

INDIANA GAMING COMMISSION

SPECIAL BUSINESS MEETING

JANUARY 10, 2013

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The Indiana Gaming Commission Business Meeting, taken by Sherri L. Segó, Notary Public in and for the County of Johnson, State of Indiana, held at the Indiana State Library, 315 West Ohio Street, History Reference Room, Indianapolis, Indiana, commencing at 11:00 a.m. on January 10, 2013.

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INDIANA GAMING COMMISSION

ASSOCIATED REPORTING, INC.  
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Indianapolis, Indiana 46204  
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APPEARANCES

On Behalf of the Gaming Commission:

Tim Murphy, Chairman

Ernest Yelton, Executive Director

Robert Morgan, Commissioner

Matthew Bell, Commissioner

Marc Fine, Commissioner

Adam Packer, General Counsel

Jennifer Reske

Tracy Estes, Administrative Assistant

P R O C E E D I N G S

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CHAIRMAN MURPHY: Good morning, everyone.  
Welcome to the January 2013 meeting of the Indiana  
Gaming Commission. I'd first like to take the roll  
of the commissioners.

Commissioner Fine.

COMMISSIONER FINE: Present.

CHAIRMAN MURPHY: Commissioner Morgan.

COMMISSIONER MORGAN: Present.

CHAIRMAN MURPHY: Commissioner Bell.

COMMISSIONER BELL: Present.

CHAIRMAN MURPHY: All Commissioners are  
present and we have a quorum.

We will move now to the approval of the  
minutes of the last meeting, the November 15th  
minutes.

Commissioners, you've been supplied with  
those minutes. Are there any questions or  
comments?

COMMISSIONER MORGAN: No questions.

CHAIRMAN MURPHY: If not, is there a motion  
to approve the minutes?

COMMISSIONER BELL: I move for approval of  
the minutes of the meeting.

1                   COMMISSIONER MORGAN: I second of the  
2 motion.

3                   CHAIRMAN MURPHY: It's been moved and  
4 seconded. All those in favor of the minutes  
5 signify by saying aye.

6                   (All Commissioners said aye.)

7                   CHAIRMAN MURPHY: Opposed?

8                   (No verbal response from the Commissioners.)

9                   CHAIRMAN MURPHY: The minutes of the last  
10 meeting are unanimously approved.

11                   The next item on the agenda is New Business.  
12 I'd like to turn the meeting over to Adam Packer at  
13 this point for that topic.

14                   MR. PACKER: Thank you, Mr. Chairman.

15                   The agenda item under New Business is an  
16 order of transfer of the Indiana Downs gambling  
17 game license.

18                   By way of background, on April 17, 2011,  
19 Indianapolis Downs, the gambling game licensee, and  
20 one of its affiliates filed for bankruptcy  
21 protection in Delaware. Eventually, a successful  
22 bidder for the assets of Indiana Downs, namely  
23 which is an affiliate of Centaur, we know as the  
24 parent company of gambling and licensee Hoosier  
25 Park, was found.

1                   On October 31st, the Bankruptcy Court  
2 approved the sale order that set the framework for  
3 how that transaction would take place. Two  
4 elements of the transaction transferring most of  
5 the assets of Indiana Downs -- Indianapolis Downs  
6 to a brand-new Centaur affiliate called Centaur  
7 Acquisition required Commission approval.

8                   First, the actual transfer of the gambling  
9 game license to follow the ordinary process of a  
10 suitability investigation by commission staff. And  
11 then secondly, approval of the financing package  
12 that Centaur has put together to finance the  
13 acquisition of Indianapolis Downs. And that had  
14 gone through the usual process as well, including  
15 hiring outside financial advisor, Dr. Charlene  
16 Sullivan.

17                   I understand that Centaur has prepared a  
18 presentation to you, and I will turn the floor back  
19 over to you, Mr. Chairman, to make those  
20 introductions before I actually introduce the order  
21 before you today.

22                   CHAIRMAN MURPHY: Thank you. Thank you,  
23 Mr. Packer.

24                   I understand that Mr. Bayt will be the first  
25 up.

1 MR. BAYT: Thank you, Mr. Chair. I  
2 appreciate that. Mr. Fine, Mr. Morgan, Mr. Bell,  
3 good morning. Good morning to all. Thank you for  
4 coming with us today. We appreciate that.

5 I'm here today on behalf of Centaur. My  
6 name is Phil Bayt, B-A-Y-T, for the record, with  
7 Ice Miller, getting the formalities out of the way.

8 We're here today, as Mr. Packer said, for  
9 two reasons. First, to request approval for the  
10 acquisition of the Indiana Grand assets to be  
11 folded into the Centaur financial structure. And  
12 second, to seek approval for the financing package  
13 associated with that acquisition and with the  
14 overall debt structure for the buying company.

15 With me today is the Centaur Holdings  
16 management team. You've heard from many of them  
17 before. You know all of them. Mr. Ratcliff, the  
18 CEO; Mr. Brown; Mr. Wilson; Ms. Schaeffer; and  
19 Mr. Keeler. You'll hear from Mr. Brown and  
20 Mr. Ratcliff later in the presentation.

