IN RE:
INDIANA GAMING COMMISSION
PUBLIC HEARING

CEASAR'S INDIANA
11999 AVENUE OF THE EMPERORS
ELIZABETH, INDIANA 47117-7753

SEPTEMBER 12, 2003
10:28 A.M.
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HEARING/PUBLIC MEETING
SEPTEMBER 12, 2003

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

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

COMMISSIONER GETTELFINGER: So moved.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER ROSE: Second.

CHAIRMAN VOWELS: Any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye.
CHAIRMAN VOWELS: Show they're approved.

WHEREUPON, the Minutes of the Meeting of July 11, 2003, are approved.

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

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

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

Second order of business: I'd like to advise the Commission of the status of the Orange County casino. If you will recall, at your last meeting you initiated the application process. Since that time, Orange County Council has asked for resolution authorizing a referendum to be held on November 4th subject to payment of the costs by an applicant. A number of interested parties have either met with or contacted the Commission in reference to that casino. Application for Part 1 of the application is due a week from today. We've had meetings and
discussions with representatives of both historic
hotels and with the Historical Preservation
Commission. If the referendum passes, I will have
additional information for you at our November 14th
meeting how the staff would intend to proceed with
that process.

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

I have a number of waivers that I have
granted. And what has happened is: Through the
Executive Director of the Gaming Company --
Casino Association that they provided me -- and
the Commission with a list of what we call their
"wish list" of things that they thought could be
changed without any damage to security or other
issues with the casino. Our staff met, reviewed all
of those, and came back with a number of changes
to the rules which we thought were beneficial to
the community, to the casino, and to the collection
of taxes for the State of Indiana. So, a number of
those I'll just read to you.
For Aztar, all -- alteration -- might -- record retention for ticket in/ticket out electronic cards. They have other reporting mechanisms that they will -- they will continue to retain. The same thing for Trump. Same thing for Belterra. Same thing for Argosy. The same thing for Majestic Star. And the same thing for Horseshoe.

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

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

The problem: Who will replace the casino cage cashier with a security officer on the tip-count team? That was one of the things that was
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asked about having a cashier watching the -- and
counting the movement of the tips, in effect. It's
not necessary to move on. Same thing for
Horseshoe. Same thing for Majestic Star. And
Blue Chip; granted them a waiver to change high
[phonetic] gaming devices fill slips from a two-pa --
a three-part slip to a two-part slip. So, you see, it
has been a lively week. A lot goes on. Everyone's
been busy. I wanna commend the staff on the
continued efforts put forth. That's all I have.

CHAIRMAN VOWELS: Okay. Thank you.

Any questions for Mr. Lawrence?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: Okay. Thank you,

Mr. Lawrence.

Is there any old business?

COMMISSIONERS: [no response]

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

MS. CHELF: Good morning,

Commissioners. Glenn asked that I update you on
the staff's progress with promulgation of rules for
the Voluntary Exclusion Program. The staff has
continued to work on the rules since the last
meeting, and you should have received a copy of
the proposed rules with your meeting materials. I
submitted these rules to Legislative Services,
which was out Wednesday for publication in the
We've also scheduled a hearing to receive public
comment on the rules for 10:30 on October 24th,
2003, in the Commission's Office. We can also
accept written comments on those rules. If all
goes well, the staff will bring a final version of the
rules for your approval in November.

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

COMMISSIONERS: [no response]

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

Good morning, Mr. Schulz.

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

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

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

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

The technology that's available today is awesome. Gamblers can be identified very quickly. The amount of money that they lose is easily and readily available. Surveillance is there for underage people, for people who may be employees as well as the gamblers, the employees that are cheating. The technology is there, and you'll see on the back a couple of things. I only reference those, I think, for your future consideration. You
probably have not seen those, and you will have to
deal with that at a later date. What I'm saying,
basically, is: We should have a policy dictated by
you to the casinos that would be on the theme of
prevention; that they should make an effort to
identify those people, perhaps in the same scope,
the amount of money and creat -- creativity that
they have with getting people in front of their
devices. As you well know, the casino industry has
two basic problems. One is staying legal, which
you will address today; the second is getting
people in front of their devices. They have very
sophisticated, very lucrative enticements to people
who come before those devices, and results are --
are staggering. I would hope that you would
consider using some of those devices to identify
people in a problem state before they become a
huge -- experiencing successive losses. I believe
in your -- your mission statement, which regulates
for the benefit of all citizens of Indiana. I think
that would include those people who have been
identified and have problems.

In closing, I would like to just make a few
suggestions to you that was given to me yesterday
by a person in jail, who is in jail as a result of her
activities at the casino, and some of her thoughts
as to what should be done to prevent other
people -- and that's at the bottom of your page --
of the page.

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

CHAIRMAN VOWELS: Thank you, Mr.

Shultz.

I understand we have -- Resolution 2003-36
was the Resolution of Readopting an Emergency
Rule. Is there -- I'm sorry. Is there something to
add to this?
MS. CHELF: Yeah. Well, actually, the --
in July we adopted an emergency rule prohibiting
persons interested in an operating agent contract
from engaging in ex parte communications and
presenting gifts to Commission members and
Historic Preservation Commission members. The
staff filed it with the Secretary of State's Office
and it went into effect July 15th. The Emergency
Rule is only effective for 90 days. Resolution
2003-36 would have the effect of adopting the rule
for an additional 90-day period. In the meantime,
the Commission staff has already taken steps to
fully promulgate the rule under the statute.

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

COMMISSIONER GETTELFINGER: Move
to adopt.

CHAIRMAN VOWELS: Is there a second?

MALE COMMISSIONER: I'll second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye.

CHAIRMAN VOWELS: Show that the
Resolution's adopted.

[WHEREUPON, Resolution 2003-36 is approved.]

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

MS. BRODNAN: Morning.

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

CHAIRMAN VOWELS: I think we need a
mike.

MS. BRODNAN: Can you hear me now?

COMMISSIONER ROSE: Not very well.

MS. BRODNAN: How's this; better?

COMMISSIONER ROSE: Yeah.

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

MS. BRODNAN: Okay. You have reported
for approval Resolution 2003-37 regarding Casino
Surrender. On January 10th of this year, pursuant
to Resolution 2003-3, you granted conditional
approval of this game for a period of 6 months.
Grand Victoria sponsored the game and has
indicated in writing that it wishes to continue
offering the game. The Commission staff
recommends that you grant permanent approval.

CHAIRMAN VOWELS: Any questions for
Ms. Brodman?

COMMISSIONERS: [no response]

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

COMMISSIONER GETTELFINGER: Move
to adopt.

CHAIRMAN VOWELS: And is there a
second?

MALE COMMISSIONER: Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: The motion is
approved.
WHEREUPON, Resolution 2003-37 is approved.]

CHAIRMAN: Then you have one

other?

MS. BROOKS: You have before you for

approval Resolution 2003-38, regarding the

submission of Gaming Systems Unlimited for

approval of the game Fast Action Poker/Hold 'Em.

Indiana is the first state in which approval is

sought for this game. Harrah's has indicated that

will -- that it will offer the game if it is approved.

And GLI has analyzed the game and indicated it is

a variation of the approved game of poker.

The object of the game is for each player to

bet the superiority of his hand and win the other

bets by making a bet no other player is willing to

make or by proving to hold the most valuable hand.

All players place a one-chip ante bet and a three-

chip bet and are dealt two cards. A three-card flop

belonging to all players is spread in the center of

the table. Players then have the option of placing

an additional bet. The dealer, who is not a

participant in the game, turns up two additional

community cards in the center of the table.

Players make their best five-card poker hand from

the two cards they hold and the community cards in
the middle of the table. All hands that place the additional bet continue. The best hand wins all of the antes and bets of the other players. If a player did not place the additional bet, the winning player receives that player's ante bet. A player can win a bet every time as compared to a lower-ranking hand, and the process continues until all hands are resolved. Players continue to make multiple bets until a stronger hand beats their hand. The house will collect a rate from ante bets as designated by the casino.

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

CHAIRMAN VOWELS: Any questions for Ms. Brodnan?

COMMISSIONERS: [no response]

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

COMMISSIONER ROSE: So moved.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: Second.

CHAIRMAN VOWELS: Any further discussion?
COMMISSIONERS: [no response]
CHAIRMAN VOWELS: All those in favor say "Aye."
COMMISSIONERS: Aye
CHAIRMAN VOWELS: Show the
Resolution is approved.
WHEREUPON, Resolution 2003-38 is approved.]
CHAIRMAN VOWELS: And Ms. Brodnan
will now go over to -- under the occupational-
license matters.

MS. BRODNAN: On or about November
26, 2002, Constantine Vrehas received a Level 2
occupational license to work at Majestic Star as a
dealer. He disclosed on his application several
misdemeanor arrests. The Commission staff sent
him four letters requesting a copy of court
documentation showing the outcome of these
charges. Three of the letters were hand-delivered
to him by a Commission agent on the property. Mr.
Vrehas contacted Commission staff on two
occasions indicating he would send the requested
paperwork; however, he never did.
Pursuant to the Indiana Gaming Regulations, a
licensee must comply with all requests for
information related to the applicant and his or her
application. Further, the Commission may revoke
the license if the licensee has violated these
regulations. As a result, the Commission staff
revoked Mr. Vrehas' temporary occupational license
and denied his application for a permanent license.
The Commission staff recommends that you
deny his application. If you do so, he will have the
opportunity to appeal to an Administrative Law
Judge.

CHAIRMAN VOWELS: Any questions for
Ms. Brodnan?

COMMISSIONERS: [no response]

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

COMMISSIONER GETTELFINGER: Move
to deny.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER NDUKWU: Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]
CHAIRMAN VOWELS: All those in favor
of denying the application say "Aye."

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show the
application is denied.

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

CHAIRMAN VOWELS: The next one you
have?

MS. BRODANAN: The next matter is Holly
Blair. Ms. Blair received a Level 2 occupational
license in October 2002 for -- to work as a dealer
at Horseshoe Casino. She disclosed several traffic
arrests on her application, including a pending OWI
charge. Commission staff sent her five letters
requesting a copy of court documentation showing
the outcome as well as an update regarding the
pending case. Four of these letters were hand-
delivered to her by a Commission agent on
property. She contacted the staff on several
occasions indicating she would send the
information. She did send in a portion of the
requested paperwork but did not completely
respond to our requests.
Pursuant to Indiana Gaming Regulations, a licensee must comply with all requests for information related to the application. As a result of her failure to comply, the Commission staff revoked her temporary license and denied her application for a permanent license. Ms. Blair's attorney subsequently corresponded with the Commission in August of 2003 on her behalf. The appropriate information was provided to Commission staff at that time, and the correspondence also requested that her license be reinstated. Her attorney advised the Commission that Ms. Blair would seek an appeal if the revocation was upheld.

In anticipation of the appeal, Commission staff has corresponded with Ms. Blair and her attorney regarding the possibility of entering into a settlement agreement. Pursuant to 68 IAC 7-1-15, settlement offers can be proposed at this time. Due to the anticipation of her appeal, the fact that Ms. Blair has submitted the requested information, and the fact that she has already been out of work for approximately 30 days, Commission staff agreed to enter into a settlement agreement. The Commission staff recommends, and Ms.
Blair will agree, to the following:

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

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

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

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

The settlement agreement has been executed.

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

CHAIRMAN VOWELS: So, essentially, if
we follow the staff's recommendations, she'll end
up with a temporary license for a period of time
and then can apply for the occu -- for the
permanent license later on; is that right?

MS. BRODNAN: Yes.

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

COMMISSIONERS: [no response]

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

COMMISSIONER ROSE: Move to deny the
application.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER GETTELFINGER:
Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]
CHAIRMAN VOWELS: All those in favor
of denying the application say "Aye."

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show that it is
denied.

[WHERupon, the Application for an
Occupational License for Holly Blair is denied.]

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

COMMISSIONER GETTELFLINGER: Move
to approve.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER ROSE: Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show it is
approved.

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

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

MS. BRODNAN: On or about May 18th,
2000, Kevin King received a Level 2 temporary
license to work as a slot attendant at Harrah's. In
July 2003, Mr. King was terminated by the casino
after he admitted that on July 8th he had purposely
left open a reserve drawer to a slot machine so a
friend could remove tokens. The friend cashed in
$4,000 worth of tokens and split the money with Mr.
King. He further admitted that he and a friend
engaged in this behavior on several other
occasions. This activity was conducted during the
performance of his duties as a slot attendant.
The Commission staff revoked Mr. King's
temporary license and denied his application for a
permanent license. You will need to vote to grant
or deny his application. The Commission staff
recommends that you deny the application. If you
do so, he will have the opportunity to appeal to an
Administrative Law Judge.

CHAIRMAN VOWELS: Any questions?
COMMISSIONERS: [no response]

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

COMMISSIONER ROSE: Move to deny the application.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: Second.

CHAIRMAN VOWELS: Any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: The vote is to deny. [WHEREUPON, the Application for an Occupational License for Kevin King is denied.]

CHAIRMAN VOWELS: Got one more for us?

MS. BRODNAN: On or about July 21st, 1999, the Commission issued Ms. Patricia Johnson a temporary Level 2 license to work as a slot attendant at Majestic Star Casino. In March 2003 she was promoted to the position of slot lead. In July of this year, Commission agents confronted
her regarding the theft of company funds. She
admitted that she had created fraudulent no-signal
jackpot forms and retained the money without
authorization. This activity was conducted during
her performance of her duties as a slot lead at
Majestic Star, and she was terminated due to this
activity.

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

CHAIRMAN VOWELS: Any questions?
COMMISSIONERS: [no response]
CHAIRMAN VOWELS: Is there a motion to
deny or approve the application?
COMMISSIONER GETTELFINGER: Move
to deny.

CHAIRMAN VOWELS: Is there a second?
MALE COMMISSIONER: Second.
CHAIRMAN VOWELS: All those in favor
of denying say "Aye."

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show that it is
denied.

(WHEREUPON, the Application for an
Occupational License for Patricia Johnson is
denied.)

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

MS. DEAN: Yes. Thank you.

CHAIRMAN VOWELS: Grab that mike
before you.

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

In accordance with Indiana Code Section 4-33-
7-8 and 68 IAC 2-2-8, a supplier's license must be
renewed annually. The supplier licenses --
licensees have requested renewal of licensure and
a renewal fee has been paid. The supplier
licensees may have outstanding background
investigations and will be responsible for payment
of those background fees. If payment of the
background fees is not received as directed by the
Commission staff, the license is subject to
nonrenewal or revocation and they'll dash
[phonetic] back before the Commission. The
Commission has determined that the above-named
supplier licensees remain in compliance at this
time with the Indiana Code, Section 4-33.
The Commission staff requests that the
Commission grant the renewal of VendingData
Corporation and Spin for Cash Wide Area
Progressive Joint Venture, conditioned upon
payment of any outstanding background fees and
that they remain in compliance with Indiana Code
4-33.

