagreement, we should hear it now.

3 MR. BAYT: Under our current
4 agreement we have an agreement that expires
5 on that date and finances must be funded by
6 that date, but I don't think that puts any
7 hamstrings on us that we wouldn't otherwise
8 have.

9 MR. THAR: It does not prevent
10 somebody from coming back.

11 MR. BERGER: Just for
12 clarification. I'm Dean Berger with
13 Ice-Miller. Clarification on just a
14 corporate matter. Horseshoe Gaming Holding
15 Corp., which is the applicant here today,
16 currently, as a technical matter, is not a
17 party to the merger agreement. We had
18 agreed by amendment with the Empress
19 entities to include Horseshoe Gaming
20 Holding Corp. as the official party to the
21 agreement. It's just a technical matter
22 that hasn't yet been affected. But you
23 have indicated one of the conditions was
24 that the merger agreement would be exactly
25 as presented to the Commission today.

1 That's one minor modification that we need
2 to make, and both parties have agreed to
3 that.

4 MR. THAR: Does it have any
5 realistic effect?

6 MR. BERGER: No. As has been
7 described in the materials that were
8 provided to the Commission, part of the
9 financing transactions that have taken
10 place and will take place to form a holding
11 company, Horseshoe Gaming Holding Corp.,
12 which will be the parent company. And in
13 the process of that, the original entity is
14 Horseshoe Gaming L.L.C. We simply
15 reorganized that so we have a pair of
16 holding corp structure.

17 MR. BAYT: I would like to
18 revisit the December 1st issue.

19 It would be our preference that if we
20 were able to reach an agreement with the
21 Empress as a result of further delay in
22 regulatory approvals in another state,
23 Illinois by the way of example, that we
24 would be entitled to 60 days leeway from
25 the December 1st date. Let Mr. Boyd do the

1 accounting on what that would be. But in
2 the event, that we were then able to extend
3 the Empress agreement and otherwise did not
4 jeopardize our financing, I would
5 respectfully request that we have some
6 leeway in there past December 1st.

7 MR. THAR: I wouldn't concur with
8 that for this reason. We are being asked
9 -- the Commission is being asked to take an
10 action today which is subject, first of
11 all, to another regulatory body coming to
12 the same conclusion. If we approve it they
13 will come to the same conclusion and
14 approve it.

15 Secondly, that all the financial
16 aspects in terms of the purchase agreement
17 be looked at that exist today are the same
18 terms that exist should that other board
19 approve it at the same time.

20 In the event something was to come up
21 between now and December 1, because it's
22 their documentation on the financing that
23 says come December 1st if the deal is not
24 done that the money held in escrow goes
25 back to the bond holder. If they make a

1 change in that stuff and they have to come
2 back, I would not recommend a 60-day window
3 either way with regard to it. We didn't
4 come up with the December 12, 1999 date.

5 MR. BAYT: I appreciate that fact
6 and we'll acquiesce to that.

7 MR. VOWELS: We're contemplating
8 a November meeting. Telephone meeting or
9 another meeting, we're certainly
10 contemplating a November meeting.
11 Certainty wouldn't have it before that.

12 MR. THAR: So I will go back to
13 that one. "In the event the Illinois
14 Gaming Board has taken no action on the
15 decision by December 1, 1999, approval
16 becomes null and void.

17 MR. BINION: Yes.

18 MR. THAR: In the event the
19 Illinois Gaming Board disallows the
20 acquisition, this approval becomes null and
21 void simultaneous with such action."

22 MR. BAYT: Yes.

23 MR. THAR: Number 9, "Horseshoe
24 and Empress must immediately advise the
25 Commission staff of any action or change in

1 circumstance as described in these
2 conditions, as may effect this transaction
3 and/or any change effecting licensure or
4 suitability of either company or their
5 affiliates."

6 MR. BAYT: Yes.

7 MR. THAR: The essence of these
8 are to do a couple of things.

9 This Commission has a strong degree of
10 reliability, but absolutely knows that the
11 deal, if we approve it today, remains in
12 effect as approved through review by the
13 Illinois Gaming Commission in terms of
14 suitability for licensure of both
15 companies. The next thing is it's
16 obviously contingent upon what the Illinois
17 Gaming Board does or when they do it. And
18 then finally the issue that we have been
19 discussing with Empress, Mr. Hansen, with
20 regard to some of their operations, which
21 we have indicated to them we want to get
22 straightened out before this transaction
23 would take place.

24 So is it my understanding that going
25 through these conditions you are agreeable

1 to them?

2 MR. BAYT: We understand them and
3 agree to them.

4 MR. BINION: Yes, that's true.

5 MR. THAR: And other than that,
6 like the Illinois Gaming Board deciding not
7 to approve the license because this is an
8 all or none proposition, this is not a
9 Hammond only acquisition that we have
10 analyzed, I think this Commission
11 understands it was the staff's intention
12 should something change that it would be
13 brought back to our attention immediately
14 and then we consider it.

15 MR. BINION: We understand.

16 MR. THAR: That would be the
17 final item that I would have.

18 MR. VOWELS: Anyone have any
19 other questions? All right. Thank you.

20 We have in front of us this Resolution
21 1999-32 which concerns an application of
22 Horseshoe Gaming Holding Corporation
23 acquiring the ownership of Empress
24 Entertainment, Inc. Listed in this are the
25 nine conditions as recited by Mr. Thar.

