

**INDIANA GAMING COMMISSION
REGULAR BUSINESS MEETING**

9:15 a.m., August 20, 1996

**Auditorium
Indiana Government Center South
402 West Washington Street
Indianapolis, IN 46204**

PRESENT: Commission members Alan Klineman, Chair; Ann M. Bochnowski, Vice-chair; Donald Vowels, Secretary; Thomas F. Milcarek; David E. Ross, Jr., M.D.; Robert W. Sundwick; Robert Swan; Staff members Jack Thar, Floyd Hannon, Kay Fleming, Cindy Dean, Jill Copenhaver, A. Charles Vonderschmitt, Pam Ayres and members of the public.

Call to Order and Roll Call

Chair Alan Klineman called the meeting to order at approximately 9:15 a.m., noting that all commissioners were in attendance and a quorum was present.

Approval of the Minutes

Upon motion by Dr. David Ross, second by Bob Sundwick, the minutes of the June 21 and June 28, 1996 meeting were unanimously approved as distributed.

Report of the Executive Director

Indiana Gaming Commission Executive Director Jack Thar introduced two new members of the staff. A former Indiana University student currently attending IUPUI and hoping to conclude her studies next spring, Dorcas Mosley is the new receptionist. She is in her third week with the Commission. A retiree of the Criminal Investigation Division of the Internal Revenue Service, Charles Vondershott is the newest member of the auditing staff, bringing the Audit Division total to three.

Mr. Thar reported the Indiana Gaming Commission has received official written notification from the Army Corps of Engineers that the Corps will not change its policy concerning gambling on Corps land. Consequently, the 11th license statutorily designated for Patoka Lake will not be permitted by the Corps thus rendering the license non-operational.

Executive Director Thar announced that at 10:00 this morning July figures will be released for the performance of the four boats currently in operation. He advised that the total wagering and admission tax that was paid by the four boats exceeds \$12,000,000.

Mr. Thar added that Commission staff has been working on matters that came before the Indiana Gaming Commission at yesterday's meeting regarding the Crawford County/Switzerland County certificate of suitability or will come before it today. Included are the issuance of the Corps permit to the Grand Victoria Casino & Resort in Rising Sun, the issuance of the Corps permit to the City of Lawrenceburg, which enabled the beginning, some time ago, of the construction of the temporary facility for Argosy. These matters will be addressed later in today's agenda.

Old Business

Empress Casino Hammond Corporation Report on Minority Hiring

Michael Hanson, Vice President of Empress Casino-Hammond and Project Manager, addressed the Commission. He introduced Hammond resident Randy Sanders, Director of Internal Audit, and active in minority organizations, who is auditing their employment figures throughout the hiring process; Sylvia Plainter, Assistant to Rick Mazer, General Manager, who is office manager and a leading Hispanic community activist in the City of Hammond and has been with Empress since the beginning; Sue Mankowski, Director of Human Resources, coming to the Empress with over twenty years of hotel human resource management experience and a resident of Lake County; Rick Mazer, General Manager, who will be part of the presentation regarding minority hiring figures.

Mr. Hanson indicated the Indiana Gaming Commission has been sent four letters from the Empress Casino since the June Commission meeting in Hammond in regard to the status of their hiring figures and goals.

Empress Internal Audit Manager Randy Sanders presented an updated total of minority hiring figures. As of August 19, 1996, the Empress-Hammond has hired over 1,426 employees. Of that total, overall (not broken down to any particular departments) there are 53.4 percent females, 16.4 percent African-Americans, and 11.4 percent Hispanics. The Department of Labor goals dealing with key management positions are 41 percent female, 10.3 percent Afro-American, and 5.6 percent Hispanic. The Empress' EEO goals (also management), submitted by their affirmative action plan, are 48.4 percent females, 11.2 percent African-Americans, and 6.7 percent Hispanic.

Sue Mankowski, Director of Human Resources, gave an overview dealing with Empress' recruiting efforts. Initially, in going into Hammond, they had two job fairs, which brought in approximately 4,000 applicants. They have worked with city council members to submit applications and referrals from their offices. They also worked with the Mayor's Council on Economic Development to reach economically disadvantaged individuals. In addition, Empress representatives contacted local schools and universities and a number of community-based minority hiring organizations to bring qualified candidates to their hiring pool. Ms. Mankowski's office receives approximately 200

applications a week from walk-ins. Her office is general mailing a concerted effort to post job openings and make announcements available by mail.

Rick Mazer outlined the Empress President's Program, whereby entry-level position candidates who have excelled are selected to be incorporated into each department of the company. Upon successful completion of the program, they are moved to management positions. In addition, Mr. Mazer outlined Empress' tuition reimbursement program whereby those employees can further their careers through continuing education reimbursement.