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

COMMISSIONERS: [no response]

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

COMMISSIONER MILCAREK: Move to
adopt.

CHAIRMAN VOWELS: All right. Is there
a second?
COMMISSIONER ROSE: Second.

CHAIRMAN VOWELS: All those in favor

of renewing say "Aye."

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show that it is

renewed.

[WHEREUPON, Resolution 2003-39 is approved.]

CHAIRMAN VOWELS: And now, we’re

back to Ms. Brodnan.

MS. BRODNAN: You have before you for

approval Resolution 2003-40 regarding the request

of Atlantic City Coin & Slot Service Company, Inc.,
to transfer ownership interests. AC Coin received

a permanent supplier’s license in February of 1999.

In a letter dated July 22nd, 2003, AC Coin

requested permission to allow the majority

stockholder, Max Seelig, to transfer 1 percent

common-stock ownership to each of his three sons,
Jerald, Jeffrey, and Jason. The transfer of

interest will result in the ownership of 9 percent
each by the three sons. All of the Seeligs were

subject to background investigations for their

present ownership interests and were approved by

the Commission. No other key persons or

substantial owners are being introduced as a result
of this transfer. As a result, AC Coin requests the
Commission waive the normal transfer procedures
and background investigations.
The Commission staff recommends that you
grant these requests.

CHAIRMAN VOWELS: Any questions for
Ms. Brodman?

COMMISSIONERS: [no response]

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

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

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: I second.

CHAIRMAN VOWELS: Is there any further
discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show they are
granted.

[WHEREUPON, Resolution 2003-40 is approved.]

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

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

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

International Game Technology has signed an agreement to acquire Acres Gaming, which holds a temporary supplier's license in the State of Indiana. Acres Gaming manufactures certain loyalty-marketing software and some accounting software. It's all stock -- or all cash, excuse me,
for stock transaction.
Following the merger, the sole director of
Acres Gaming, which will become a subsidiary of
International Game Technology, will be Sara Beth
Brown, who is known by the Commission. She is
the General Counsel of International Game
Technology and the sole director of several other
subsidiaries.
The sole officers will be Richard Schneider,
Sara Beth Brown, Floyd Glisson. Mr. Schneider
and Mr. Glisson are current officers of Acres
Gaming, and they will remain with the company
some time -- also with the Commission.

CHAIRMAN VOWELS: Are there any
questions?

COMMISSIONERS: [no response]

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

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

    CHAIRMAN VOWELS: All right. Before

we go into this resolution and bore you too much
farther, if you could, give the gentleman over
there, who is the Reporter, by the table, your
name.

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

    COMMISSIONER ROSE: Thank you. I'll

move to grant the action on request of the waiver
and grant the request for approval of the transfer.

    CHAIRMAN VOWELS: Is there a second?

    COMMISSIONER GETTELFINGER:

Second.

    CHAIRMAN VOWELS: Any further
discussions?

    COMMISSIONERS: [no response]

    CHAIRMAN VOWELS: All those in favor

say "Aye."

    COMMISSIONERS: Aye

    CHAIRMAN VOWELS: Show it is granted.

[WHEREUPON, Resolution 2003-41 is approved.]

    CHAIRMAN VOWELS: And then,

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

Due to the fact that no new key persons or substantial owners are being introduced, Bally has requested that the Commission waive the normal background procedures. The Commission staff recommends that you grant approval of the
acquisition and the request for waiver of background investigations, with the exception of the potential investigations of the manufacturing and division offices previously mentioned.

CHAIRMAN VOWELS: Any questions for Ms. Brodnan?

COMMISSIONERS: [no response]

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

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

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER GETTELFINGER:

Second.

CHAIRMAN VOWELS: And is there any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show it is granted.

[WHEREUPON, Resolution 2003-42 is approved.]
CHAIRMAN VOWELS: And then, Ms. Brodnan, we're -- a new resolution? Is that right?

2003-43.


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

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

CHAIRMAN VOWELS: Any questions?

COMMISSIONERS: [no response]

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

COMMISSIONER MILCAREK: Move to grant.

CHAIRMAN VOWELS: Is there a second?

MALE COMMISSIONER: Second.

CHAIRMAN VOWELS: Any further
discuss?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show it has been granted.

[WHEREUPON, Resolution 2003-43 is approved.]

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

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

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

MS. DEAN: I have Resolution 2003-44, a resolution concerning the request of Hornblower Marine Services to withdraw its supplier's license. On or about March 17th, 1998, the Indiana Gaming Commission issued a temporary supplier's license to Hornblower Marine Services. Hornblower received a permanent supplier's license on September 18th of 2000, and its supplier's license
was renewed annually thereafter, with the most recent renewal effective from September 15th of 2000 through September 17th of 2003. Pursuant to correspondence dated September 9th, 2003, Hornblower requested the ability to withdraw its supplier's license due to the unavailability of marine-services opportunities. A copy of the letter is attached to the resolution for the Commission's review.

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

CHAIRMAN VOWELS: All right. Are there any questions?

COMMISSIONERS: [no response]

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

COMMISSIONER MILCAREK: Move we grant the request.

CHAIRMAN VOWELS: And is there a second?

COMMISSIONER NDUKWU: Second.

CHAIRMAN VOWELS: All right. Any
further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: We'll show that the resolution for the request is granted and also show that Commissioner Gettelfinger has abstained from that vote.

[WHEREUPON, Resolution 2003-44 is adopted.]

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

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

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

CHAIRMAN VOWELS: Are there any
Chairman, I have a few questions.

CHAIRMAN VOWELS: Okay.

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

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

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

MR. HEMMERLE: RBG is a general partnership. 1 percent interest is owned by a Hyatt-controlled corporation; 99 percent is owned by a variety of limited partnerships.
COMMISSIONER GETTELFINGER: And so, is the transaction, then, to contribute [sic] these limited partnership interests into trusts?

MR. HEMMERLE: I'm sorry?

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

MR. HEMMERLE: Yes, sir.

COMMISSIONER GETTELFINGER: Okay.

What is the relationship of Ms. Alexandra Zoric to the parties?

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

COMMISSIONER GETTELFINGER: Thank you.

CHAIRMAN VOWELS: Any other questions?

COMMISSIONERS: [no response]

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

MR. HEMMERLE: [no response]

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

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER NDUKWU: I'll second.

CHAIRMAN VOWELS: Any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: It's granted.

[WHEREUPON, Resolution 2003-45 is approved.]

CHAIRMAN VOWELS: And then, Ms. Chelf?

MS. CHELF: Grand Victoria has requested the renewal of its Riverboat Owner's License, and they provided payment of the 500 -- or $5,000 renewal fee. The Order you have before you states that Grand Victoria has complied with directives of the Indiana Code 4-33 and 68 IAC. We recommend that you grant Grand Victoria -- Grand Victoria its Riverboat Owner's License for a period of one year, subject to continued compliance with the Indiana Code 4-33 and 68 IAC and all other conditions directed by the
Commission on December 6, 2001, at the time of
the first term at which Grand Victoria sought a
Riverboat Owner's License. The renewal --
renewed license would be in effect from September

CHAIRMAN VOWELS: Any questions?
COMMISSIONERS: [no response]

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

MR. HEMMERLE: [no response]

[WHEREPON, off the record remarks are made.]

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

COMMISSIONER NDUKWU: Move for
renewal.

CHAIRMAN VOWELS: Okay. Is there a
second?

COMMISSIONER MILCAREK: Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye
CHAIRMAN VOWELS: Show it is approved.

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

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

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

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

MR. THAR: This is a first. Thank you.

Good morning, Chairman Vowels. Executive Director Lawrence, you have no idea how intimidating or straining this has been.

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

MR. THAR: Thank you. For the record,
my name is John Thar, T-h-a-r, commonly known as
Jack Thar. With me is Mr. Rick Mazer, M-a-z-e-r,
general manager, of course, of the casino.
We have come to request permission today to
reduce the amount of bond on file by Horseshoe
from 10.5 million to $1,000,000, which would be a
bond reduction of $9.5 million. We have outlined
in the letters submitted to you the specific items
which go through that particular reduction. The one
thing that we were not able to include, although we
believe that if it's included in the fourth
amendment from the City's desk, will support the
bond reduction to $1 million. There was a letter
from the City confirming that. We were able to get
that letter this morning by fax, much -- with the
great help of David Johnson, who is extremely busy
right now working with the present administration
at the Governor's office. He was able to help us
get the letter from the City and have them fax a
copy of that. With your permission, I'll hand it up
to you at this point. We will provide the original
letter to the staff the first part of next week.
Absent any questions or unless you'd like a
thorough outline of what is set forth in the letter
concerning the reduction, we would ask the
Commission today to reduce the bond to a $1,000,000 bond.

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

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

Are there any questions, then?

COMMISSIONERS: [no response]

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

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

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: Second.

CHAIRMAN VOWELS: Any further discussion?
COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show that it is granted.

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

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

MS. DEAN: Yes. It is 47.

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

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

CHAIRMAN VOWELS: All right. I'm just a little bit confused. I've got the imagined agenda, which -- for all you people out there who wonder how I am able to say what, they write it down on my
agenda for me. Mine says "Pinnacle Resolution 2003-26"; does that mean anything to you?

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

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

MS. DEAN: Let's go ahead with Resolution 2003-26, the resolution superseding Resolution 2003-11, concerning financing for Pinnacle Entertainment. By letter dated December 31st, 2002, Pinnacle Entertainment requested approval of a credit facility in the amount of 250,000,000 for a period of up to 5 years at an interest rate not to exceed 9 percent. The credit facility was approved by the Commission on January 10, 2003, in Resolution 2003-11. By submission dated August 21st of 2003, the Commission was advised that Pinnacle would like to amend the request for approval of the credit facility. Specifically, Pinnacle now requests approval of a floating interest rate as opposed to
the fixed interest rate that they represented to the
Commission in 2003-11. And Mr. Gifford is here on
behalf of Pinnacle today.

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

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

CHAIRMAN VOWELS: Do you have
copies?

MS. DEAN: I do.

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

MS. DEAN: No, I don't.

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

This is the thing that we discussed in July
when I was up here and we had Commissioner
Gettelfinger on the telephone, and there was some
concern about doing this without an interest rate.
And there was a question about whether we had
ever done that before; and so, we were hesitant to
do that. And then, Mr. Gifford did some research
and found out that, apparently, we had done that
sort of thing before. Is that where we are?

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

CHAIRMAN VOWELS: All right.

COMMISSIONER GETTELFINGER: Mr.

Chairman, may I ask a question?

CHAIRMAN VOWELS: Yes.
COMMISSIONER GETTELFINGER: Could you explain: Will you be pursuing a swap agreement?

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

COMMISSIONER GETTELFINGER: You will not?

MR. GIFFORD: [no response]

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

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

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

MR. GIFFORD: Yes, it has.

COMMISSIONER GETTELFINGER: Thank
you.

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

COMMISSIONERS: [no response]

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

MS. DEAN: No.

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

COMMISSIONERS: [no response]

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

MR. LAWRENCE: No.
CHAIRMAN VOWELS: Okay.

COMMISSIONER GETTELFINGER: Mr. Chairman?

CHAIRMAN VOWELS: Yes.

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

MS. DEAN: It was --

CHAIRMAN VOWELS: I -- go ahead.

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

COMMISSIONER GETTELFINGER: Okay. But this -- is this -- this was just passed out. The second item for approval has to do with preparation of financial analysis and final draft documents, and the Chairman said, "Waive the two-meeting rule."

Is that consistent?

MS. DEAN: [no response]

COMMISSIONER GETTELFINGER: I'm
asking her: Is this what we're asked to act on?

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

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

CHAIRMAN VOWELS: Thank you.

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

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

MR. GIFFORD: So, if I might, just for my clarification, it is approval of the credit facility on
the terms as they have submitted to the
Commission?

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

MS. DEAN: Right.

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

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

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

MS. DEAN: [interrupts] Absolutely.

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

COMMISSIONERS: [no response]

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

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

CHAIRMAN VOWELS: Is there a second?
COMMISSIONER ROSE: I'll second the motion.

CHAIRMAN VOWELS: Any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show that it is approved.

WHEREUPON, Resolution 2003-26 is approved.

MR. GIFFORD: Thank you.

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

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

MS. DEAN: Mr. Gifford.

MR. GIFFORD: Mr. Chairman, this is a request, actually, for two separate refinancing transactions. One is to refinance existing senior subordinated notes; and the other is to refinance an existing series of senior notes. The purpose for
this is that, given the current market, the
transactions will allow us to be in a more favorable
to reschedule and potentially more fable --
favorable rate structure as well. So, these are
refinancings of existing debt, not the acquisition of
indebtedness.

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

COMMISSIONERS: [no response]

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

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

MS. DEAN: That's correct.

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

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

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

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: Commissioner
Gettelfinger, any thoughts or questions?

COMMISSIONER GETTELFINGER: No, sir.

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

MS. DEAN: Yes, it is.

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

MR. GIFFORD: No, sir.

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

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

COMMISSIONER NDUKWU: Second.

CHAIRMAN VOWELS: Any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: The two-meeting rule is waived.
WHEREUPON, the waiver of the two-meeting rule with respect to Resolution 2003-47 is approved.]

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

COMMISSIONER NDUKWU: I move to approve everything.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: Second.

CHAIRMAN VOWELS: Any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show it is approved.

WHEREUPON, Resolution 2003-47 is approved.]

MR. GIFFORD: Thank you, Mr. Chairman.

CHAIRMAN VOWELS: Thank you very much.
MS. DEAN: And we have one fining -- one
final financing matter. It is Resolution 2003-46.
It's a resolution concerning financing for Majestic
Star Casino. And Ms. Fleming and Mr. Kelly are
present on behalf of Majestic Star.

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

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

CHAIRMAN VOWELS: Any questions for
Ms. Fleming?

COMMISSIONERS: [no response]
CHAIRMAN VOWELS: Ms. Dean, the staff's thoughts on -- or Mr. Lawrence, staff's -- the staff's thoughts on this?

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

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

COMMISSIONERS: [no response]

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

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

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER NDUKNU: Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: The motion is approved.

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

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

COMMISSIONER MILCAREK: I move to approve the request.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER NDUKWU: Second.