21 One of the hallmarks of the Centaur impact  
22 in Indiana on both gaming and racing is the  
23 strength of its management team. That management  
24 team has decades of experience. It's well  
25 respected in both the gaming and racing industries

1 and they're all professionals with deep community  
2 ties. Another core strength of Centaur is its  
3 impact on Indiana's economy. On page 3 -- excuse  
4 me -- page 5 of the overhead presentation slides  
5 you'll see some statistics relating to Centaur's  
6 impact.

7 First, Centaur has purchased over \$115  
8 million in goods and services regionally and  
9 locally. Second, 37 million of those purchases  
10 have been with MBE and WBE companies. Centaur has  
11 paid over \$700 million in taxes to the state and  
12 local governments. And Centaur boasts a thousand  
13 team members with jobs here -- right here in  
14 Indiana.

15 On page 6 of your presentation you'll see  
16 something that you've seen before, a familiar  
17 outline of Centaur's current organizational chart.  
18 The operating entities are right in the middle,  
19 Hoosier Park running up to Centaur Holdings. On  
20 the far left side of your chart is Centaur  
21 Colorado.

22 Centaur Colorado exists as an entity,  
23 although the Colorado operation was sold a couple  
24 of years ago. What remains is a note from the  
25 buyer. That note has about a little bit less than

1 four years to run and a little bit more than a  
2 million dollars to pay out. So over time you'll  
3 see that the refinance was paid off early or paid  
4 out over time, and that box will eventually go  
5 away.

6 On the right-hand side you see a bunch of  
7 blue boxes and that relates to some land that was  
8 owned by the company in Pennsylvania. That land  
9 has now been sold. Those entities are in the  
10 process of being dissolved. So that whole set of  
11 boxes will go away simplifying everybody's life and  
12 the organizational chart as it will look.

13 If you go to the next page, page 7, the  
14 Proposed Organizational Chart, again, much simpler,  
15 will show Centaur Colorado on the far left-hand  
16 side until that debt is paid off, Hoosier Park and  
17 Centaur Acquisition. The blue boxes relating to  
18 Pennsylvania will be gone. So a very simple  
19 organizational chart. What that reflects is the  
20 proposed acquisition, the purchase of Indiana  
21 Grand.

22 If you'll go to page 8 of your presentation,  
23 purchase price \$500 million and Centaur Acquisition  
24 will be integrated into the ownership structure and  
25 operational structure of Centaur. A very simple

1 transaction.

2 If you go to page 9, the ownership structure  
3 of the buying company is the same as the ownership  
4 structure today. It's not going to be any  
5 different.

6 If you go to page 10, the board structure is  
7 going to be the same as it was. No change in the  
8 board structure.

9 On page 11 the proposed debt package, this  
10 package while the number is different is the same  
11 structure as the current debt package that's in  
12 place for Centaur today. That new package will be  
13 \$460 million, the first lien debt, and an  
14 additional plus \$20 million of a revolver; \$185  
15 million, the second lien debt; and \$136.7 million  
16 of the term loan. Again, the same structure as  
17 before, different numbers to reflect the additional  
18 assets associated with Indiana Grand.

19 On page 12, this reflects the activities  
20 that occurred in the Indiana Horse Racing  
21 Commission in this very room about two weeks ago.  
22 A significant amount of testimony was taken both  
23 live and written. That testimony came from company  
24 officials, independent consultants and  
25 spokespersons in the horse racing industry. As a

1 result of that testimony, the Indiana Horse Racing  
2 Commission members deliberated in open forum and  
3 identified findings and ultimately an Order.

4 And if you go to page 13 of your handout,  
5 those findings were that the combination will  
6 result in a financially stronger company, that the  
7 One Breed/One Track proposal is one that not only  
8 makes sense, but is universally applied by horsemen  
9 and consumers, and that the addition of the One  
10 Breed/One Track and enhanced entertainment and  
11 other capital improvement opportunities that we see  
12 will result in an enhanced customer experience for  
13 the customers.

14 The Horse Racing Commission has issued an  
15 order which has not been signed and unanimously  
16 approving both the acquisition and the financing  
17 that's on page 14 of your handout. The Chair of  
18 the Horse Racing Commission reserved approval of  
19 the final financing structure since those were not  
20 available at the time we provided that information  
21 to the Horse Racing Commission.

22 Questions about any of the material that  
23 we've presented?

24 CHAIRMAN MURPHY: Any questions,  
25 Commissioners?

1 COMMISSIONER MORGAN: I don't have any.

2 CHAIRMAN MURPHY: No, sir.

3 MR. BAYT: I'm pleased to introduce Mr. Jim  
4 Brown, the president and COO of the company, who  
5 will provide additional information about plans,  
6 projections, a variety of different information  
7 associated with the combination.