Upon inquiry by Chair Alan Klineman, Rick Mazer indicated Empress will submit ongoing reports to the Commission regarding minority hiring practices. They agreed to submit affirmative action numbers on a quarterly basis for the next year, beginning on October 1, 1996.

Chair Klineman asked if either Carlotta King who had previously sent a letter and a request to speak regarding minority hiring at Empress or a Mr. Rodriguez who was to have represented her if she were unable to be present at the Commission meeting was in fact present. Neither was in attendance. Chair Klineman reiterated the content of Ms. King's correspondence which dealt with the minority hiring issue.

Empress Hammond Project Manager Mike Hanson indicated he was unaware of Ms. King's letter until today and stated that she is a member of the Hammond Redevelopment Commission and is in fact their landlord at the property. Empress officials have worked with her and tried to assist her in minority hiring and purchasing. He indicated that Empress is currently meeting statutory goals of minority and women owned businesses at 10% and 5%, respectively. They have an ongoing annual requirement that will be reported at licensing time. Ms. King, as well as others in the area, has from time to time given Empress referrals for employment and names of possible people from which to purchase services. Mr. Hanson indicated he will be making a presentation before the redevelopment commission on September 7.

Dr. David Ross requested a copy of Empress' purchasing report. Mr. Hanson will make that available as well on a quarterly basis beginning October 1, 1996. Upon a query from Executive Director Thar, Mr. Hanson reported that Sue Mankowski is designated within the Empress-Hammond as a liaison with the minority business development department within the State Department of Administration and is the designee for EEOC affirmative action type hiring policies.

New Business

Rules

Chief Counsel Kay Fleming read from **Resolution 1996-43, A Resolution Adopting 68 IAC 5-1; 68 IAC 1-13; 68 IAC 2-2-6.1; 68 IAC 2-3-6.1; 68 IAC 3-4; 68 IAC 10-6; and 68 IAC 10-7; and Amendments to 68 IAC 2-6-37; 68 IAC 14-3-2; 68 IAC 14-3-3; 68 IAC 15-9-1; and 68 IAC 15-9-4 for Publication as Proposed Rules**. She indicated the Indiana Gaming Commission will adopt the following proposed rules pending the promulgation process:

- Article 1 General Provisions - 68 IAC 1-2-5.1, Requests to Address the Commission
- Article 2 Licenses, Approvals - 68 IAC 2-2-6.1, Requirement that Certain Employees of a Supplier Licensee Obtain an Occupational License
68 IAC 2-3-6.1, Post-licensing Policies and Procedures
- Article 3 Minority and Women's Business Enterprises - 68 IAC 3-4, Challenges of the Designation of a Certified Minority or Women's Business Enterprise
- Article 10 Conduct of Gaming - 68 IAC 10-6, Rules of Caribbean Stud Poker
68 IAC 10-7, Rules of Let It Ride

She also stated the Commission will be approving the following amendments to rules that have been promulgated by the Commission and are specifically:

- Article 2 Licenses, Approvals - 68 IAC 2-6-37, Operation of Progressive Controller-normal Mode which covers the operation of progressive electronic gaming devices
68 IAC 14-3-2, Playing Card Specifications
68 IAC 14-3-3, Dice Specifications
- Article 15 Accounting Records and Procedures - 68 IAC 15-9-1 - Applicability and General Provisions for Tips and Gratuities Received by Gaming Licensees
68 IAC 15-9-4 - Chips and Tokens Redeemed by Nongaming Occupational Licenses

Ms Fleming further explained that the Commission will also adopt 68 IAC 1-13 which covers the reporting of the interest in a license that will be published as a notice of intent in the September 1 *Indiana Register* and then will be published as a proposed rule as soon as possible thereafter.

ACTION: Upon motion by Donald Vowels, second by Ann Bochnowski, **Resolution 1996-43** was unanimously approved.

Temporary Supplier Licenses

Deputy Director Floyd Hannon reported that there are two companies which Commission staff recommends for a temporary supplier's license. Acres Gaming, Inc. is a publicly traded company, traded on Nasdaq. It was founded in 1985 by John and Joann Acres, natives of Elwood, Indiana, who still retain 42.6% of the stock. The company became public in 1993 and is involved in the developing, manufacturing and marketing of casino data systems. Their primary product is the Concept III, a computer system that controls player tracking, casino accounting, progressive jackpots and bonusing. It is currently located in Corvallis, Oregon, and the facility has been inspected by gaming investigators. They are licensed in nine jurisdictions and all licenses are in good standing. Since 1993 the company has shown an overall loss that includes an \$898,000 judgement in 1994 against the company for a patent infringement. They had developed a variation of Blackjack that had already been developed. Nothing was found through the preliminary investigation that would preclude Acres Gaming, Inc. from being awarded a temporary license pending the finalization of the complete investigation.