CHAIRMAN VOWELS: Is there any further discussion?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: All those in favor say "Aye."
COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show that it is approved.

[WHERENupon, Resolution 2003-46 is approved.]

MS. FLEMING: Thank you.

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

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

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

In January of this year, Horseshoe discovered that payments for guest appeasement were being -- were over budget. It was later discovered that a slot employee had been creating fraudulent slips to
settle slot disputes and malfunctions for the
purpose of guest appeasement. The employee
created the slips, obtained the money from the
cage, and retained it for himself instead of paying
it to the patron as contemplated by the approved
procedures. The employee admitted to numerous
thefts and forgeries over a period of several
months, totaling a confirmed loss to the casino of
approximately $29,000. The employee was
following prescribed procedures for paid-out slips
for guest appeasement. However, Commission
staff finds it questionable that the shown slips that
were completed in this manner were properly
classified as guest appeasement. The procedures
that were being followed did not properly secure
the casino's assets.
Since the discovery of the thefts, Horseshoe
has implemented new procedures regarding paid-
out slips for guest appeasement and the
classification of the transactions, and its
procedures have been reviewed and approved by
Commission staff.
Commission staff and Horseshoe agree that
sanction be imposed. Commission staff
recommends that Horseshoe will agree to pay a fine
in the amount of $9,500. A settlement agreement
has been executed. Commission staff recommends
that you approve the terms of that agreement.

CHAIRMAN VOWELS: Any questions for
Ms. Brodnan?

COMMISSIONERS: [no response]

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

COMMISSIONER GETTELFINGER: Move
to approve.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER ROSE: Second.

CHAIRMAN VOWELS: Any further
discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show it is
approved.

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

CHAIRMAN VOWELS: And then, Ms.
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Brodnan, on your next matter?

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

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

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

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

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

CHAIRMAN VOWELS: Okay. Any questions?

COMMISSIONERS: [no response]

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

COMMISSIONER NDUKWU: Move to approve.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: Second.

CHAIRMAN VOWELS: All those -- any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show it is approved.

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

CHAIRMAN VOWELS: And then,

Belterra's the next item there.

MS. BRODNAN: Yes. On or about June
29th, 2003, a 20-year-old boarded Belterra without being asked for identification. The minor was later approached on the boat by a security officer who asked for identification, and she revealed that she was only 20 years old.

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

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

MS. BRODANAN: Right. Aztar had one that we did at the last meeting.

CHAIRMAN VOWELS: Okay.

MS. BRODANAN: That's $1,500.

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

MS. BRODANAN: Right.

CHAIRMAN VOWELS: Any questions for Ms. Brodnan?
COMMISSIONERS: [no response]

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

COMMISSIONER NDUKWU: I move to approve the agreement.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: Second.

CHAIRMAN VOWELS: Any further discussion?

COMMISSIONERS: [no response]

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

COMMISSIONERS: Aye

CHAIRMAN VOWELS: Show it is approved.

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

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

MS. BRODNAN: Yes. Belterra is here pursuant to their obligation to appear at all live meetings. They have submitted their monthly
progress report to you, which, I believe, you received in your packets. And I don't really have anything else to report on that. But I know they are here and they have agreed to answer any questions.

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

MR. GIFFORD: Mr. Chairman.

CHAIRMAN VOWELS: I received my packet at home a few days ago, but mine is . . .

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

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

COMMISSIONER GETTELFINGER: You --

CHAIRMAN VOWELS: -- this report? Go ahead.

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

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

COMMISSIONER GETTELFINGER:

[interrupts] Yes. Yes.
MR. GIFFORD: July 16, August 21.

Those meetings are held at Belterra. I participate by telephone most times. Sometimes I am on property.

COMMISSIONER GETTELFINGER: Okay.

And then, I note that you have two vacancies on your fund advisory committee. What is being done to fill those vacancies?

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

We have a quorum, still, of the advisory committee, so we're able to continue our meetings and consider -- to continue the consideration of requests, so that process has continued as we've received applications from new entities. Phil Joiner, who is our outside consultant and assisting
us with this, is conducting the due diligence on
those requests. And so, the activities of the
committee have moved forward even though we
have those two vacancies at present.

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

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

COMMISSIONER GETTELFINGER: Thank
you.

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

COMMISSIONER GETTELFINGER: Thank
you.

MR. GIFFORD: If I might just update my
numbers: What you have in your report might have
been through the end of July. Our year-to-date
totals to date at the end of August: MBE purchases
at 22.36 percent, WBE purchases at 7.48 percent.
And there's one other note I might make as to
the advisory committee. We told you last time we
approved two proposals, a combination of loans
and grants. And after considering -- there have
been some questions raised -- we've actually
decided to make those grants now as opposed to a combination of loans and grants. And we're in the process now of disbursing those grants. And we will do that on a periodic basis as the grant recipients make the expenditures that are part of the approved materials, et cetera. As they make those expenditures, we will grant them and disburse those. And that gives us some volume control and will help us reach the standing.

CHAIRMAN VOWELS: Okay. Any other questions?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: All right.

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

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

Maddie McCormick? Excuse me.

MS. MCCORMICK: Good morning,

Commissioners, and thank you. I am Maddie
McCormick, president of the corn group and
publicist and communications director for TJ
Foods.

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

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

In summary, TJ Foods entered into a
contractual agreement with Belterra. Belterra
then, through a series of behaviors, moved away
from that agreement, did not provide complete
information to fulfill the agreement, and requested
TJ's to move from their established client, US
Foods, which began with them and nurtured them,
to Sysco. The end result of these activities -- a
series of inferences became relevant to TJ's
business performance and capabilities, all totally
unfounded based on performance. And what makes
this all the more tragic is that it's not merely TJ's
issue, but their own minority business has been
treated in the same pattern of behavior that we find
very alarming and wanted to bring to your
attention; contractual or verbal agreements not
honored, agreements changed midstream, attacks
on business performance, and then simple
dismissal.

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

There -- there must be underlying common
sense applied here for all Hoosiers that says
utilizing some businesses at the expense of others,
or forcing businesses to lose money, indicates a
problem of flawed behavior and verbal intent. Is
this the pattern of behavior that this Commission
supports? Minority businesses in the State of
Indiana certainly, of which I am one for the past 16
years -- we appreciate the opportunity of working
for our -- many of us that are in the trenches for
quite a long time.

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

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

MR. GIFFORD: Mr. Chairman, I find Ms.
McCormick's comments not only to be terribly
incorrect and unfair but to be outrageous to
suggest that there is anything -- as she put it, that
there is an "underside" to the story here. There
was a contract between TJ Foods and Belterra for
the provision of food products. There's no dispute
about that. Under that contract, Belterra agreed
that it would purchase approximately 60 percent of
its food product from TJ's. TJ's has an obligation under that contract to make the product available. And what has happened over the course of the relationship is that there have been issues about product availability and price competitiveness of that product.

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

I think it's important to know that at the pretrial conference TJ's simply told the judge it didn't want to do business anymore because we
And we obviously decided we have very different views about both the -- TJ's -- Belterra's liability under the contract. As far as any damages, it might be minimal.

I'm not going to, here in this public forum, address Ms. McCormick's allegations about the business relationship she had with Belterra. I would be happy to provide information to the staff about that relationship; and in turn, that information could be provided to the Commission.

It was a contract for some direct mail. It was actually a matter that was discussed with the previous Executive Director, I believe, about a year ago or so. And so, I would be happy to provide that information, but in sum . . .

One other point about the food -- purchase of food products. This year, year-to-date, Belterra has purchased 83 percent of its food products from MBEs and WBEs. From January 2000 to date, August 31st -- and I say "January 2000" because that's the date that the action plan went into effective at Belterra -- they purchased 67 percent of all food products from MBEs and WBEs. I introduced at our last -- at the last Commission
meeting, several of our minority vendors with whom Belterra has a wonderful relationship. And if those individuals were here today, I'm sure that they would speak to that. Belterra has done everything that it is supposed to do relative to the statutory laws and more. It has addressed the concerns that this Commission raised appropriately back in late 2001, has implemented the action plan, has exceeded all of the requirements under the action plan, and remains committed to doing business with minority-owned businesses and women-owned businesses in the state. And allegations and statements to the contrary are simply incorrect.

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

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

MR. GIFFORD: No.

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

MR. GIFFORD: No. We have had no disputes with any other vendor, minority or otherwise.
CHAIRMAN VOWELS: Anything further?
COMMISSIONERS: [no response]
CHAIRMAN VOWELS: All right. I'm gonna let the Board sort that one.
The next matter on the agenda -- we're gonna take a break here, and I'll tell you all about that in a second -- will be the Pinnacle settlement agreement.
Let's take a -- why don't we call it a 10-minute break? It's 20 till the hour; and so, at 10 till the hour, we'll pretend that we'll all be sitting here. So, a 10-minute break, and we'll take that last matter on the agenda: the Pinnacle settlement agreement.

[WHEREUPON, a brief recess is taken.]
CHAIRMAN VOWELS: All right. We'll go ahead and call the meeting back to order. It's -- it's noon now. And the next matter on the agenda is the Pinnacle settlement agreement, and we'll turn to Mr. Lawrence for that.

MR. LAWRENCE: Thank you, Mr. Chairman. Late last year or early this year was a -- a shareholders' derivative suit filed against Pinnacle in California. The suit was William C. Kelsey versus R. D. Hubbard, et al. and Pinnacle
Entertainment, Incorporated. During this -- the
beginning of this year, there had been apparent
discussions among the parties relative to a
settlement of that derivative suit. You have been
given confidential documents previously in your
packets, and -- as I advised, was discussed in the
executive session. What you have before you,
Pinnacle and the other parties have submitted to
the Indiana Gaming Commission the settlement
document entered into for your review and
consideration.

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

COMMISSIONERS: [no response]

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

MR. GIFFORD: Thank you, Mr. Chairman.

This is not loud. How's this?

COMMISSIONER ROSE: Much better.

CHAIRMAN VOWELS: Thank you.

MR. GIFFORD: If I might start, I'd like to
start by introducing a couple of people who are
here with us today who were very much involved in
the litigation and settlement of these derivative
actions against the company.
Next to me on my left is David Battaglia. David is a lawyer and partner at Gibson, Dunn & Crutcher, located in Los Angeles. David has been in practice since 1987 and specializes with extensive experience in commercial and derivative litigation. David is admitted to practice in California and in the District of Columbia. And to the extent appropriate, when necessary, Mr. Chairman, I'd like to move for approval of having him appear before the Commission this morning.

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

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: That's fine.

MR. GIFFORD: Thank you. At this time, Mr. Chairman, I'd also like to introduce Mr. John Giovenco, who is in the second row behind me. Mr. Giovenco became a member of the Pinnacle Board of Directors in February of this year. He was a key member of the Special Committee appointed by the Board to handle the derivative action, and Mr. Battaglia can speak more to that. Mr. Giovenco has a very long and distinguished career in the...
gaming industry and in the financial industry. He served in a variety of capacities with Hilton Hotels
and Hilton Gaming, serving as President of Hilton Gaming from 1985 to 1993. I believe, at the time,
Hilton may have been the largest gaming company in the country at that point. He served for many
years on Hilton's Board and also served as a director for 14 years on the Board of Directors of
Great Western Financial Corporation, where, among other things, he chaired the audit committee. So,
if appropriate, Mr. Giovenco will be available to receive questions and answer questions today as
well.

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

Not knowing exactly how much detail will exactly -- like I said, you as the Chairman, I might
turn this over to Mr. Battaglia for a brief summary of the -- the derivative litigation itself, the
settlement, and then begin a discussion of the benefits of the settlement within the limits stated.
CHAIRMAN VOWELS: That's fine. Maybe
if we could make sure the Court Reporter has all
the names of people that you mentioned.

MR. GIFFORD: Yes, sir.

CHAIRMAN VOWELS: Thank you.

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

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

As required by law, the Board promptly
appointed a Special Committee to investigate and
address the lawsuit. The Special Committee was
vested with complete authority to act in the best
interests of the shareholders. As constituted, the
Special Committee had two members, Mr. Giovenco,
who is here, and Ms. Reiss, both of whom became
members of the Board long after any of the events
in question and after the prior settlement with the
Commission, and had no prior connections to
Pinnacle.
Mr. Hubbard, Mr. Alanais, and the Special
Committee first proceeded to hire independent
counsel to assist them. We previously had not
represented Pinnacle or any members of its Board,
and never represent Pinnacle and its predecessor
during the Hubbard era. And we have not
represented Mr. Hubbard or Mr. Alanais either.
We conducted an extensive mediation
proceeding heard over 2 months before a Los
Angeles Superior Court retired judge. He, in turn,
helped negotiate a settlement. The negotiations
pitted the Special Committee and the Plaintiff and
his attorneys on one hand against Mr. Hubbard and
the insurer for the Directors and their officers on
the other hand. And with the assistance of the
mediator, we were able to reach a resolution that
we believe is in the best interests of the
shareholders of the company and present that
resolution to the Los Angeles Superior Court for its approval and review. It has addressed that, found the settlement to be fair, reasonable, and adequate with regard to the -- protecting the interests of the shareholders of the company. And that settlement agreement is subject to any necessary regulatory approvals which need to be obtained; and, therefore, we are here today to determine whether such approval is necessary to obtain if -- if you deem it appropriate.

CHAIRMAN VOWELS: Any questions?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: All right. Mr. Gifford, anything else before the Commissioners -- they want -- you have scheduled it?

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

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

Anyone in particular have any thoughts here?

COMMISSIONER ROSE: When did that
mediation take place?

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

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

MR. BATTAGLIA: It was.

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

MR. BATTAGLIA: The lawsuit was not
served until February upon the company, at which
point the Special Committee was appointed, and it
conducted an investigation. The Special
Committee members and counsel were not familiar with these events, and therefore reviewed the Indiana materials from the prior proceedings here and familiarized themselves with the circumstances such that they, then, made a determination that it was in the best interests of all concerned to see if a possible resolution could be negotiated. There were stays put in place by the Los Angeles Superior Court pending both the investigation and the subsequent negotiation of the events to determine whether or not, with the assistance of this mediator, a resolution in the best interests of the shareholders could be obtained.

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

MR. BATTAGLIA: It did.

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

MR. BATTAGLIA: We're aware of the
public settlement agreement that was entered into
with Mr. Hubbard. We are not aware, and have
never been aware, of or privy to the confidential
agreement that was reached within -- regarding the
sale of his stock for any time period for which that
would -- would occur. I believe that is still
confidential between him and -- and the
Commission because of the potential for it to affect
the stock numbers and the price.