8 Mr. Brown.

9 CHAIRMAN MURPHY: Welcome, Mr. Brown.

10 MR. BROWN: Good morning, Chairman Murphy,  
11 Commissioners, Executive Director Yelton, and the  
12 Commission staff. We thank you for holding this  
13 special meeting today. My name, again, is Jim  
14 Brown and I'm the president and chief operating  
15 officer for Centaur Hoosier Park.

16 The decision to pursue the acquisition of  
17 Indiana Grand and Downs was obviously not taken  
18 lightly by us. In fact, much of the past year for  
19 me and many others in the company has been devoted  
20 to extensive analysis, evaluation, assessment,  
21 appraisal, discussion and negotiation to insure  
22 that this was a prudent business decision and the  
23 correct step forward for Centaur. I can say with  
24 certainty today that we confidently believe that  
25 this is the right step for Centaur.

1 I'd like to take a brief moment of your time  
2 to point out an important aspect of this  
3 transaction that's directly related to my last  
4 statements.

5 I've resided in Indiana for almost half my  
6 life now, I'm a graduate of the Indiana University  
7 Kelley School of Business, and I'm Indiana's first  
8 operations related gaming license holder. I opened  
9 Indiana's first riverboat casino gaming facility,  
10 Casino Aztar Evansville, in December of 1995 and  
11 successfully operated that facility for over 12  
12 years.

13 In 2008 our team successfully opened  
14 Indiana's first racetrack casino, Hoosier Park in  
15 Anderson. I presently serve as the chairman of  
16 the Casino Association of Indiana, a position I've  
17 held for 11 of the past 12 years. I've also served  
18 as the annual campaign chairman for the United Way  
19 of Madison County for the past two years and I  
20 serve on a half dozen other local and state boards.

21 My wife and I raised our family in Indiana.  
22 I've had many career opportunities offered over the  
23 past two decades that Indiana has been my home, but  
24 I've dismissed them and I've chosen to stay in  
25 Indiana and remain fundamentally and passionately

1 involved in Indiana gaming from its inception to  
2 its growth to its maturity and to its success. I  
3 am thoroughly invested in the state of Indiana.

4 There's another gentleman with us here  
5 today, the CEO of our company, Rod Ratcliff. Rod  
6 is a lifelong resident of Indiana and heads up the  
7 company Centaur which is headquartered in Indiana,  
8 a Hoosier company that owns and operates Hoosier  
9 businesses. Rod is at least as invested and is at  
10 least as passionate as I am in Indiana business and  
11 the state of Indiana.

12 Why do I bring this up? Because it's an  
13 important aspect of the proposed transaction. We  
14 are the type of people, company, along with our  
15 Hoosier team that can be counted on to go the extra  
16 mile for our employees, for our companies, our  
17 customers, and our communities, and represent the  
18 ideas and values with respect to Indiana gaming and  
19 racing in fulfilling our economic as well as our  
20 social responsibilities.

21 The business aspects of this transaction  
22 have been thoroughly scrutinized externally. Phil  
23 Bayt has discussed in summary the financial,  
24 organizational, legal, and other aspects of this.  
25 At this time I'd like to take a moment and turn to

1 the actual facilities, the people that work and  
2 operate them, the customers that visit them, and  
3 the communities they serve.

4 I'd also like to take a moment to  
5 acknowledge and applaud Indiana Grand's COO and  
6 general manager, Tom Dingman, and his team. Tom  
7 and his senior managers joined Indiana Grand at a  
8 very turbulent time about a year ago. The general  
9 manager position had been occupied by three  
10 different people in less than four years.

11 The company was in the midst of a bankruptcy  
12 proceeding and one thousand-plus employees were  
13 looking for guidance and leadership. In my  
14 opinion, Tom has done a superb job of providing  
15 that needed leadership and navigating the property,  
16 its workforce, and its customers through quite  
17 difficult waters, and done so admirably.

18 At Indiana Grand and Downs we plan to  
19 continue and grow this process in the coming year  
20 and years ahead. Capital investment is planned to  
21 successfully update gaming products and  
22 reinvigorate the casino floor, make general  
23 improvements and enhancements through the property  
24 where appropriate, along with investments in the  
25 overall entertainment aspects of Indiana Grand and

1 Downs.

2 These same plans are in process at Hoosier  
3 Park to ensure that both properties shine and are  
4 as competitive as any gaming, racing, or  
5 entertainment facility that Indiana has to offer  
6 and that we can continue to improve our customer  
7 experiences as well as tax revenues and general  
8 economic benefits in the future.

9 Touching on racing for a moment. As you're  
10 aware, we've already made a commitment to raise One  
11 Breed/One Track at each facility. This is in  
12 itself an exciting development. The Hoosier Park  
13 track was built for harness racing. The Indiana  
14 Downs tracks were built for thoroughbred and  
15 quarter horse racing. These changes will place our  
16 racing product on a premier national level, will be  
17 further developed in the years ahead, and will  
18 materially improve the overall aspects of each  
19 facility.