1 Does anyone want to start any discussion or
2 have any thoughts?

3 MR. SWAN: I move to approve.

4 MR. VOWELS: Is there a second?

5 MR. DARKO: Second.

6 MR. VOWELS: Is there any further
7 discussion?

8 MS. BOCHNOWSKI: Well, you know,
9 I think just before we vote on this there
10 has been brought up here -- there has been
11 a lot of innuendo. There's a lot of
12 history here and that makes this a very
13 difficult vote for me, but Jack, I'm going
14 to ask you this. Your people have done a
15 thorough investigation. You feel
16 comfortable with it? Did they discover
17 anything that would disqualify this
18 organization becoming a licensee in
19 Indiana?

20 MR. THAR: I think that all the
21 information that we have come up with is
22 contained in the reports that were provided
23 to you. My reading of those reports is
24 that there's nothing that would show that
25 Mr. Binion is not suitable for a license in

1 the state.

2 Secondly, there has been reference
3 made to the financial analysis by Dr.
4 Sullivan. When I first heard about this
5 transaction I had two major concerns. One
6 was is the price reasonable. And then
7 secondly, if the price is reasonable, once
8 these two companies are merged can the new
9 company afford the type of borrowing they
10 would have.

11 Her analysis indicates, I believe,
12 that the price is in line and that there's
13 not a major problem even on a flat line
14 situation paying their bills and having
15 some excess cash flow. As a consequence, I
16 have seen nothing in the background
17 investigation that would preclude one for
18 any legal reason for voting no. Somebody
19 may have another reason, a character issue.
20 But I think when it comes down to it you
21 have to take Jack Binion at his face.

22 He had a controversial father and
23 controversial brother. He was involved in
24 probably the type of family lawsuit none of
25 us never wants to be in, but yet what you

1 hear is not about him, it's about others in
2 his family. And as a consequence or aside
3 from that, they are not the ones asking,
4 that own this company, that are asking to
5 come to Indiana, Jack Binion is. And our
6 investigation shows, if anything, maybe on
7 occasion he's done some act of kindness for
8 somebody. Somebody might question why, but
9 that's it. He has had no tax problems. No
10 bankruptcy problems. Never been arrested.
11 Never been accused of any type of crime
12 that we are aware of. He runs a company
13 that is first in its markets, two markets
14 it's presently in, and wants to come in the
15 Chicago market and acquire a company that's
16 first in that market. He has been uniquely
17 successful to date despite what some other
18 people have to say. With all due respect,
19 with all the information provided by, it's
20 not Benny Binion and Ted Binion asking for
21 the license, it's Jack Binion on behalf of
22 Horseshoe. And our investigation has not
23 turned up anything that would bar him
24 statutorily from this license, nor does the
25 financial information say in any way that

1 this transaction does not provide the right
2 amount of security for the State of
3 Indiana. That's my opinion.

4 MS. BOCHNOWSKI: Thank you very
5 much.

6 MR. VOWELS: You know, just to
7 throw my two cents worth in, too, Mr.
8 Binion, that soliloquy comes from a former
9 federal prosecutor. And he and I have
10 talked over the period of time, criminal
11 defense attorney and former prosecutor,
12 that sometimes where there's smoke there's
13 fire and what is in your gut, where does it
14 stand and talk back and forth in the real
15 world of criminal law as he had been in and
16 I'm immersed in, and I don't believe
17 everything my client's tell me and have a
18 pretty cynical view towards life. But
19 everything I see with that view from that
20 prospective of if, I was a prosecutor
21 looking at something and defense attorney
22 looking at something, the arrow keeps being
23 aimed at you but it's not hitting. And to
24 be held accountable for the sins of fathers
25 or brothers, we would all have those

1 problems if that came out.

2 So with that said, you know, I mean,
3 this Commission has been together a long
4 time? We've got a good staff and they come
5 from that background, particular Mr. Thar
6 from the prosecution background. So nobody
7 is naive in this, and if there was anything
8 turned up I feel confident it would have
9 risen. That's all I have to say.

10 Any further discussion?

11 We have a motion to approve this
12 acquisition and it's been seconded and
13 there doesn't seem to be any further
14 discussion. So all of those in favor of
15 this resolution say aye.

16 (Commissioners responding)

17 MR. VOWELS: It's unanimously
18 approved. Congratulations.

19 MR. BINION: Thank you very much.

20 MR. BAYT: Thank you, Mr.
21 Commissioner.

22 MR. VOWELS: Is there any other
23 business?

24 We've got the next meeting on there.
25 We'll discuss that and talk about that some

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other time.

MR. VOWELS: Is there a motion to adjourn?

MR. DARKO: Motion to adjourn.

MR. VOWELS: Is there a second?

MR. SWAN: Second.

MR. VOWELS: All of those in favor say aye.

(Commissioners responding)

MR. VOWELS: We stand adjourned.

1 STATE OF INDIANA)

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3 COUNTY OF MARION)

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I, Ron Oakes, a Notary Public in and for
said county and state, do hereby certify that the
proceeding was taken down in stenograph notes and
reduced to typewriting under my direction and is a
true record of the proceedings had;

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14

I do further certify that I am a disinterested
person in this cause of action; that I am not a
relative of the attorneys for any of the parties.

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RON OAKES, Notary Public

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My commission expires: February 5, 1999.