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

MR. BATTAGLIA: We were led to believe
by Mr. Hubbard in the context -- and Mr. Hubbard's
counsel in the context in the negotiations that
there was an agreement for a set period of time
and that part of that agreement allowed for the
possibility of extensions of time based, perhaps,
on the price of the stock. But we do not know any
term of years, any circumstances, in which
extensions could or would be granted or considered
by the Commission.
The goal of the Special Committee here was to
try to achieve a result that was in the best
interests of the shareholders. And so, we tried to accomplish that by obtaining benefits to the shareholders in the form of monetary compensation and in the form of stock control over Mr. Hubbard for, as you know, a 2-year and then a 3-year period. We tried to achieve as much as we possibly could in connection with that.

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

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

COMMISSIONER ROSE: Having --

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

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

MR. BATTAGLIA: The settlement agreement provides, as you know, for monetary compensation, and, with regard to Mr. Hubbard's
stock arrangements, for a -- an option to the company for a period for a period of years and a right of first refusal for a period of years. The question become -- the company is not -- has not been privy to and is not a part of the prior settlement with Mr. Hubbard, such that, certainly, we believe that we have achieved the benefits to the shareholders as much as we can. We strongly encourage the Commission to allow those benefits to be accorded to the shareholders. But at the same time, if the Commission -- if the extent of the time period to Mr. Hubbard's agreement is not extended in some fashion, I'm not sure that effects, per se, the settlement as it currently exists.

MR. GIFFORD: I was not involved with the settlement in the derivative suit, but subsequent, I've had conversations with Mr. Hubbard's counsel in the derivative suit about this process. And in the course of those discussions, it has become clear to me that he was of the impression, as he negotiated on behalf of his client, that, whatever the terms of that time period in the agreement between the Commission and Mr. Hubbard, he was of the view that he was within the
scope of that as he negotiated with the company.
The company, obviously, had no way of knowing
what that time period was and, I think rightfully,
assumed that Mr. Hubbard wouldn't be negotiating
for an outcome that would be inconsistent with his
obligations under the Indiana settlement that we
have.

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

CHAIRMAN VOWELS: So, are you saying
that it was represented to the parties involved by
Mr. Hubbard or somebody on his behalf that the
settlement agreement was not in conflict with --
with -- the California agreement was not in conflict
with the agreement with the Indiana Gaming Commission that Mr. Hubbard had -- or represented that it wouldn't be in conflict?

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

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

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

CHAIRMAN VOWELS: And -- and the only --

MR. BATTAGLIA: -- to the extent --

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

MR. GIFFORD: We have not. We have an understanding based on a side -- what we call -- well, a side letter that's been provided to you. And it's clear from that side letter that the time period
that Mr. Hubbard is seeking, pursuant to that which
he has asked of the company to be supportive of
and appropriate, obviously must go past the time
period that he currently has pursuant to his
agreement with you, because it contemplated
seeking approval from the Gaming Commission in
order to extend that time period to mirror those
other -- those other times. But that time period --
or you could be sensitive to the fact that the
information's confidential.

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

MR. GIFFORD: That -- if you look at
the -- if you look at the derivative settlement with
Mr. Hubbard and you break it up into its various
pieces, part of it is a 2-year option, part of it is a
3-year right of first refusal on the sale of stock.
There are limits on his ability to dispose of certain
amounts of stock without -- during this time period.
And I think that there was an understanding that --
and the company values, for example, that the
option has significant value to the company, and
we provided the evaluation work on that. And you
will see how the value of that over time is broken out. And so, I think the company values that the value negotiated was the best that was likely to be obtained in the absence of a -- maybe even after --

CHAIRMAN VOWELS: Take the mike and speak up.

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

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

MR. LAWRENCE: That's correct, Mr. Chairman. I have talked to Mr. Rawlings on the phone, and he has provided confidential documents to the Commission, to me, outlining the process and his thought process that he went through in negotiations. I did have a discussion with him, and he asked if he had -- he had a very difficult
schedule yesterday and today. And I indicated to
him that it may not be necessary for him to be
here, but he might be admitted by phone if you
would need to discuss with him.

MR. BATTAGLIA: I -- I would underscore
that if an extension is not automatic based on the
price of the stock and is necessary to -- to -- to be
addressed with Mr. Hubbard, that on behalf of the
shareholders of the company, it would greatly
effectuate the value of the settlement to have an
extension. As you know, the elements of this
settlement are that Mr. Hubbard's D&O insurer will
contribute a substantial sum of monetary
contributions to the company; that there is this
option to purchase of the company his stock in
Year 1 at a set price and in Year 2 at a set price,
which conceivably, if exercised, would cash Mr.
Hubbard completely out of the company. And also,
a disability to get a premium all at the same time,
allowing the company, and not Mr. Hubbard, to
receive the upside potential. For example, the
stock goes to $1 more than the exercise price and
the company would thereby gain $2,000,000 that
Mr. Hubbard would otherwise get. And that's been
valued by an independent evaluation consultant.
It also -- the settlement we reached, and the Special Committee's attuned to this, controls -- has substantial controls over Mr. Hubbard regarding the disposition of his stocks, such that he's prohibited from using his stock or making any attempt to use his stock in any way to participate in a change of control or obtain control of the company directly or indirectly, which we think assists in what was accomplished previously in the prior settlement reached by the Commission, and the right of first refusal itself over the 3-year period protects the shareholders by preserving the value of the stock to the company. Remember; throughout whatever period in time exists, the stock remains in a voting trust. Mr. Hubbard has absolutely no control over the voting of that particular stock.

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

CHAIRMAN VOWELS: All right. Ms.
Dean, let's go to you for a second. It was some
time in July that the Gaming Commission was first
notified of this settlement; is that correct?

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

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

MS. DEAN: Yes.

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

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

CHAIRMAN VOWELS: Any other thoughts
here?

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

CHAIRMAN VOWELS: Yes.

MS. DEAN: In the information that we
have received, I understand that the insurance
company listed in the documents presented by
Pinnacle is Westchester Insurance Company.

MR. BATTAGLIA: Westchester USA;

That's correct.

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

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

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

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

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

MR. BATTAGLIA: I do not know about
that confidential agreement being submitted to the Court. We certainly did not in connection with the approval process. And I'm not aware of any supplemental filings by Mr. Hubbard in connection with that settlement. But -- the court clearly indicated as part of the settlement, and we made it very clear, that if any necessary regulatory approvals were required, that was a condition of the settlement agreement itself. So -- so that we presented it to the Indiana Gaming Commission and the other regulatory agencies deemed necessary at a time -- I think we started presenting materials after -- the week after we had received the approval of the California court as to its fairness, but in a very short time.

MS. DEAN: This Commission has learned that in evaluating an option, the extension of time or the period of that option is very important and it does value the option itself, as you have represented to this Commission. So, if that timing agreement would substantially limit the settlement agreement that you have entered into, doesn't that affect the valuation of the option and, then, what action Mr. Hubbard is submitting to the company as a result of this derivative action?
MR. BATTAGLIA: Depending on what the
time period of the option is, it would certainly
affect the value that the company is receiving. We
made a conservative estimate to the California
Superior Court that the value of the option was at
least $1.25 million, which was substantially less
than the valuation that was being presented. It
would affect the value of the settlement. I haven't
considered at this point whether or not the
California Superior Court would have to repass on
that claim. Under the circumstances, it is subject
to necessary regulatory approvals.

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

As things exist today in Mr. Hubbard's
agreement with this Commission, as I understand it
simply from the public settlement agreement, he can sell his stock to whomever he wants, whenever he wants, and under whatever circumstances he wants, and -- and at whatever price. This settlement; one aspect of it gives the company the right of first refusal to have control over who can take a significant ownership buyout of its stock. It does -- for the length of the time period that would be available, does provide the company the option so that if the stock price went over the option price, the company could exercise it and prevent that.

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

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

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

MR. GIFFORD: The answer is that under
our bank -- under our current bank agreements,
there is a difference between our ability to issue
options like we did and our ability to redeem
outstanding stock. So, while we could issue the
options that we did for employees, under the
current bank -- under the terms of the present and
other bank agreements, we really aren't in a
position to redeem his outstanding stock in that --
in that amount and in that quantity. And, of
course, his outstanding shares are more than
double the 1,000,000 shares that were issued in
options.

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

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

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

MR. GIFFORD: The two derivative
settlement -- settlements; we -- let me put it this
way. In the normal course, the Gaming Commission
does not have to approve the settlement of
litigation that licensees are involved in, whether
substantial owners are involved. There are -- so
there are no specific regulatory requirements to
obtain approval of the settlement of litigation.
Clearly -- and I'll come back to that in a moment --
clearly, to the extent that any party to an
agreement with the Commission seeks to amend
that agreement to the extent that Mr. Hubbard
seeks to amend his agreement with you, for
example, that obviously requires your approval.
Our position is that the derivative settlements and
their effectiveness isn't contingent on Mr.
Hubbard's amending his agreement with you. And
to that extent, approval of the derivative
settlements isn't a required -- isn't a required act.
But, as the Chairman and other lawyers know, on
the jurisdictional issue, when the court decides it
has jurisdiction, or if the court decides it has
jurisdiction, that's automatic with the Commission.
And that's why we've submitted this. And our --
our view is that if the Commission deems, in its war
powers, that it should approve these settlements,
and that's why we're -- that's honestly why we're
presenting this to you.

Now, while it's our position that they are not
contingent, that the two -- whatever you do with Mr.
Hubbard, the settlement agreements aren't contingent on that. We do strongly believe that the value to the company and its stakeholders is enhanced if the company has the ability to exercise the rights that it's negotiated in the settlement during that time period. That maximizes the value of the company.

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

MS. DEAN: It is correct in this agreement that there is no requirement for him to sell his stock nor is there a requirement for the company to
purchase that stock; is that accurate?

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

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

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

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

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

MR. BATTAGLIA: Yes.

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

COMMISSIONER ROSE: Despite the stated goal of divestiture?

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

COMMISSIONER ROSE: Right.

COMMISSIONER GETTELFINGER: Mr. Chairman?

CHAIRMAN VOWELS: Yes.

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

CHAIRMAN VOWELS: Yes.

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

MS. DEAN: That is correct.

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

MS. DEAN: The agreement itself, I believe, would be determined void because there has been a violation of that agreement; and Mr.
Hubbard would be back before this Commission for a potential fine for unsuitability.

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

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

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

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

MR. GODFREY: Good afternoon. For the record, Jack Godfrey, General Counsel for Pinnacle. We do have a provision in our Articles that in the event of a determination of unsuitability
of a shareholder, we can require redemption of
those securities. As a practical matter, even if you
require a shareholder to -- to have his shares
redeemed, you might have to resort to litigation to
force them to do that. But there is a provision that
applies to all of our security holders, including
debt-security holders, that can occur in the event
of finding under unsuitability or if the company
determines it advisable in -- in the face of a
regulatory issue.

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

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

COMMISSIONER GETTELFINGER: Yes,
sir.

MR. GODFREY: It's not clearly defined.
When we issue securities -- for example, debt
securities -- we put in a provision that in the event
of a finding of unsuitability, we would redeem
those securities within 30 days or such shorter
time period provided by the applicable regulatory
authority. But typically, as I understand regulatory
agencies, in the event that they find someone
unsuitable, they typically provide some period of
time within which those securities can either be
redeemed or must be sold. So, in our Articles, it's
not precisely defined.

COMMISSIONER GETTELFINGER: Ms.

Dean, what would be the remedies of the Indiana
Gaming Commission should Pinnacle not be able to
reacquire the shares of Mr. Hubbard on finding that
Mr. Hubbard is unsuitable to hold a gaming
license?

MS. DEAN: [no response]

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

MS. DEAN: I believe at that point
Pinnacle would have a problem before the
Commission as concerning their license here in
order to conduct business, because they would
have a person who would be found unsuitable by
the Indiana Gaming Commission, who would then be
a substantial, key person within the organization.
CHAIRMAN VOWELS: Any other thoughts?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: Anybody have any proposed solution?

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

COMMISSIONER ROSE: I guess the problem before the Commission right now is that what we're being asked to do is approve the terms of the California -- approve the settlement agreement in California. And I think that you understand that we have some belief that the terms of that agreement are in conflict with the terms of the agreement that we have with Mr. Hubbard. And it's not clear to me that we have flexibility under our agreement to -- I'm trying not to divulge any confidential information, so I'm trying to pick my words very carefully. It's not clear to me that we have the flexibility that we need under the terms of our agreement to modify that agreement in such a way as to not be in conflict with your agreement. And so -- and I think one of the other issues is that we've got all this material and Ms. Dean has gotten
some material very recently, and you can tell from
the intense amount of questioning that we've had
about the structure and understanding of these --
of how these two things are working together that
we're just not clear how this is going to play out.
And so, my view is that, on the one hand, I'm
not sure we have had enough time to absorb all of
the ramifications of approving the settlement
agreement with the California agreement and how
it's gonna affect us. So that's -- that's a bit -- just
to be clear what we're struggling with.

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

COMMISSIONER ROSE: Right.

MR. GIFFORD: -- but just thinking about
how that might play out, I could envision a scenario
where the Commission took a periodic approach to
the time period in which he must divest so that --
and I -- and I understand that the struggle of
saying, "Well, you have until the time periods in
the derivative action," and that creates uncertainty
that, perhaps -- that some people may not like to
see. But I think that you would have, as I
understand it currently exists, the right -- not
right. I understand from Mr. Hubbard's counsel
and his -- as he described it to me, and the words
he used were, essentially, "automatic extensions"
of the time period in which he could sell based on
certain factors. I don't know what those factors
are. I don't know what that time period is. But he
believed that there were extensions of the time --

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

    MR. GIFFORD: That's what I assumed.

    COMMISSIONER ROSE: Okay.

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

    COMMISSIONER ROSE: But, Mr. Gifford,
it's not clear to me that the agreement in California
is actually going to result in divestiture. That the
reliance upon the -- the divestiture -- the way he's
gonna be divested is because of our agreement
with him. Is that true? I mean, is that your
understanding as well?
MR. GIFFORD: Yes. There's nothing in
the Cali -- in the derivative settlement that forces
him to sell by a date certain.

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

Since that -- this question over the longer
period of time may be moot, such that periodic
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extensions as -- as perhaps justified by Mr. Gifford
and considered by the Commission, may be the way
to address this situation.

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

COMMISSIONER GETTELFINGER: Point

of clarification: Does the company have an option
or first -- right of first refusal on all of Mr.
MR. GIFFORD: Yes.