20 I'm very pleased -- sorry. I skipped ahead.  
21 And as our acquisition will provide Indiana Grand  
22 and Downs a transition out of bankruptcy and into  
23 new ownership in the future ahead, we also need to  
24 be extremely cognizant of past circumstances at the  
25 property, the positive steps forward made in the

1 last year, as well as the shoes that needed to be  
2 filled for Indiana Grand's new leader.

3 I'm very pleased today to officially  
4 announce that our proposed vice-president and  
5 general manager of gaming for Indiana Grand is Joe  
6 DeRosa. Joe.

7 (Mr. DeRosa stands.)

8 MR. BROWN: Thank you.

9 Joe brings a distinguished and successful  
10 premiere in gaming and entertainment to our company  
11 and to Indiana Grand. Joe is not a stranger to  
12 Indiana gaming, having served in an executive  
13 capacity at Trump Indiana in the late '90s, as  
14 executive vice-president and general manager of  
15 Resorts East Chicago, now Ameristar, from 2004 to  
16 2007.

17 I've known Joe personally and professionally  
18 for almost 20 years now, and Rod has known Joe  
19 almost as long. And we're confident that Joe  
20 brings the skill-set and quality leadership  
21 necessary to ensure a smooth transition and  
22 successful operation of Indiana Grand over the  
23 coming years.

24 In closing today I'd like to submit to you  
25 our vision and our pledge for Indiana Grand and

1 Downs.

2 We pledge to be an Indiana company that you  
3 and all constituencies can be proud of; to grow our  
4 company in the state of Indiana as opportunities  
5 present themselves; to operate our facilities  
6 responsibly and with integrity; to comply with all  
7 applicable acts and rules associated with our  
8 licensure; to maximize economic benefits and  
9 earnestly fulfill the goals we established, the  
10 commitments made, and the obligations we accepted  
11 in our relationship and partnership with our host  
12 communities and with the state of Indiana; to offer  
13 our employees a quality work environment,  
14 opportunities for advancement, competitive wages  
15 and comprehensive benefits; to actively support  
16 minority-owned, women-owned, and local businesses;  
17 to provide our guests with first-class gaming,  
18 racing, dining and entertainment, and a destination  
19 featuring outstanding products, superior service,  
20 friendly employees, and fun; to serve our  
21 communities, Anderson and Madison County,  
22 Shelbyville and Shelby County, as outstanding  
23 corporation citizens and community partners.

24 These are the values our Centaur Hoosier  
25 Park culture is based on, and these are the same

1 values and with a commitment of purpose that will  
2 be a guiding light for our company in the years  
3 ahead. We are Indiana people and an Indiana  
4 company with the history of keeping the promises  
5 that we make.

6 I thank you. And at this time I'd like to  
7 introduce our Chairman and CEO, Rod Ratcliff.

8 CHAIRMAN MURPHY: Welcome, Mr. Ratcliff.

9 MR. RATCLIFF: Thank you, Jim. Good  
10 morning, Chairman Murphy, Commissioner Fine,  
11 Commissioner Morgan, Commissioner Bell, Executive  
12 Director Yelton, Director Reske, and General  
13 Counsel Adam Packer, and staff. I'm here to  
14 personally thank you from me and on behalf of the  
15 company for you guys holding this special meeting.

16 If you understand this transaction and take  
17 a look at it, it's a very complicated transaction.  
18 It's -- at times it seems like we're herding cats,  
19 trying to get this thing done in the time that  
20 we're allowed and for what we need. And for you  
21 guys to hold this special meeting is -- I just want  
22 to personally thank you from me and myself and on  
23 behalf of the company. There's a couple of things,  
24 and I'll be brief.

25 This is an Indiana transaction which I'm

1 proud of being able to accomplish at least to this  
2 point with what we've accomplished with this  
3 transaction. It's been long, it's been hard.  
4 We're hoping to see the finish line here soon. It  
5 brings a lot of things for Indiana.

6 The One Track/One Breed, the horsemen are  
7 unanimous in support of this. It does things that  
8 will bring the racing in the state of Indiana --  
9 should bring it up to a higher notch and has the  
10 best chance of bringing what we call grade level --  
11 Grade One Level Racing. And we think we can do  
12 some just fantastic things with this, with the One  
13 Track/One Breed.

14 It's the tax litigation that's now been for  
15 about a year, we've settled that, which is  
16 important to Indiana. It's important, to us being  
17 the operators. But also, we entered into the deal  
18 with the State of Indiana that settled that dispute  
19 which is good for both of us. It's the  
20 opportunities for future growth and careers of all  
21 the employees. It puts lots of opportunity for  
22 both our employees in Anderson and in Shelbyville  
23 to have a lot more opportunity than to just have  
24 the one facility, since they're centrally located  
25 in the state.

1                   And I would just like to end up thanking you  
2                   for your time and personally asking you for your  
3                   approval for this transaction including the  
4                   transfer and finance. Thank you very much.