Deputy Director Floyd Hannon stated Atronic Casino Technology Ltd., L.L.C. is owned on a fifty/fifty percentage basis by Paul and Michael Gauselmann, father and son. Both are German citizens who currently reside in Germany. Michael commutes to the United States several times a year to conduct business. The U.S. entity is managed by another German citizen who is a registered alien. The Gauselmanns own a series of companies known as the Gauselmann Group which include the applicant company. Their U.S. company is headquartered in Phoenix, Arizona, with a manufacturing facility in Rhode Island. The Rhode Island facility received partly assembled electronic gaming devices from Gauselmann Facilities in Germany and Austria. The machines are fully assembled and the EPROMS are programmed in Rhode Island. That facility is responsible for warehousing, assembling, research and development, and shipping and servicing all machines sold by the group in the Western Hemisphere. Both the company and its affiliates are licensed in nine U.S. jurisdictions and eight foreign countries. All are in good standing.

Mr. Hannon reported that no information was developed that would preclude the company from being awarded a temporary supplier's license pending the finalization of a complete investigation. Commission staff recommends that both entities be awarded a temporary supplier's license.

ACTION: Upon motion by Robert Swan, second by Dr. David Ross, **Resolution 1996-44, A Resolution Granting Temporary Supplier's Licenses to Acres Gaming, Inc. and Atronic Casino Technology Ltd., L.L.C.**, was unanimously adopted.

Occupational Licenses

Chief Counsel Kay Fleming stated that background investigations are being completed on individuals who have received a temporary occupational license to work on the riverboats. Criminal histories are checked during the course of the investigation; the Indiana Gaming Commission has developed a policy that if an individual has failed to reveal or has falsified information with respect to their criminal history, their license will be revoked. The Indiana Gaming Commission staff has received criminal history checks back on twelve individuals who were employed by Casino Aztar. Therefore, the licenses for these individuals have been revoked for failure to reveal their complete criminal history; this matter is coming before the Commission for affirmation of this revocation. The form, Commission Action on Applications for Occupational Licenses, states the following individuals have been issued a Notice of Denial by the Commission staff:

Jose Figueroa
Tina Greer
Gerard Hayden
Mark D. Heck
James T. Heston
Frances M. Matheny
Todd D. Mattingly
Joseph T. Murphy
David Petkovsek
Jay Ransford
Michelle Stone
Michael J. Washington

Ms. Fleming indicated these individuals will be given a chance to appeal, before an administrative law judge, the revocation of their temporary licenses and any denial of the permanent license after Commission action. Chair Klineman added that the individuals will be given ten days to file an appeal from the posting of the letter indicating any Commission action to file an appeal. Commissioner Don Vowels indicated that these denials are not because of the specific criminal violations, but rather, that the individual did intentionally mislead the Commission. People need to be forthcoming. If they are to handle great sums of money, they certainly need to be honest.

ACTION: Upon motion by Ann Bochnowski, second by Tom Milcarek, and unanimous vote, the Commission approved the action of Commission staff to deny the applications for an Occupational License, Level 2 or 3, of the above-named individuals.

Chair Alan Klineman noted that Commissioner Donald Vowels has submitted his resignation as Administrative Law Judge to hear the occupational license appeals for Casino Aztar.

ACTION: Upon motion by Bob Sundwick, second by Tom Milcarek and unanimous vote, the Indiana Gaming Commission accepted the resignation of Commissioner Vowels and appointed Bernard L. Pylitt to serve as the administrative law judge for any appeals that may arise from Commission action with respect to denials, revocations or non-renewals of individuals who have applied for an occupational license to work for an Indiana riverboat located along the Ohio River. The appointment will remain in effect until the Commission takes further action with respect to the appointment or if Mr. Pylitt would be disqualified from serving pursuant to IC 4-21.5.

Consideration of Extensions of Certificates of Suitability

Rising Sun Riverboat Casino and Resort, LLC

Nicholas Pritzker, Chairman of Hyatt Development Corporation, respectfully requested that the Indiana Gaming Commission grant an additional extension to the Grand Victoria Casino and Resort, LLC Certificate of Suitability originally issued on July 26, 1995. He stated they will be prepared to commence operations on September 16 after appropriate inspections and Commission approval. An August 16 letter addressed to Executive Director Jack Thar updated the staff on their progress. Mr. Pritzker proceeded to outline some of the salient points of that letter.

Mr. Pritzker indicated Grand Victoria Casino and Resort has received the Army Corps of Engineers permit required to construct the temporary and permanent mooring facilities. Their plans have been approved by the City of Rising Sun. Construction of the temporary and permanent facilities is well under way. They intend to operate from their permanent dock with their permanent vessel. Construction of the permanent pavilion and hotel is expected to be completed late this year to July of next year. Ground breaking on the golf course should begin late this year or early 1997. The course is expected to open in early 1998.