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

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

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

MR. BATTAGLIA: If he proposes a sale of all of his shares, the company has a right of first refusal over that sale. But Mr. Hubbard -- if the company denies the right of first refusal, he may not sell all of his shares; he would only be able to sell the amounts pursuant to the quarterly limitations in the agreement. In other words, if somebody came to him and said, "Buy the whole company at X price," and all of his shares, the company has the right of first refusal for them all, but he may not be able to sell the company all of his shares at X price because of these limitations.
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1 The -- the shareholders were the ones, in part,  
2 that were significantly harmed by this conduct in  
3 question. And -- and the shareholders here gain  
4 potentially the benefit of an upside value in stock,  
5 taking that away from Mr. Hubbard, while at the  
6 same time gaining the protection from an ordered  
7 dissolution or -- or sale of the stock by Mr.  
8 Hubbard at a price that -- that is below market,  
9 such that you would end up in a situation where the  
10 shareholders in that circumstance would be armed  
11 without some control --

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

19 MS. DEAN: Mr. Lee further appeared  
20 before the Commission at the May 13th, 2002,  
21 meeting concerning the shareholders and  
22 concerning the company, and requested to remain  
23 here in the State of Indiana as opposed to having  
24 the license removed, and that that was in the best  
25 interest of the shareholders. And the Commission
decided at that time that it was in the best
interests of the State of Indiana and their
employees not to hit the company by asking them to
leave the state.

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

Commissioner Gettefinger:
[interrupts] Mr. Gifford, I'm having a little trouble
hearing you.

Mr. Gifford: I'm sorry. Mr. Kelsey, the
shareholder who brought the derivative action, is
an Indiana resident. Some of you know him. He's
been recently reappointed to the Indiana Boxing
Commission, for example; I noted in the
publication. And Mr. Kelsey and his counsel had to
review and sign off on the derivative actions and
the fact that they provided value to the company's
shareholders, many of whom are in Indiana. And
we -- we believe that that benefit that the company,
its shareholders, and what I would call
stakeholders derived from this -- from the certainty
from the other aspects of the derivative settlement
that we've pointed out, are very meaningful.
The other point I would make is that I -- I
understand that there has been a lot of information
provided to the Commission. We began -- even
before the first formal submission, we began -- we
had conversations; Mr. Lawrence and I had
conversations about this. Shortly after we made a
formal submission, we had a meeting with the staff,
with the General Counsel of Pinnacle, and myself
and others. We have been in nearly daily
communication about these issues trying to address
issues, provide information. We understand that
this is a sensitive issue. We are very much aware
of that. We also believe that there is great value
to the -- to the company and to the state through --
through the stakeholders here in allowing us to put
together this derivative-settlement action in a way
that's consistent with what you're doing, or might
do, as well.

MR. BATTAGLIA: Just to summarize, I
think, the company's position, we do not think that
any Commission approval is required for the
derivative settlement itself that we've entered into.
But in order for the company and the shareholders principally to obtain the benefits of that settlement, it may be necessary for there to be some extension of time by which Mr. Hubbard would sell his stock. And we don't know, you know, the time period or to what extent that extension is necessary.

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

COMMISSIONER ROSE: It just strikes me -- excuse me. It strikes me that we are missing someone at the party of this discussion; right? You -- you're -- you're representing Pinnacle, the shareholders of Pinnacle, and asking, you know, us to understand a settlement agreement that -- that you presented to be in the best interests of
Pinnacle and appears to be so. And we are
representing the citizens of Indiana and the
Gaming Commission, and -- and -- and, perhaps,
many of our citizens are also shareholders of
Pinnacle, and it's in our best interests that
Pinnacle remains a strong and viable corporation.
Yet, we have an agreement with Mr. Hubbard that
requires him to -- to do certain things by a certain
date, and that date affects your agreement. And
so, not having him available to speak to this
strikes me as extremely odd. And -- and so, I just
think -- I think we're missing someone here to come
to us and ask us for what needs to happen under
the agreement that we have with Mr. Hubbard.

MR. LAWRENCE: Commissioner Rose, as
I indicated previously, I have had discussions with
Mr. Rawlings, and last week he -- he asked whether
it would be necessary for him to be here. At that
time, we had received the documents that he had
sent to us in confidence. And when I reviewed
them, I felt that at that time that he somewhat laid
out the -- his -- extensively the position of Mr.
Hubbard. And at that time, I left a message for him
indicating -- he indicated to me that it would be
extremely difficult for him to rearrange his
schedule to be here. At that time, I left a message indicating that, in my estimation, it might not be necessary for him to be here, but to be available by phone. So, to -- to his benefit, for the record, I did indicate that to him, so . . .

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

Mr. Hubbard's counsel, I understand from Mr.
Lawrence, may be available by phone. Obviously, those would have to be confidential discussions, given the nature of the agreement. But -- so I'm not sure what the next step is. But, obviously, those discussions --

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

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

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

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

COMMISSIONER GETTELFINGER: Well, if we would --

MR. BATAGLIA: And -- and I'm not sure -- I'm sorry.

COMMISSIONER GETTELFINGER: Well, I -- I guess I would put that point to our counsel,
then.

What can we do to facilitate these folks getting together?

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

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

CHAIRMAN VOWELS: The essence of the problem is that if Mr. Hubbard does not comply with the agreement from last year, it negates the agreement. It puts him back in a situation where we could find him unsuitable. You then have a 90 percent owner who is unsuitable, and then you guys
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1 have a problem; right?
2
3 What Commissioner Gettelfinger, I believe, suggested is: We may be in a position, if Mr.
4 Hubbard asks us, to waive our confidential -- confidentiality concern on that agreement that we might say, "Fine. Show them if you want." That -- that's -- that's the ripple effect.
5
6 What's your question? Why -- why would you want to see that document? We've been talking for an hour [laughs].

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

8 CHAIRMAN VOWELS: Well, let me --

9 okay.

10 COMMISSIONER GETTELFINGER: Mr. Chairman, my position is: We have an agreement with Mr. Hubbard, and I intend to do everything I can as an individual to see that that agreement is enforced to the letter of that agreement. And I think, if I was involved on the other side, knowing what the -- knowing what the letter of that agreement is, I think it would be important to your deliberations. I think it would change some of the dynamics of the way that people were figuring these values. How valuable are they? But from my
position, whatever that agreement is, the confidential part of it, I will insist personally that it be enforced to the letter of that agreement, no more. So, for whatever that does for folks, and I just [laughs] think if -- if the Commission can -- I defer to legal counsel, but if the Commission can, if we can in some way empower Mr. Hubbard and his counsel, that he could discuss that, you know, I think that would be valuable dialogue that would help move this along. And, again, I have to defer to counsel if we can do that.

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

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

COMMISSIONER ROSE: Okay.

MR. BATTAGLIA: -- associated with it.

CHAIRMAN VOWELS: I think -- Mr. Lee?

MR. LEE: Yeah. Just -- I would just like to make a point that we want Mr. Hubbard out of our company every bit as much as you do.
COMMISSIONER GETTELFINGER: Mr. Lee, I'm having trouble hearing you.

MR. LEE: [interrupts] I'm sorry. We want Mr. Hubbard out of our company every bit as much as you do. Okay? The -- none of us talk to him. I have not spoken to the man since I took the job a year and a half ago. A year ago our stock was above 10. We were trying to do an offering to make our balance sheet stronger, to help pay for the expansion that we had underwent at Belterra. And one of the problems I ran into was: The potential buyers of the deal looked at it and said, "Well, we know 9 percent is gonna get sold. Now, if we buy in this deal, we don't know the time frame; that's confidential. Is that stock going to get dumped on the market? So, we -- we buy the shares at 10, and when the stock gets dumped, we end up with 7." And so, it was going to be difficult. And our underwriters went to Mr. Hubbard and said, "Can we get you to sign these standstills so we know you're not going to dump the stock in the next 6 months? Or, alternatively, will you put your shares into the deal and we'll sell it as secondary shares so the deal would be part primary shares for the company and part secondary shares selling a
few shares out to institutions?" His comment was, "I won't sign the standstill; and tell me the price."
Well, that becomes a catch-22 because you're going to go market shares, you don't know if his shares are in or out, and therefore you can't really determine the price.
So when this derivative suit came along and we were trying to figure out how to resolve it, I viewed that $10 option, which is really most of the value, the option for -- to buy the stock for one year at $10 is buying right now to force him out. Now, hopefully, if we could get this approved, it would take the overhang off the stock. That, plus, our results are pretty good, as you have knowledge of. That would help our stock move up. Just by comparison of the price Harrah's is paying for Horseshoe, by the same parameters, our stock should be in the mid-teens. If I can get our stock to 10 1/8, I'll go out with an offering so fast and exercise our option and take him out. Now, I can't buy it ourselves because of our debt limits. But I can transfer that option to an underwriter, and the underwriter can sell it to institutions, and we can get him out of our company.

MS. DEAN: Was the request made to your
debtor companies that you've asked for approval and
received approval from today in order to be able to
purchase stock should you -- should you so need?

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

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

MR. LEE: Well, the -- the bank deal we
did several months ago, the proceeds are being
used to build the expansion of Belterra and the new
property we're building in Louisiana, so the banks
are looking at their money being put to work in a
way that produces profits from which we can pay
their interest. If you borrow money from a bank
and use it to buy stock, the money is just gone
from their point of view. So, they're very resistant
to allowing a company to borrow money and buy
stock. So, really, the value of the option for us is
the ability to transfer it to somebody who is selling
it to others and, hopefully, to institutions.

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

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

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

MR. LEE: No, it doesn't. If I exercise
our option, it's done; he's gone. Our -- our option
to buy the stock at $10 is an option -- we'd love to
buy all the stock at once and then resell it.
Literally, what you do is transfer it to Merrill Lynch or Bear Stearns or something and say, "We're doing this offering," and at the closing of the offering, we transfer the option to Bear Stearns. Bear Stearns exercises the option and transfers the stock to a college retirement equity fund or something like that. I'm sorry; I'm not a lawyer. The lawyers can explain.

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

CHAIRMAN VOWELS: Go ahead.

COMMISSIONER ROSE: The first suggestion that I have is that the Commission consider a motion that would allow the disclosure of our agreement; that we would agree that if Mr. Hubbard so agrees, that the confidential agreement that we've entered into with Mr. Hubbard could be disclosed to Pinnacle for the very limited purpose of understanding its implications with regard to the shareholder derivative action. And, of course, Mr. Hubbard would also have to agree to this. And I think that the Commission might be in a position to strongly urge him to do so to get this taken care of. So I will move that we approach Mr. Hubbard with regard to releasing this document to Pinnacle.
for this limited purpose.

COMMISSIONER GETTELFINGER: Mr.

Chairman, I second --

CHAIRMAN VOWELS: Is there a motion?

COMMISSIONER GETTELFINGER: -- that

motion.

CHAIRMAN VOWELS: Is there a

discussion?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: Mr. Lawrence, any

particular thoughts?

MR. LAWRENCE: No, sir.

CHAIRMAN VOWELS: Okay. All right.

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

MR. GIFFORD: Mr. Chairman, one issue

is: We're very concerned about that knowledge
totally unrelated to this issue because it subjects
the company, then, to later charges that it, knowing
the date by which he has to divest himself -- it
opens the company to charges that it deliberately
low-paid on it; it had an impact -- negative impact
on the stock in order to hurt his ability to sell his
stock. That's our -- that's a very serious concern
of having that information.

The second aspect of that, however, is just --
COMMISSIONER GETTELFINGER: Well,

Mr. Gifford, why is that situation any different now
than it was when the agreement was entered into?

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

COMMISSIONER GETTELFINGER: Well,

if that -- there was negotiation when this
settlement was -- the first time; wasn't the parties
part of that? So I don't -- I don't see the point that
the -- it's a problem now and it wasn't a problem
earlier.

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

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

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

MR. BATTAGLIA: The second point of
that is that I'm not sure necessarily knowing that
date would change the position with the Special
Committee vis-à-vis the Commission. It would -- if
it knew a date, would still come before you and --
and seek your assistance in providing for an early
disposition of this stock and some type of periodic
time exten -- extension so that the value that was
negotiated on behalf of the shareholders here
could be achieved in the form of the options. And
so, knowing that information would not necessarily,
I think, change any position that the -- the Special
Committee would urge on the Commission, besides
the potential for SEC reporting requirements, which
I assume you would desire to avoid in the first
instance.

MR. GIFFORD: Perhaps --

COMMISSIONER ROSE: Let me just --

MR. GIFFORD: -- my understanding --

COMMISSIONER ROSE: -- let me just say

one thing, Mr. Gifford. I think you're right about
the disclosure obligation if you did know -- if -- if
Pinnacle did know that information. And I'm gonna
withdraw my motion to not have to put you in that
kind of position.

CHAIRMAN VOWELS: Show the motion is
withdrawn. Any problems with that?

COMMISSIONER GETTELFINGER: No.

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

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

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

COMMISSIONER GETTELFINGER: I would agree and I'm -- individually I'm prepared to do that, but no more than what our current agreement states.
COMMISSIONER ROSE: Do you think that Mr. Hubbard needs to come before the Commission to make that motion to the Commission?

COMMISSIONER GETTELFINGER:

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

MR. BATTAGLIA: Could there -- I'm sorry. Could there be some resolution to the effect of -- that the Commission does not necessary have to pass on the settlement agreement that has been entered into or that, subject to whatever is negotiated with Hubbard, the settlement agreement is approved such that the company can receive the monetary benefits of this agreement and begin to receive the potential value in the form of the option so that it could exercise and take him out, you know, within the time frame that -- that -- that you -- you have potentially set and may be willing to extend, I don't know, such that the rest of the
issue, whether there should be some further
extension beyond that time frame, becomes moot?

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

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

    COMMISSIONER ROSE: Right, and report
to you.

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

    COMMISSIONER NDUKWU: Second.

    CHAIRMAN VOWELS: Is there further
discussion?

    COMMISSIONERS: [no response]
CHAIRMAN VOWELS: All those in favor
of the motion say "Aye."

COMMISSIONERS: Aye.

CHAIRMAN VOWELS: Show that the
motion carries.

[WHEREUPON, the Commission approves the
California settlement agreement subject to the
extent that it is not in conflict with the
agreement that the Commission has with Mr.
Hubbard, and to the extent that there needs to
be changes within the confines of the
agreement that the Commission has with Mr.
Hubbard, then the Commission authorizes the
Commission and the staff to negotiate that with
Mr. Hubbard, subject to the strict terms of that
agreement, and to report to the Chairman and
the rest of the Committee about that at the next
Commission meeting.]