5                   CHAIRMAN MURPHY: Do the Commissioners have  
6                   any questions of Mr. Ratcliff or Mr. Brown?

7                   COMMISSIONER MORGAN: Actually, I have just  
8                   a couple of questions. This is a complicated  
9                   transaction.

10                  MR. RATCLIFF: It is.

11                  COMMISSIONER MORGAN: In your projections,  
12                  revenue projections, Mr. Brown do you want to --

13                  MR. RATCLIFF: If it's okay, can he get up  
14                  here on this?

15                  COMMISSIONER MORGAN: It's really to the  
16                  point. The revenue projections, from what I see,  
17                  are optimistic given the environment we're in. And  
18                  then how you've done some cost-cutting savings in  
19                  there that were also projected, maybe you can  
20                  elaborate on those.

21                  MR. BROWN: Sure, I'd love to. First  
22                  looking at Hoosier Park, and we had Spectrum take  
23                  an outside look at this, and when they got done  
24                  they said these projections are reasonable. So we  
25                  did have an external body. Yes, we were

1           compensating them, but they have a reputation for  
2           their integrity. They said that the projections  
3           made were reasonable based on past and current  
4           information plus future clients.

5                     Talking about Hoosier Park, Hoosier Park  
6           grew revenue in 2010 from 2009, in 2011 from 2010,  
7           and grew revenue in 2012 from 2011. We were, in  
8           fact, tied with Belterra for the second highest  
9           dollar value growth in the state this year. And if  
10          you look at this year itself, we've been up month  
11          -- year over year, month over month in 21 of the  
12          last 26 months.

13                    And if you look at 2012, for those of you  
14          that look at the paper and travel I-69, we had some  
15          real construction disruption in May and June this  
16          year, that we were shut down to one lane. As we  
17          went north we were shut down back to the base of  
18          I-69. That materially impacted our business. And  
19          if you looked at a revenue schedule by day, when  
20          that started, the day it started, our revenue  
21          dropped 8 percent from the current trendline and  
22          stayed that way for about 45 days.

23                    We learned from it, we did our best to  
24          mitigate it, we sent special mailings to our  
25          customers that took several weeks to generate,

1 offering alternate routes, but we didn't know which  
2 -- when the construction would be done. And we  
3 suffered those months and we were down year over  
4 year in May and June. The month of October, one  
5 less Friday and Saturday. December we were up  
6 double digits until we had more snowfall in the  
7 last ten days of the year than we had for the  
8 entire winter. You knock those out, we were up 4  
9 or 5 percent. So in looking at the past, we're  
10 trending up.

11 And if you look at the Ohio impact, we went  
12 back earlier in the year and looked at locations  
13 for our database and as the growth lies who would  
14 visit what facilities when Ohio came online. And  
15 we projected it and -- in Toledo there's no smoking  
16 at the facilities. And not to get into a smoking  
17 conversation, our players like to smoke. So there  
18 are some other areas like VLTs at the Ohio racinos  
19 when they come on.

20 But we projected a 1 to 1.5 percent impact  
21 on our business from Toledo's opening. And now six  
22 months later it's been a hair under 1.4 percent,  
23 and we microscopically measure our database, and  
24 those are verifiable figures. We've absorbed the  
25 two Columbus properties. We project a possibly 3

1 percent from the Dayton facility when it opens.  
2 Our business out of the Cincinnati area is  
3 negligible, if any.

4 If you take that, if you take the additional  
5 slot units -- and I'll talk about that in a minute  
6 -- and we plan to fund some other capital  
7 investment plans that we have along with our past  
8 trending, we're confident. And I think next year  
9 we have a 1.5 percent revenue growth for Hoosier  
10 Park as a base model, and it goes up 2 1/2, 3  
11 percent. We believe those are very reasonable  
12 expectations.

13 At Indiana Grand up until about the end of  
14 the first quarter, they were up year over year 33  
15 consecutive months. There was a strategic change  
16 made at the property, and I'm not opining whether  
17 this was a good decision, bad decision, because we  
18 all have different strategic plans for how we  
19 operate our facility. But they considerably  
20 reduced marketing expenses, they reduced them by  
21 about 20 percent.

22 Marketing expenses have been running at  
23 about 17 percent of gross gaming revenue. They  
24 were brought down to a little over 13 percent, and  
25 much of those were in player-related areas. Now,

1 the operator areas may have done that. But we've  
2 done so much marketing, and the average in the  
3 industry is half of your marketing money wasted,  
4 but try to figure out which half it is. Lots of  
5 luck.

6 So this is a disciplined management group  
7 that's there. They felt some items, I guess, in  
8 marketing weren't producing revenue, so they  
9 reduced marketing. You look at Indiana Grand month  
10 by month, year over year, revenues declined over  
11 that period of the marketing reduction. In our  
12 model we have marketing expenses at 15 1/2 to 16  
13 percent gross revenue. That takes them actually up  
14 from the current run rate, and spending money on  
15 players does produce revenue. Whether it's  
16 profitable revenue or not is arguable.

17 So from that standpoint, Indiana Grand would  
18 have been up in December if they didn't have the  
19 same snow we had, but I believe they were up 6 or 8  
20 percent in December. We as competitors saw double  
21 free play coupons available to customers on  
22 weekends and Saturdays, so it's a more aggressive  
23 approach to marketing.

24 If you look at the Indiana Grand facility,  
25 they've been capital constrained for a couple of

1 years, not much capital to spend on products,  
2 particularly slot products. And a very large  
3 percentage of their games are originals from when  
4 the property opened. We have more than half of the  
5 capital available that we plan to spend to  
6 replenish the slot floor, reinvigorate the floor  
7 with additional units, and more WoW units the  
8 customers have gotten used to over the past couple  
9 of years.

10 Also during midsummer they reduced the count  
11 on the casino floor by over 150 units, and that  
12 hasn't been fully replenished yet. So arguable  
13 whether that produces quality revenue. But we do  
14 know from an approval request from the Indiana  
15 Gaming Commission the year before for 200  
16 additional units, it says that during peak periods  
17 our slot floor is over 90 percent occupied. And if  
18 you get over 80 percent occupied, you have people  
19 standing in line for popular games.

20 So we think that has impacted revenue too in  
21 a sense. And some of the games were really old, so  
22 we've done the same thing. We plan on replenishing  
23 those games and plan on bringing in new games.

24 And then you go to both properties. We  
25 recently requested an additional 200 units for

1 Hoosier Park. We suffered from that same issue.  
2 We're in places that we can grow revenue. We don't  
3 have the supply of slot units on weekends to  
4 satisfy customer demand. Our slot usage is over 90  
5 percent on Fridays and Saturdays too.

6 So we moved ahead and said we want to  
7 increase our slot count because that can create  
8 revenue. When we did our estimates, we estimated  
9 those additional units at both properties at only  
10 20 percent of our current house average. So our  
11 current house averages, I think, are 344 win per  
12 unit at Indiana Grand for the last year and were  
13 321 based on the way that the Indiana Gaming  
14 Commission treats slot machines as units.

15 And when we put together our estimates, we  
16 did Indiana Grand at \$70 win per unit for those  
17 additional games and Hoosier Park at \$64 win per  
18 unit for those additional games. We wanted to be  
19 conservative. We wanted to make sure we could hit  
20 our numbers. So if you take the circumstances of  
21 the past and where there was growth until some  
22 unique circumstances happened, some strategic  
23 decisions made that might have increased  
24 profitability but reduced some gross gaming  
25 revenue, add the additional units and add capital

1 investments, and we plan -- and we're in the  
2 planning process now of creating high-level  
3 national entertainment facilities at both  
4 properties. And it would be premature to announce  
5 anything today, but those plans are well in the  
6 drawing-up process with architects and interior  
7 designers.

8 So from that standpoint we do feel  
9 comfortable that our growth model is reasonable.  
10 The Ohio impact from all the information we got  
11 from Indiana Grand should be negligible. They  
12 don't get that much business from the Cincinnati  
13 and Ohio area, and a huge percentage of their  
14 business is from within 50 miles.

15 We also haven't fully penetrated our  
16 markets. Indianapolis and the surrounding areas  
17 all the way up to Fort Wayne had a two-hour drive  
18 to any casino until we got to market. We're over  
19 four years now, so growth is slowing but we've not  
20 fully penetrated our markets, you know. When we  
21 look at adult populations and how many are in our  
22 database and how many visit, we think we've got a  
23 lot of opportunity there too.

24 Sorry. TMI, but...

25 COMMISSIONER MORGAN: No. I appreciate you

1 elaborating on how you're going to get there.

2 The cost savings?

3 MR. BROWN: Cost savings, shared services,  
4 cross-marketing. For instance, Indiana Grand works  
5 with an outside ad agency and some others. We have  
6 an in-house ad agency that we think is as talented  
7 as they get, and our plan is to expand our in-house  
8 ad agency and have that agency service both  
9 properties.

10 COMMISSIONER MORGAN: So you're realizing  
11 some proficiencies by combining everything?

12 MR. BROWN: Yes, the economy as well.

13 COMMISSIONER MORGAN: Okay. I understand.

14 MR. BROWN: And other aspects after that.

15 The track. We'll save half a million  
16 dollars a year by not having to change our track  
17 over from standardbred to thoroughbred and back at  
18 both facilities.

19 COMMISSIONER MORGAN: Thank you. I  
20 appreciate you answering my question.

21 MR. BROWN: You're very welcome.

22 COMMISSIONER FINE: I have just a follow-up  
23 question.

24 I commend your management team at your  
25 facilities, and it's as good as you can get, and

1 the one thing that you said that I was pleased to  
2 hear was perhaps further investment into the  
3 facilities as well as your entertainment. All that  
4 is optimistic and good to hear.

5 What if you're wrong? What if what I read  
6 about gaming revenue not being on the increase  
7 doesn't occur? Is there a Plan B?