CHAIRMAN VOWELS: Try somehow to see
what it says.

MR. GIFFORD: We were just trying to
understand specifically what the "subject to" -- the
approval of -- of the California settlement was
subject to -- specifically what the "subject to" was
and how that -- the extent to which there's a
contingency there. It sou -- I was gonna say it
sounded like --

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

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

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

CHAIRMAN VOWELS: That -- that was the
condition.

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

MR. GIFFORD: Yes.

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

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

MR. LAWRENCE: Yes, sir.

CHAIRMAN VOWELS: Okay. Is there any other business?

COMMISSIONERS: [no response]

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

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

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

COMMISSIONER GETTELFINGER: Well, that would be too much power to give me to determine lunch. I would like to suggest, maybe, a short break, 10 or 15 minutes, if that would accommodate everyone's schedule, before we resume.
CHAIRMAN VOWELS: Okay. But let's --
let's do that before we adjourn here, then, just a
moment.
Let's take a 15-minute break. It's 20 after the
hour, so at 25 till the hour, then Caesars will begin
their presentation at that time.
Jenny Arnold over here has the sign-up sheets,
so anybody who wishes to comment during the
Caesars period -- so you just find Jenny over
there, fill out the forms, if you have time
limitations, let them know it.
Is there a motion to adjourn [sic]?
COMMISSIONER ROSE: So moved.
CHAIRMAN VOWELS: Second?
COMMISSIONER GETTELFINGER:
Second.
CHAIRMAN VOWELS: Further discussion?
COMMISSIONERS: [no response]
CHAIRMAN VOWELS: All in favor say
"Aye."
COMMISSIONERS: Aye.
MR. BATTAGLIA: Thank you for your
patience.
WHEREUPON, the Indiana Gaming Commission
Hearing/Public Meeting is recessed at 1:22
WHEREUPON, the Indiana Gaming Commission Hearing/Public Meeting reconvenes at 1:50 p.m.]

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

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

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

Today I'm going to provide you and -- as part of the 5-year license-renewal process, we prepared a report involving the issues. The first is
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1 compliance, which includes issues such as project
development, employment, and negotiated
incentives. Second is work-force development. We
looked at both employment and training, then
economic development of both tourism and the
im -- and the economic impact on local taxes and
negotiated contributions that's spent by local
government. And finally is the fiscal impact on
schools and the -- and Harrison County.

In terms of compliance, as of June 2003,
Caesars has spent approximately $434.6 million,
which is 206.4 million more than was agreed upon
in the original agreement. $161.9 million of that
money was spent locally in Harrison, Clark,
Crawford, Floyd, and Washington Counties.
Negotiated incen -- negotiated incentives are
also on schedule. Caesars has paid over $49.2
million in negotiated incentives, primarily to local
community foundations.

In terms of employment, there were no specific
employment goals. The five-year average of
employment was 2,198. There were 2,239
employees as of June 2003. Since opening,
Caesars has paid over $329 million in wages,
approximately $43.8 million in 2003. As of June
2003, 16 percent of the Caesars work force were minority and 23 percent were residents of Harrison County; 67 percent were residents of the State of Indiana.

We also look at impact on the work force. At the beginning I gave you a survey, as you may recall, of the employees at riverboats. We've -- we've set a new record again. We had 1,919 responses out of a total of 2,198 employees.

That's almost 95 percent. If -- if you guys think back to the very first one, I think there were 189 responses when we did the first 5-year analysis.

As a policy analyst I do this kind of stuff; I'm now willing to project, that after three more polls we will actually have 102 percent return [laughter].

What we've learned from -- from these responses is that approximately 24 percent of those who responded to the survey were unemployed prior to beginning work at Caesars. 58 percent of those who were employed found that either more money or improved benefits were the principal reasons for beginning work at Caesars.

The average length of employment for the respondents was 3 years and 3 months. Most respondents worked full-time. Approximately 10
percent worked 35 hours or less. 78 percent, basically three in every four, have received a raise since beginning work at Caesars. The average annual increase in wages since beginning work at Caesars has been $6,700, which means that Caesars employees' income has been growing faster than the average employee in the State of Indiana.

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

We looked at the economic impact of tourism and the spending of local taxes and negotiating incentives by local government, which I think is kind of an overlooked benefit of the post
[phonetic], that those tax -- those are tax dollars
that would not typically be raised at local-
government levels. What we found, based on a sur
-- sur -- survey of 187 tourism patrons, was that
we're very successful in attracting people from
outside of Harrison County to the boat. In fact --
in fact, 98 percent of all the people who came to
Harrison County said that the reason they were
here was because of the riverboat, and 70 percent
of all the people who responded were actually from
outside of Indiana.
We were less successful in generating, based
on survey results, additional economic activity
outside of the boat but inside of Harrison County.
Only 19 percent spent more than 8 hours. 16
percent of those were from -- were overnight, and
every one of them reported that they spent the
night in the hotel casino. I mean, visiting here for
the first time, that obviously made sense. And that
should have been anticipated in the survey.
The economic impacts of local taxes and
negotiated incentives has been limited to the $46.5
million spent by Harrison County and the
community foundations for which we could identify
the type of expenditure, and it doesn't include
money spent by -- that's shared with other local units of revenue or money that has been collected but not spent. The spending of that $46.5 million results in about $66,000,000 of economic activity in the four-county area, which is Crawford, Harrison, Floyd, and Washington. The singularly largest sector of the county that's affected is infrastructure investment, which adds about $31,000,000 to the local economy. We estimate that there's been 1,096 new full-time jobs created as a result of the investment of these tax dollars and negotiated incentives, and over $17,000,000 of wages.

The important question that remains to be asked on the road is: What are the long -- those are the short-term economic impacts of this investment. By investing in things like infrastructure and other hard costs, we think that the long-term economic investment might be even greater because the in -- because the investments in infrastructure and other improvements to the quality of life should theoretically improve the economic competitiveness of the entire region. We look forward to trying to determine that over -- over the years to come.
The last thing we did -- well, not the last thing we did, but the last thing I'll report on today -- is the fiscal impact of the boats. And, basically, that looks at the amount of new public revenue -- tax dollars generated for the community relative to the amount of the new cost generated by the presence of the riverboat casino and it -- and its visitors. So, this analysis was actually done by a partner of ours at Purdue University.

What we found is that when you include the admissions tax, the fiscal impact on the -- on Harrison County was a positive $23,000,000, which in a sense means they've collected $23,000,000 of tax revenue than -- than -- than the amount of increased costs. When you do not include the admissions tax, then you see a small negative fiscal impact. It costs somewhere between 28 and $119,000 more to provide services after the presence of the riverboat than before. Depending upon perspective, if someone asked me if I knew this 28,000 to $119,000 knowing full well that that would bring me a benefit of $23,000,000, I'd be perfectly happy to do that, and I would also advise any of my children who were investing to do that -- do that as well.
The risk -- the -- we -- normally we also look at cities and towns, but in this case it's located not in an incorporated single city or town, so there is no -- there is no fiscal impact to acknowledge to analyze, which is different than any of the previous boats that we've done the analysis for.

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

Thank you for taking the time to listen to me.

CHAIRMAN VOWELS: Any questions for Mr. Klacik?

COMMISSIONER NDUKWU: I have one.

Why do you think there has not been any other economic activities . . .

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

COMMISSIONER NDUKWU: No.
MR. KLACIK: Oh.

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

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

COMMISSIONER NDUKWU: So, an alternative speculation would be that because of the -- of the -- the salary given by the workers, is
there more individuals out there to actually compete to that -- that kind of salary scale. So, the industries looking to relocate here see this as a tough competitor for the workers.

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

COMMISSIONER NDUKWU: Possibly.

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

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

MR. KLACIK: Sure.

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

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

COMMISSIONER GETTELFINGER: I'm on
MR. KLACIK: All right.

COMMISSIONER GETTELFINGER: The impact on Caesars' Work Force, your first bullet point.

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

COMMISSIONER GETTELFINGER: And then, the -- the -- the last -- or the third bullet point there, where the wages are $6,732 more, that was six -- 6,700 more after they'd come to work for Caesars than they were making before?
MR. KLAČIK: That was since they began working at Caesars. There isn't -- there isn't --

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

MR. KLAČIK: On the average.

COMMISSIONER GETTELFINGER: Oh.

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

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

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

COMMISSIONER GETTELFINGER: Thank you.

MR. KLAČIK: You're welcome.

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

MR. KLAČIK: Oh.
COMMISSIONER ROSE: Did you look at that?

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

COMMISSIONER ROSE: Uh-huh.

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

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

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

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

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

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

MR. KLACIK: And that was at Caesars?

CHAIRMAN VOWELS: At Caesars. Right.

Got anything else for Mr. Klacik?

MR. KLACIK: Thanks.

CHAIRMAN VOWELS: All right. Thank you.

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

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

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

I'm going to introduce Mr. Barr to you as one of the most influential and respected gaming executives in America. He's been in the industry for more than 25 years; has extensive operating and finance experience in Las Vegas and Atlantic City. He previously served as Park Place's chief financial -- or chief operating officer until he became CEO earlier this year. He serves on numerous boards of organizations and philanthropies. And I would just note that Mr. Barr and Bernie DeLury, who is Park Place's General Counsel, who's in the front row, need to be in New York City about 5:30 today; and so, they may sneak out shortly after Mr. Barr's remarks and the video; so, just to let you know. It's a privilege to present Mr. Barr to you.
MR. BARR: Good afternoon. The founding president of this company used to have a saying, "When you're making a presentation, use the Three Bs." And I inquisitively asked one time before my presentation what the Three Bs were, and that was to be brief, be bright, and be gone. And I will attempt to do that today in the interest of time and your patience with the length of today's meeting and in accordance with what you have to decide this afternoon.

Before I start, though, I'd like to introduce to you our partner from RDI, Riverboat Development, Inc., Mr. Larry Thompson. Larry is the chairman of the board and chief operating officer of RDI, and it has been a pleasure to be a partner and be an associate with him over the last number of years we've been associated with the prop -- property.

Also in attendance today from Park Place Entertainment is Bernie Delury, our executive vice president and general counsel, as well as Mr. Jim Darcy, our vice president of compliance.

Park Place Entertainment is one of the leading gaming companies in the world, with 29 locations spread out over 19 domestic locations, 10 international locations, spread out over 5
countries, 54,000 employees, 29,000 hotel rooms,
revenues in excess of $4,000,000,000 received as
cash flow that allows us to keep properties such as
this in a first-class condition and continue to bring
new unit improvements on line as we see fit for the
properties.

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

We were brought into the Indiana environment
back in 1999 when Park Place Entertainment
acquired Caesars World, Inc., and acquired from
them locations in Las Vegas, Atlantic City, Lake
Tahoe, and Caesars Indiana, which was under
development at that point in time. When we looked
at not only the Caesars Grand, which was one of
the best known "grands" in gaming, as evidenced
by our change in our corporate name and our
commitment toward going forward, we saw that in
Indiana the potential of Caesars Indiana with its
proximity to the Louisville -- or 'Louahville," I
guess I'm supposed to say -- western Kentucky
market and immediate impact in southern Indiana
the property would have within the region as a
destination resort that would bring jobs and
business opportunities to the regions. The
potential in Caesars Indiana has been outstanding.
Caesars Indiana has fulfilled its promises it made
to the community in general, Harrison County in
particular, into this commitment 5 years ago.
During this period Caesars Indiana has been a vital
component of PPE's con -- contribution to the
financial health -- to its financial health and to the
enhancement of its reputation as a leader in the
gaming industry. This is a testament to the
competence, the dedication, and the commitment of
the staff here at Caesars Indiana, headed up by
Barry Morris, our executive vice president and
general manager of the product -- property. We
are very prideful of the property that we offer here
and the amenities that we offer.

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

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

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

MR. MORRIS: Chairman Vowels,

Commissioners, I think we've had a good lunch [phonetic]. Ladies and gentlemen, what bothers me more to announce is that, during the break, Wally
stole my speech [laughter]. So I'm not gonna have much to say except to tell you a couple of things about myself and the biggest part of our property. And I hope that what we show you today will speak for itself.

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

My wife is a Hoosier, and I've mentioned this to the Commission on numerous occasions, and I continued to say [phonetic], so, for her, it's a bit of a homecoming. I'm purchasing our home in Harrison County, and my two children, ages 10 and 6, go to school here in Harrison County. Our home is just over the Knobs, and not only have you made, as a company, a major investment in this property, I've made a major investment in that home. My payment went up. It's available at a very reasonable rate, considering what I've put into it, people [phonetic].
Having said all that, we are -- we're trying to
benefit this great [phonetic] community here.
We've worked hard to join local organizations.
We've worked hard to make sure, whenever
possible, we've hired local folks who are qualified
in the jobs that we have available. And if they're
not qualified, we've worked extremely hard to make
sure they were given the training they needed to
become qualified.

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

We also had one other issue when I got here in
January of 2000, and that was one of the top high
expectations that at that point had not been met.
We worked hard to design a great product. We worked hard to make sure it got put together appropriately. But we also maintained and worked hard to make sure that all the proper goals set for us by the State and the Commission were met. I can say that we reasonably have the people, I think, or other people who have the right to say that better than I can, so we have a short 10-minute video where I go to speak to our community and all of you. Thank you very much.

[WHEREUPON, videotape is played.]

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

Oh, another point on the video that I would like to touch on is: On the day we were on the ship, some of our team members were back closing
a deal on new cars. So it's kind of exciting. It's
go just how much I just -- comments about it
[phonetic].
Before I move on, I'd like to -- I would like to
acknowledge the folks we have with us here in the
audience today. As I call your name, I would like
you to speak up. We have our County -- County
Commissioners J .R. Eckart, President; James
Goldman, Commissioner, and Jim Heitkemper. As
you can see, they're separated one from the other
by lines. We have members of the Council here
today, Gary Davis, the President; and Carl Duley;
please stand. From the Harrison County
Foundation, Gordon Pendleton, the President;
Pamela Lands [phonetic]; buried somewhere is
Steve Gilliland, who's the Executive Director. We
have, from the Harrison County Convention and
Visitors' Bureau, Jim Epperson. From our friends
in Floyd County, we have John Reisert, the
President of the County Commissioners, and the
New Albany mayor, Regina -- Regina Overton. And
lastly, from the Floyd County Foundation, we have
Jerry Finn, who's the Executive Director of that
group. I want to thank you all for coming today.
Thank you very much.
I have a brief PowerPoint presentation I would like to share with the Commissioners. And, maybe 5 minutes, we'll get to that. I've -- I've spoken earlier -- I can spare folks if we can get that back up for you.