8 MR. BROWN: Well, let me start with we could  
9 always be wrong. We have a lot of confidence in  
10 this information. But like any other gaming  
11 facility in the state of Indiana, if the economy  
12 tanks --

13 MR. RATCLIFF: Our stakeholders in this are  
14 absolutely committed to this project and doing  
15 this. And if we're wrong, we've got what we call  
16 deep pockets, you know, as our stakeholders. I  
17 should also add to that that we've done some  
18 sensitivity analyses in our projections. And I've  
19 looked at the downside of this as severe as 20  
20 percent decline in revenues and the impact on our  
21 ability to meet our obligations on a timely basis  
22 under reasonable assumptions for things coming  
23 together as we proposed and planned.

24 And we believe that under those extreme  
25 circumstances that we can still meet obligations on

1 a timely basis. So we don't expect anything like  
2 that under any of the scenarios that we see as in  
3 the realm of 20 percent.

4 CHAIRMAN MURPHY: In your sensitivity  
5 analysis, did you consider --

6 MR. RATCLIFF: Yes, we did.

7 CHAIRMAN MURPHY: And do you have any plan  
8 or any way to --

9 MR. FUNK: Yes. We will be inquiring into  
10 that. We expect to have at least 50 percent of the  
11 outstanding balance hedged and possibly more. So  
12 we will be using, yes, hedging arrangements to  
13 limit our exposure to interest rate risk.

14 MR. BROWN: If the economy tanks, we have a  
15 plan and we have a safety net.

16 CHAIRMAN MURPHY: Thank you.

17 COMMISSIONER MORGAN: Thank you.

18 CHAIRMAN MURPHY: Another question,  
19 Mr. Brown.

20 MR. BROWN: Sure.

21 CHAIRMAN MURPHY: Do you have a plan if the  
22 Hart-Scott-Rodino process takes longer than the  
23 deadline?

24 MR. BROWN: I think Kurt would be the -- our  
25 plan if the HSR investigation takes longer than we

1 expect or maybe --

2 CHAIRMAN MURPHY: Actually, my question is  
3 if the process takes longer than the financing  
4 deadline.

5 MR. RATCLIFF: I cannot speak to that  
6 specifically right now. We've certainly done  
7 everything possible to have a very high confidence  
8 level with the financing commitments that we have  
9 in place and the process should come together. We  
10 have a team that I believe is fully capable of  
11 dealing with the contingencies that will come to  
12 bear in such a situation, and couldn't have more  
13 confidence in a group of people to keep the project  
14 on track. We are very hopeful that the  
15 complications from such a delay can be avoided.

16 MR. BAYT: Mr. Chairman, in addition, while  
17 we have contractual deadlines and obligations,  
18 we've had a pretty good working rapport with the  
19 seller. And we would be hopeful that if in fact we  
20 got into that situation of HSR, that we would have  
21 an opportunity to go back to the seller and seek  
22 some additional time in order to be reflected on  
23 the process that would unfold at that level.

24 CHAIRMAN MURPHY: Has that already been  
25 talked about?

1 MR. RATCLIFF: They've worked with and they  
2 seem very cognizant of HSR and they --

3 CHAIRMAN MURPHY: The time frame.

4 MR. BAYT: There was only one bidder, so  
5 they have an interest in working with us.

6 CHAIRMAN MURPHY: Okay. Thank you.

7 MR. BAYT: Other questions?

8 COMMISSIONER MORGAN: I have none.

9 CHAIRMAN MURPHY: I have a secondary  
10 question.

11 I understand that one of the  
12 representatives, the investor, is here, as well?

13 MR. BAYT: Correct.

14 CHAIRMAN MURPHY: Can we spend a few minutes  
15 with him.

16 MR. BAYT: Absolutely. He sat in the back  
17 to avoid this.

18 (Laughter.)

19 MR. BAYT: State your name.

20 MR. WAGMAN: My name is Michael Wagman. I  
21 work with Clairvest Group Toronto, Canada and with  
22 the board managers of Centaur.

23 CHAIRMAN MURPHY: Thank you.

24 Specifically I think, to be pretty direct  
25 about it, we're concerned about if things don't go

1 or if the worst happens, how could it affect this  
2 project? We've heard the term *deep pockets*. How  
3 deep are the pockets, I guess? And I know you  
4 don't -- I'm not asking you for a number.

5 MR. WAGMAN: We are a public company, so our  
6 numbers are public record. But we are one of the  
7 constituents that represent several holding groups  
8 which also includes Goldman Sachs and West Face  
9 Capital and Spectrum. I think it would be accurate  
10 you would find if you researched it that in  
11 combination, they are very deep pockets.

12 As has already been stated, we are long-term  
13 holders and we've built in, we're very conservative  
14 in our nature and we've built in a lot of  
15 conservatism to the results. So, you know, if  
16 things don't go as well we plan, even though we  
17 expect it to, that we have the stability and the  
18 foundation to keep moving forward.