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

Let's take a look at a moment about how this is broken out by year. In our first full year of operation -- of 1999, we generated $157,000,000 of revenue and $48,000,000 in taxes. I won't bore you by reading through this -- that's why we have the graph -- but I just want to make note of the fact
that the PPE purchase came into effect in 1999, and as the amenities came online, you're able to see how the revenues continued the pace. We've also taken note in that graph of some significant events. The most significant from my point of view is the opening of the hotel in late 2001. Let's take a look at our revenue since -- for the last couple of years and the impact of gaming taxes since we went dockside. In '02, we have $265,000,000 of gross gaming revenue and we paid $86,000,000 in taxes; and projected for '03 is $285,000,000 of gross gaming revenue and a $111,000,000 tax bill. As the property is developed and as we stay involved -- as our operating environment has changed, you see that our -- tax -- our -- our tax structure's changed somewhat from a flat 31 percent through 2001 and with the equitization of dockside gaming in 2002 through the projected first full year of dockside gaming, we now have gone from a 32 to a 39 percent real tax structure.

Okay. I'd like to pause for a moment to introduce some local folks who would like to spend a moment addressing the Commission. The first person I would like to introduce to the Commission
would be J. R. Eckart, who seems to be bickering
with his colleagues. J. R. is the President of the
County Commissioners and is a reluctant public
speaker; however, we thought he'd like it here.

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

Very briefly, I want to talk a little bit about
Harrison County. Harrison County was founded
here when the original territorial survey was done
here almost 200 years ago, around 1805. And
Harrison County has always had some form of
county government here and has continued on
during that period of time. But the river has been
a very important part of the community. I'm sure
you're aware that Harrison County at one time held
the county seat of Corydon. At that time, it was
the state capital of the State of Indiana; the first
state capital. And so, we've got a -- an ability
here in the county government to provide for the
citizens in this area for a long time, and -- the
river being a part of that. We have several
towns -- New Amsterdam, Mauckport, Bridgeport --
that all thrived because of the river business,
Bridgeport being the location of the Caesars
complex we're in today. So, the river, again, is
providing for Harrison County as it has over the
full 200 years of Harrison County's existence.
The -- the point I want to talk about today was
just the enhancement of Caesars to Harrison
County. For a leader as county government, I've
had an opportunity over the years to provide to the
citizens with all the basic needs and -- and
infrastructure that they needed. With Caesars, we
have had a great influx of funds, and it helped us
to enhance the programs that have always been in
place. And -- and have created some new programs
that we didn't have opportunities for before.
We've been able to increase our water supply
and make it more reliable. We've had fire hydrants
out in the rural communities, an opportunity for
them to have fire protection in that area through
our water-system improvements. We've been able
to enhance our fire departments through a turnout
here of fire equipment, trucks, heavy equipment to
work with; things that we had before, but we were
very, very limited; and it's a great enhancement to
the -- our safety of our -- our citizens. Our
ambulance service; we've been able to build remote
stations to two stations annually across the county
to reduce the response time and give better service
to the citizens again.

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

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

Beyond this, I guess I'd just like to make
mention of the fact that Caesars is -- is just a good
corporate neighbor. They've been here quietly
along the river. I mentioned that in the video
earlier. But as far as what Harrison County knows
about Caesars, we know there are a lot of good
jobs here, there's good opportunity down here for a
wide variety of people, and -- and they have a
good -- good positive connection -- addition to
Harrison County.

I appreciate your time this afternoon. Thank
you.

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

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

In addition to funding the many things that
Commissioner Eckart mentioned, we have also used
our riverboat funds for several additional areas.
We supported the transition of our local Harrison
Township library to a full county-wide library by
providing operating funds until they got their own
tax rate and provided capital funds for improving
and renovating their facilities.
We have funded 10 police officers, the total
cost through riverboat funds. That includes
salaries, benefits, their cars, their uniforms, and
all their equipment.
We have funded several million dollars to the
three public-school corporations in Harrison County
for the support of their operations. They in turn
use these funds for additional technology
improvements, to buy schoolbooks for their
libraries, and to make capital improvements in their
facilities as well.
We funded a Harrison County Lifelong Learning
Center that provides educational opportunities for
our older citizens.
We have provided money to support Leadership
Harrison County, which trains serving leaders to go
back into their communities and provide leadership
to them. And I was a graduate of their first class.
J. R. mentioned Harrison County Renaissance,
which recognizes the academic achievement of the
students in our high schools. He also mentioned
the Gerdon Youth Center, and that center provides
a place for children to go after school, and they
are the ones that are now housing an alternative
school that will allow continued educational opportunities for students who are suspended from our high schools during the period of their suspension.

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

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

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

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

Finally, we have shared 18 percent of our revenue -- 15 percent to other counties and 3
percent to the 10 towns and -- incorporated towns
of Harrison County.

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

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

MR. VOELKER: Caesars has made a
tremendous economic impact on Harrison County.
The investment of nearly a half million dollars and
the creation of 2,000-plus jobs alone represents an
economic-development project that is simply
unparalleled in a community like ours.
Caesars has been an outstanding corporate partner, too, as has been mentioned before. They work with the Chamber and sponsor many projects like "Images of Harrison County," which is our publication that we put out to help make the image of our business community. They help with Showcase Harrison County and the Chamber annual meeting, and both take place in this room; and collectively we attract more than 1,000 people to these events to help showcase what Harrison County is all about to the rest of our region. Prior to Caesars' building this Colosseum, we had no place to host an event like that. They've been a partner of the Harrison County Convention and Visitors Bureau. They support such projects as celebrating National Tourism Week. They worked with the Bureau to put an informational kiosk and several brochure racks in this pavilion to promote the rest of the tourist attractions in Harrison County. They support the co-operative advertising projects. And today they're working on a hospitality training program to help serve and train hundreds of service-sector workers throughout Harrison County.

The personnel from Caesars are also very
active in the community in many, many different organizations. Particularly, the Chamber of Commerce board is served by senior management, the CVB Tourism Committee, and the Regional Work Force Investment Board.
The Chamber of Commerce has been able to obtain funding support to purchase and develop 84 acres for a new industrial park in the county. We were also able to provide infrastructure to a new production company that's opening in the existing industrial park later this year. We were able to initiate a job-training program for industrial workers that concludes with the participants earning college credit.
The Convention and Visitors' Bureau has also been able to expand their programs tremendously with the help of the additional tax revenue generated by the hotel and the admissions tax. Caesars is also the top traffic generator for visitors in the entire Louisville economic region. The 2,200 jobs here make them the largest employer by far in south-central Indiana, and they are among the top 10 largest in the Louisville metropolitan area.
The Chamber of Commerce and the business
community as a whole in Harrison County have
been very fortunate to have Caesars Indiana in
Harrison County for the last 5 years, and we look
forward to continuing to work with them in the
future. Thank you.

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

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

Let's talk a little bit about where those folks
come from. The gentleman that was here early on
spoke about how our employment breaks out. 22
percent of our employees are from here in Harrison
County, 45 percent are from southern Indiana, and
the remaining 33 percent are from our neighbors
across the river in Kentucky. 497 people employed
in Harrison County, 1,037 from the southern
Indiana counties, and 744 people from Kentucky.

I'll spend a moment talking about our wages. As pointed out, we not only employed our work force, but that work force also earned incremental wages as they gained seniority. In 1999 our payroll was 45,000,000, and now in 2002 our payroll is up to, maybe, $67,000,000. And what's interesting when you talk about payroll; it's not only what people receive in their paycheck, but also our benefit package.

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

In addition to those benefits we just spoke about, we have some that we like to talk about as a "hidden paycheck," which includes our paid lunch and our paid breaks, employee events like picnics that we have, free covered parking, discounts in
our retail stores. I wouldn't go through the whole list, but it's a significant amount of benefits that no one ever really thinks about putting a dollar amount to until I did the other day. And all of those hidden benefits are now an additional million three; a significant investment, one that's well worth spending.

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

While we talk about the diversity of our work force, let's spend a moment talking about the diversity of our vendors. Again, we want to point out that in 1999 the property was not meeting these goals. And we recognized, when we made the purchase, that we'd have some hard work to do in order to not only operationally meet the goals that were set for us, but also, in a -- in a -- in a cumulative sense, by the time the build-out of the
property was completed, all the goals needed to be met. On our most recent year in 2003, year-to-date, 33.3 percent of our purchases are either minority or -- or women-owned businesses. 25.2 percent of our businesses are minority businesses and 8.1 percent of our purchases come from women-owned businesses.

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

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

In 1946 he began the company a little differently as a sole proprietorship rather than just a partnership. And in 1972 he changed the company into a general contractor and construction-management company. And from that, we've grown to three offices; a major office in Indianapolis; Columbus, Ohio; Washington, D.C.

We work in six states and the District of Columbia. We have 155 current employees, all professionals, either engineers, architects, project managers, or whatever, to supervise our construction. And we're rated in the top 400 contractors in America by Engineering News-Record, along with the top 100 construction managers. You might say that that's absolutely fabulous. But I would have to say to you today: After -- since 1928 we should be a little larger in sales than what we are in altered times.

The whole subject of diversity and minority participation interferes in our success.

However, over those years and with that expansion, we've been able to have what we call "studios" or divisions that do industrial work, such as Anheuser-Busch and DaimlerChrysler. We've been able to do assemblies such as Conseco
Fieldhouse in Indianapolis and the new
Washington, D.C. Convention Center, which is six
city blocks, the largest project in America. We've
also been able to be involved in the transportation
sector, building one of the new, recent control
towers in Columbus, and now the control tower in
Indianapolis as well as the terminal expansion
there.
Housing, which we all know is important -- and
those of you who know what Code 6 [phonetic] has
been -- we've been the leaders in going out and
developing new buildings out of old housing
projects and involving the community in the work.
In addition to that, needless to say, education is
very important in America today, and we're
involved in K through 12 and then at the college
and university level.
What does that have to do with Caesars? We
were given an opportunity to participate here.
They didn't know who Smoot was. But they made a
commitment to you and to others that they would
fulfill a role in diversity, and they asked us to
participate and help them with that. Because our
motto is: Somebody helped us, and we have a
responsibility to help someone else. We competed
for the hotel, for the connector, the parking
garage, a number of -- millions of dollars' worth of
work. And we competed because we knew that they
needed participation. But the most important thing
is: They gave us an opportunity, an opportunity
which we've never had. Because, generally,
speaking what happens is, when you go out to
compete and make a presentation to someone, the
first thing they ask you is, "What have you done
like that before?" And we didn't have a 500-room
hotel in our portfolio. But we had numerous
projects of diverse magnitude; we had much larger
projects than that. And they said, "Show us a
piece of your work."

At the opening, Caesars stated publicly that
they went out to achieve minority participation and
found the best contractor, the lowest, most
responsible contractor, who completed their
$50,000,000 project in excess of their expectation
because it was under budget, it was on time, and it
opened, and it is of the quality that it is. During
that process, their challenge to me is: While
you -- we have you at 100 percent, go out and do
some more for us. We were able to achieve in
Harrison County, with local minority and female
businesses and the adjacencies that you saw in the
diagram, an additional 28 percent of participation,
which had never been achieved here before.

What I say to you is this: I'm very thankful to
Caesars because now I have other opportunities
and I can add gaming to my list of studios that we
do inside of our business. And as a result of this
facility here, we had an opportunity and are
presently working at Horseshoe in Hammond.

We've also had opportunities to bid projects at
Belterra. And we are now competing -- or shall we
say "completing" -- our information to Blue Chip to
see if we can become qualified to do some of their
work.

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

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

In -- in wrapping up, we recognize that we
have a responsibility not only to provide great
entertainment product and also provide great
employment and great opportunity, but we also
recognize that our entertain -- our entertainment
offering also presents some opportunities when we
talk about our guests and -- and their participation
in that entertainment. Park Place Entertainment,
now Caesars Entertainment, has not only complied
and participated in every problem-gaming initiative,
but we've also created our own program which we
call "We Care." We -- we've -- we've worked very
hard to make sure that there's high awareness
around our property to know about "We Care"
collateral. We have brochures distributed
throughout the property for the guests, easily
available and obtainable for -- for all of our guests
to put their hands on. We recognize we have a
responsibility to problem gaming, and we're happy
to participate and -- and play our part.

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

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

MR. MORRIS: Thank you.

CHAIRMAN VOWELS: All right. Thank
you.

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

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

Ten years ago, this department made an average run of less than 100 runs per year. Back in 1999, after Caesars opened the store for business, Elizabeth made 140 years [sic], with 9 percent of the runs being made between Stuckey Road and the Harrison County line, which is only a quarter-mile stretch. And if we are not figuring in any additional runs of wreck calls which involved Caesars employees or patrons in other parts of Elizabeth Volunteer Fire Department's coverage area. In 2003, Elizabeth Volunteer Fire Department made 200 runs, 38 of these runs being made between Stuckey Road and Harrison County line; that is, 19 percent of our runs. A quick breakdown of the runs: 21 motor-vehicle accidents, 12 medical-assist runs to the Caesars
complex, 2 car fires in the parking garage, 2 fires
on the Caesars complex, and one Coast Guard drill.
This is a large jump for a small volunteer fire
department with only a roster of 25 men.

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

A survey done by a consultant in their report
said that the Elizabeth Volunteer Fire Department
is in need of operational funds. A budget of
150,000 would help the Elizabeth Volunteer Fire
Department to have the ability to have the required
training and purchase equipment and many other
needed things. The Elizabeth Volunteer Fire
Department is currently working on a -- working
with a budget of approximately $50,000. Elizabeth is working on going fire-district, but even after this gets started, it'll be 2 years before we could ever see revenue from it. Caesars is covered by the New Albany Fire Department for fire protection for Caesars' complex. This does not take care of any added incidents on Highway 111, nor anything to do with the golf course which has recently opened. With this ongoing growth, Elizabeth is considering the thought of having a paid department of seven to nine men with a salary of 30,000 and a benefit package of another 30,000. At this, we would need additional funding of $420,000 to $540,000 annually. At this time, we are not trying -- trying to get anything started for lack of funding. In conclusion, I believe that Caesars could help Elizabeth Volunteer Fire Department much like they have helped Harrison County Hospital and Harrison County Sheriff's Department. Thank you.

CHAIRMAN VOWELS: Thank you, sir.

Mayor Overton?

MAJOR OVERTON: Thank you for allowing me to speak just a few seconds. I've sat here and listened to the presentation today, and
most of it has been Harrison County. I would just
like to give a perspective as an adjoining county.
I am mayor of the City of New Albany. I came
on in 2001, the same as Barry Morris came to this
property in 2000 -- January 1 of 2000, I'm sorry --
January of 2000. And I would like to just express
our partnership that we have and what our
community, the City of New Albany, has realized by
this partnership.

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

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

But more importantly, as mayor, I'd like to
speak to you about the benefit our community has
realized through our foundation. The foundation
was created -- set up with an agreement with
Caesars and Floyd County. As mayor, you know,
I'm very proud to say that over $2,000,000 has
been distributed through our community for
501(c)(3)'s. You know, with the decline in the
economy that the country is experiencing, they
have been able to offer continued services and
additional equipment because of the foundation.
I'm very proud to say that we have also
entered into an agreement amongst ourselves to
provide scholarships in our community. This is the
second year for the scholarship pro -- program.
We have distributed $100,000 each year for
scholarships. This year we have agreed that the
scholarships would be renewable for the 4 years.
This is an opportunity for kids in our community
that they would not realize neither [sic] for college
education.
There have been other numerous benefits
throughout our coun--community, as I said. But
one of the most significant is the $20,000,000
commitment on our riverfront for revitalization --
economic revitalization with the YMCA and the
natatorium that will create private development,
also, in our downtown community.
Our community -- if you live in Harrison County, that's the only way you could find Caesars Indiana through Harrison County. You'd come through the city of New Albany, Floyd County, to come to Caesars. And we would like to take advantage of those opportunities that lie in our community with this $20,000,000 investment.

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

And I thank you.

CHAIRMAN VOWELS: Thank you, Mayor.

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

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

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

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

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

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

Back in March of 1999, Crawford County entered into an inter-local agreement with the Commissioners of Harrison County, which was approved by the Council of Harrison County, in
which it would share revenue from the gaming tax
and the admissions tax that was received by
Harrison County. That agreement provided that 8
percent of that money would be paid to Crawford
County. As a result of that, Crawford County
decided it was important to try to disburse that
money to various entities within the county. I
presented to each of you previously -- there's a
book laying out there that -- that breaks this out in
detail -- but in the 5 years that we shared in this
revenue agreement, Crawford County has received
just under $6.7 million. That money originally
was -- by ordinance passed by the Council, 10
percent went to various towns within Crawford
County; an additional 40 percent went to the
Crawford County's Community School Corporation.
That money was used to pay on the debt service.
All those monies not being used directly would
reflect a tax rate that didn't have an effect on the
Crawford County taxpayers because some of the
debt on -- that the school had was being used to
lower it, which allowed the tax rate eventually to
be lowered. The remaining 50 percent went to the
county infrastructure; that is, for building of roads
and various other county projects.
Since that time, in June of 2002, a new ordinance was passed. These ordinances I have provided to you in the book. But under that ordinance, 50 per -- 50 percent of the money went to the County Highway Department to bituminous. Specifically, what they wanted to do is for -- 15 percent of it is for chipping and sealing roads; the rest of it is for larger projects that would become necessary.

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

An additional 12 percent of the money is now going to various towns within the cou -- in the county of Crawford. Those towns are all the way from the town of Alton, English, Leavenworth, Marengo, and Milltown.
In addition, we felt the necessity of sharing some of the money with the fire departments of Crawford County, and there's 4 percent of that money that's now being disbursed directly to the fire department for purposes of purchasing equipment. In many cases, these are infrared devices that allow people to be seen in situations where there's a smoke area.

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

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

And an additional 1 percent is going to the Crawford County Highway Department for purposes of capital outlay as well. That money is disbursed every 6 months.
If you'll notice when you look in the book, and I -- and listening to the words of Mr. Wallace [sic], I'll be -- be brief; but if you'll look in the book, you'll see year by year what disbursements Crawford County had received and what entity has received that. One thing you will notice, which is not a typographical error, is that there appears -- there are years when more money was disbursed than what was received, and there is some accuracy in that. In many cases, Harrison County would make their disbursement; Crawford would have already made disbursements that carried over. In addition to that, when the money was paid in in the beginning, that money was actually put into a CD and interest was earned on that money. Under that arrangement, the interest earned off of CDs was actually being disbursed to, originally, 50 percent to the school, 50 percent to the County Highway Department.

The Council, in a wise decision, decided that we look at this riverboat money as being something that may not continue on in the future and we need to put some of this aside. So, what they've done is: Any interest that's earned on these monies now goes into a contingency fund that'll be used in
situations where we run into an emergency in the future.

I've approached, on behalf of the Council Commissioners of Harris -- of Crawford County as well as the residents, both the Harrison County Commissioners and the Harrison County Council and asked for them to continue with the revenue-sharing agreement if, in fact, the Commission does vote to approve Caesars' license renewal. Our agreement ends this year in November, and it's my understanding, in speaking with both Councils in Harrison County, they intend to continue to share money that they're receiving from the revenue here in Harrison County. Thank you very much.

CHAIRMAN VOWELS: Thank you. I recognize about 90 percent of the names in this book, Marc.

MR. BURGHER, IV: Yeah, that is correct. We noticed that we did remove your name from the letterhead --

CHAIRMAN VOWELS: Yes [laughs].

MR. BURGHER, IV: -- of the law office. I felt that that would be -- [WHEREUPON, off the record remarks are made.]

MR. BURGHER, IV: Thank you.
CHAIRMAN VOWELS: Thank you, Gary Cleveland. Gary Cleveland?

MR. CLEVELAND: I've got about a 30-minute speech; is that appropriate?

CHAIRMAN VOWELS: That last one lasted 2 minutes, I think, so . . .

MR. CLEVELAND: That's about all I'm going to take, actually. J. R. Eckart, president of the county commissioners, pretty much covered it, I guess.

Caesars, when they first came in, presented quite a challenge to the ambulance service, as we were very small; two ambulances during the day and one at night, all based in Corydon, Indiana. With the income from Caesars, the County Commissioners and the Council and the hospital worked together to make some changes. We added a new station down in Elizabeth and a new station in the northern part of the county. And by getting that, we recr - decreased response times that used to be, down in this township, in the Elizabeth area, of 20 minutes; and they've been reduced down to -- last year's average was 6 minutes. And the same dramatic changes happened in the north, from 12 minutes down to 7 minutes. And
throughout the county the response times have been greatly decreased.

And I can tell you that I can actually verify that there actually have been moments saved because of funding through the Caesars and the Commissioners and the Council people.

Other than that, Caesars has been a -- a great company to work with. Tom Hill, head of security here, also oversees the EMS section, and they're great people to work with. We have no complaints. They've been a great partner. Thank you.

CHAIRMAN VOWELS: And then, Walter Schulz. Mr. Schulz?

MR. SCHULZ: Mr. Chairman, thank you.

Is it possible to change your mind?

CHAIRMAN VOWELS: To change my mind? One minute -- he means for one minute ... 

MR. SCHULZ: My mind.

CHAIRMAN VOWELS: Oh, to change your mind.

MR. SCHULZ: I mean, how could you be against something like that? Look at this building. Why, it's fabulous. But, you know, there's a few questions. Caesars did come. And they did conquer. What better testimony could you have
than all the dependents that you've heard on
Caesars presented to you in the last 15, 20
minutes? What better evidence do you need?
I really wonder what would happen if this
facility didn't operate. All of southern Indiana
would fall apart. I just wonder how we existed
before. I really wonder how Indianapolis, Fort
Wayne, Lafayette, Terre Haute, how they exist.
How they provide services for their people. They
must have a miracle up there. They must have
awful smart people or something that we don't have
here.
Every businessman knows the cost of doing
business. I think we've ignored that cost. Where
does the money come from? I'd like to repeat that
about 10 times, but I'm -- you won't let me. Where
does the money come from? If you look at some of
the statistics on the slides up there -- and these
may not be completely accurate, but they're
close -- the $66,000,000 in payroll represents
about 3 months of their adjusted gross income.
Three months. The 8-point-some-odd million
dollars given to New Albany is just a couple weeks
from their adjusted gross income.
You know, you have to wonder: If this is so
great, are the people in Ohio and Kentucky less
intelligent than we are? In the year 19 -- I'm
sorry, the year 2003, this year, with all the states,
with the problems they have of meeting budgets,
there were 19 states that started off this year with
major proposals for the expansion of gambling.
You know how many have passed? Zero. They've
all been defeated except two states, and they will
go to referendums and I think they will be
defeated. And I say, "Why? What do they know
that we don't know?"

These foundations, I think, are great. I
suggested in the -- our local paper yesterday, I
wonder if it should be a requirement for those who
choose to receive money from the foundations to
sign a statement acknowledging that the money
comes from the losses of gamblers and, from that
acceptance of the money, endorse and encourage
gambling. I think there'd be a few people that'd
refuse that. I wonder.

This is from our -- yesterday's paper, the
business section. "Four tax breaks, local forecast.
Louisville excepted to okay incentives for retooling
clients." The conventional model for an industry to
come in is to be granted tax abatement, sometimes
training, and sometimes rebuilding of
infrastructure. When a casino comes into your
community it's just 180 degrees opposite. They
pay for the roads. They pay for the training. They
ask for the -- the privilege of taking money out of
our community. 21 mil -- over $21 million a month
is not spent on goods and services.

CHAIRMAN VOWELS: Mr. Schulz, if you
could wrap it up. I think your 2 minutes passed a
little while ago. If you could pass it up -- if you
could -- if you can wrap it up now.

MR. SCHULZ: Yes, sir. I've got only one
thing.

CHAIRMAN VOWELS: Okay, sir.

MR. SCHULZ: Just one other thing.

Gambling has an economic effect on Indiana. I
would strongly suggest that, under the powers that
you have today, that you are admonished to
consider this as a benefit to all of Indiana, that
you instigate and somehow fund a completely
independent -- independent study that will give you
the net effect for gambling in Indiana. Other
states have done it and they come up with a
negative answer. Thank you.

CHAIRMAN VOWELS: Thank you, Mr.
Schulz. All right. That concludes the people that
are signed up to talk.

Are there any questions of Caesars? We have
to process the proposed order for the renewal of
the riverboat license if there's -- if there are no
questions. We could just move into that

Mr. Gifford, if you and, I guess, Mr. Morris
could come up so we could go through some of
these contingencies on the possibility of the
license being renewed?

The -- the order of the Indiana Gaming
Commission to renew the Riverboat Owner's
License held by Caesars; it lists specifically, and I
need to know if you would be in agreement with
these things: that Caesars is to provide the
Commission staff with remote dial-in to Caesars'
slot account managing system. Is that something
you will do?

MR. MORRIS: Yes.

CHAIRMAN VOWELS: All right. And
Caesars is to post bond in the amount of
$1,000,000 to secure its economic obligation. You
will do that; correct?

MR. MORRIS: Yes.

CHAIRMAN VOWELS: And Caesars is to
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continue to maintain adequate insurance pursuant
to 68 IAC 2-1-8. You're agreeable with that?

MR. MORRIS: Yes.

CHAIRMAN VOWELS: Okay. And Caesars
is to continue to maintain its commitment to the
goals regarding women's business participation set
forth in the Statute of -- Indiana Code 4-33-14, et
seq. You're agreeable with that?

MR. MORRIS: Yes.

CHAIRMAN VOWELS: Okay. And Caesars
will comply will all the rules and resolutions that
are adopted by and under which the Commission
operates pending final promulgation of the rules.
Are you agreeable with that?

MR. MORRIS: Yes.

CHAIRMAN VOWELS: And Caesars is to
keep the riverboat and pavilion in compliance with
all other state and local rules for the law -- lawful
operation of gaming, including but not limited to
Army Corps of Engineers permitting, United States
Coast Guard certification, and such other federal,
state and local licensing, permitting, or
certification requirements as are necessary for
alcoholic-beverage service, food service,
construction of the overall public health. Are you
agreed with that?

MR. MORRIS: I am.

CHAIRMAN VOWELS: Any questions?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: In front of us, then, is the order of the Indiana Gaming Commission renewing Riverboat Owner's License held by RDI, Caesars Riverboat Casino, LLC. The license as proposed is valid from November 16th, 2003, to November 15th, 2004.

Mr. Lawrence, is there anything you want to add?

MR. LAWRENCE: No, sir.

CHAIRMAN VOWELS: All right. Is there a motion in reference to the renewal of this license?

COMMISSIONER GETTELFINGER: Mr. Chairman, I move the Caesars Riverboat license be renewed.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER MILCAREK: I'll second that motion.

CHAIRMAN VOWELS: Is there any further discussion?

COMMISSIONERS: [no response]
CHAIRMAN VOWELS: All right. Because there are five of us here, we do remember that if anyone dissents or any two dissent, there's a real problem; so, keep that in mind. All those in favor say "Aye."

COMMISSIONERS: Aye

CHAIRMAN VOWELS: All those opposed?

COMMISSIONERS: [no response]

CHAIRMAN VOWELS: Show that it is carried by vote.

WHEREUPON, the Riverboat Owner's License for RDI, Caesars Riverboat Casino, LLC is renewed.]

WHEREUPON, members of the public applaud.]

CHAIRMAN VOWELS: Mr. Lawrence, is there anything further?

MR. LAWRENCE: No, sir.

CHAIRMAN VOWELS: All right. I entertain a motion to adjourn.

COMMISSIONER ROSE: So moved.

CHAIRMAN VOWELS: Is there a second?

COMMISSIONER GETTELFINGER: Second.

CHAIRMAN VOWELS: All those in favor say "Aye."
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COMMISSIONERS: Aye.

WHEREUPON, the Indiana Gaming Commission
Hearing/Public Meeting is adjourned at 3:26
p.m.]
CAPTION

The Hearing/Public Meeting in the matter of, on the date, and at the time and place set out on the title page hereof.

It was requested that the Hearing/Public Meeting be taken by the reporter and that same be reduced to typewritten form.

...
CERTIFICATE OF REPORTER

STATE OF KENTUCKY AT LARGE:

I, Jonathan F. Himler, Notary Public for the State of Kentucky at Large, do hereby certify that the foregoing was reported by stenographic and mechanical means, which matter was held on the date, and at the time and place set out in the caption hereof and that the foregoing constitutes a true and accurate transcript of same.

I further certify that I am not related to any of the parties, nor am I an employee of or related to any of the attorneys representing the parties, and I have no financial interest in the outcome of this matter.

GIVEN under my hand and Notarial seal this 9TH day of October, 2003.

My Commission Expires: Notary Public

SEPTEMBER 16, 2006

[Signature]