19 I don't know how to quantify your question.  
20 But I would suggest that, you know, we are managing  
21 significant capital and we are committed as  
22 long-term constituents, as I mentioned, Goldman  
23 Sachs, Spectrum and West Face.

24 CHAIRMAN MURPHY: And as part of the overall  
25 financing plan, back to the question on

1 Scott-Rodino, are you of the same mind with respect  
2 to the willingness of the financing folks who have  
3 settled to adjust their plans?

4 MR. RATCLIFF: We are of the same mind, yes.

5 CHAIRMAN MURPHY: Any other questions?

6 COMMISSIONER MORGAN: No.

7 CHAIRMAN MURPHY: Thank you.

8 MR. RATCLIFF: Thank you.

9 CHAIRMAN MURPHY: At this point if there are  
10 no other questions, I would defer the meeting back  
11 to Mr. Packer for staff recommendation.

12 MR. PACKER: Thank you, Mr. Chair.

13 The matter before Commission staff is the  
14 draft order that addresses both the transfer of the  
15 game gaming license to Centaur Acquisition and to  
16 the proposed finance package staff recommends  
17 approval of both.

18 A little regarding the financing package is  
19 that your approval today would also need to include  
20 a waiver of the so-called Two Meeting Rule in order  
21 to allow the financing package to be actionable  
22 without further Commission action to that including  
23 the draft order. I wanted to point that out.

24 You also note that staff is recommending  
25 that you place certain conditions on these rules.

1 Many of them are the standard conditions that we  
2 place on every transfer, special transfers that go  
3 along with the financing package.

4 For the transfer itself, staff recommends  
5 the conditioned approval upon closing of the  
6 finance package; submissions to staff of all final  
7 documents relative to the financing package; that  
8 Centaur Acquisition, its affiliates, entities,  
9 persons remain in compliance with laws, regulations  
10 and Commission directives; and that the  
11 Hart-Scott-Rodino Antitrust Process concludes in a  
12 way that will allow the transaction to close.

13 For the financing, staff recommends  
14 conditional approval upon the terms and the  
15 financing at closing not materially differing from  
16 what Centaur Acquisition has presented thus far;  
17 that the final terms of the financing filing of the  
18 Racino Act and that Centaur provide the Commission  
19 with legal opinions demonstrating compliance of  
20 that.

21 Those are standard conditions but of note in  
22 this case, especially in light of the Indiana Horse  
23 Racing Commission reserving approval of the  
24 financing pending receipt of the final financing  
25 terms. Staff recommends that if the final terms

1 differ materially from what we've received thus  
2 far, Centaur may be required to seek new approval  
3 for the financing package at a subsequent  
4 Commission meeting. I wanted to point that out for  
5 you.

6 All of the conditions into approval of a  
7 transfer, and you've had a chance to review various  
8 reports and information regarding this transfer  
9 from staff, the Horse Racing Commission has  
10 approved transfer of the racing permit, which is  
11 staff's prerequisite to transfer the gambling game  
12 license, our outside financial analyst,  
13 Dr. Sullivan, has conducted her analysis and has  
14 recommended approval of the financing package, and  
15 the staff has submitted its final investigative  
16 report.

17 Staff recommends approval of the transfer  
18 and the financing package in the form of Draft  
19 Order 2013-1.

20 CHAIRMAN MURPHY: Do the Commissioners have  
21 any questions of Mr. Packer regarding Order 2013-1?

22 COMMISSIONER MORGAN: I do not.

23 CHAIRMAN MURPHY: Hearing none, is there a  
24 motion to approve Order 2013-1?

25 COMMISSIONER BELL: I move for approval of

1 Order 2013-1.

2 COMMISSIONER MORGAN: I second the motion.

3 CHAIRMAN MURPHY: It's been moved and  
4 seconded. All those in favor of approval, signify  
5 by saying aye.

6 (All Commissioners said aye.)

7 CHAIRMAN MURPHY: Opposed?

8 (No verbal response from the Commissioners.)

9 CHAIRMAN MURPHY: Order 2013-1 is approved  
10 unanimately.

11 MR. PACKER: Thank you, Mr. Chair.

12 MR. BAYT: Thank you, Chairman,  
13 Commissioners and staff. I appreciate that.

14 CHAIRMAN MURPHY: Our next  
15 regularly-scheduled meeting, Commission meeting,  
16 will be scheduled right now for March 21st. And if  
17 there is no business coming before this meeting,  
18 then I would entertain a motion to adjourn.

19 COMMISSIONER BELL: Mr. Chairman, I move we  
20 do adjourn.

21 COMMISSIONER MORGAN: I second the motion.

22 CHAIRMAN MURPHY: It's been moved and  
23 seconded. All those in favor of adjournment  
24 signify by saying aye.

25 (All Commissioners said aye.)

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CHAIRMAN MURPHY: Opposed?

(No verbal response from the Commissioners.)

CHAIRMAN MURPHY: We stand adjourned. Thank  
you, everybody.

(The proceedings were concluded at 12:00 p.m.)