In the area of investment, Mr. Pritzker stated that their anticipated investment in the project has increased substantially and is now approximately \$140 million in the initial phase, not including any retail or housing components. That exceeds their \$98.8 million commitment provided in their Certificate of Suitability. In terms of finance of the project, Mr. Pritzker indicated the uncertainty of the market has made it extremely difficult to find satisfactory financing so they have continued to fund all the costs themselves and will continue to do so unless financing becomes available on more favorable terms.

In terms of roads and access, Mr. Pritzker indicated that approximately \$6.3 million has been expended to date improving State Road 56 in and out of Rising Sun since the certificate was awarded. Approximately \$2.2 million has been

provided by INDOT and \$4.1 million by their venture, either in direct contributions or in loans to the City of Rising Sun. Those loans have totaled about \$1 million. They have executed an agreement with INDOT through the City of Rising Sun to provide approximately \$3 million if necessary for additional road improvements. They have paid for the widening and repavement of eight miles of State Road 56 from U.S. 50 into Rising Sun.

Mr. Pritzker reported their gaming vessel is now in Rising Sun. He sailed on the boat on the 6th of August. The boat has been extensively renovated.

Mr. Pritzker indicated that included in their written report was an update on preferential hiring practices. Their employee training has been underway since January. It has been very successful.

In terms of their ownership, Mr. Pritzker reviewed that a Hyatt affiliate, Indiana RBG, LP, owns 80% of Grand Victoria Casino and serves as the managing partner. RSR, LLC, whose members include Patrick Daly, Paul Partridge, James Everett, American Gaming Enterprises, Ltd. and two small individual interests, own 20% of Grand Victoria. RSR, LLC elected not to fund additional capital to increase its ownership interest. American Gaming has informed Commission staff that it does not intend to participate in Grand Victoria's license operations. American Gaming has reviewed with staff an approach to market its interest by entering into a trust agreement that would be subject to Commission approval. American Gaming currently holds an ownership interest in Grand Victoria Casino, which is slightly less than 5% of the total.

Chairman of the Rising Sun Redevelopment Commission Monty Denbo reported on the completion of the first stage of the electric and sewage plant work. They are very proud of their new sludge press. Approximately \$400,000 has been spent on new aeration equipment. They have increased their water supply with a temporary generator. In the future, they will have a new water tower which will increase Rising Sun's water capacity up to 250,000 gallons of additional water. They are well into their comprehensive plan. They are in the process of upgrading their zoning process and passing a signage ordinance. Mr. Denbo stated the City of Rising Sun was the first city in the State of Indiana that has an IBC Control District which protects historic buildings from any kind of destruction. They are in the process of letting bids on their Main Street program. They should be let by the end of this month and the first phase of that program should be completed by December of this year.

Mr. Denbo discussed the \$900,000 fund from the Hyatt Corporation, \$500,000 to be used for the Main Street project and \$400,000 to be applied to a Senior Citizens' Center. They have also secured 15 acres of land for the new city park.

A local resident also donated 8 acres for this project. They are working with Hyatt people on their river walk and they are also working on the preliminary designs for the downtown marina. They have also seen initial design work on Walnut Street, which ties Main Street to the Hyatt project. They have put together a low-interest loan program and allocated \$1,000,000 for business people in the area. They have taken options on property. Their revenue sharing program is in place. They have set up their foundation which will be funded by the additional \$1.00 per passenger that the Hyatt Corporation will contribute. He stated on the basis of 2.5 million visitors, it will be an annual \$2.5 million. It was set up for a matching grant program, so they anticipate a \$5 million impact in many areas. He discussed their total revenue-sharing program of which they are very proud. They view it as a \$7.5 million impact to the Southeastern part of the State of Indiana.

Upon a query from Executive Director Jack Thar regarding Grand Victoria Casino's fulfillment of obligations, Mr. Denbo responded that they have fulfilled them above and beyond what was promised. For example, the City was able to negotiate after the fact regarding a sewage disposal plant. He expressed their extreme pleasure. He does not see any problems with that successful partnership continuing. The City supports Grand Victoria Casino's application for an extension of their Certificate of Suitability and absolutely supports their eventual request for a license.

Responding to a question from Chair Alan Klineman, Mr. Denbo replied that regarding any housing development, the City is somewhat restricted geographically because of hills on one side and the river on the other. In Ohio County, he stated, there have been three applications for housing developments of 50-60 housing units each. There is one application for 60 apartments within the city limits which has been approved.

Chair Klineman asked if any improvements will be made to U.S. 262. Mr. Dan Azark indicated INDOT is getting better signage on I-74 through Batesville and hopefully will be taking down the highway sign at 350 that says Rising Sun -- take 262, and directing people down 50 through Aurora to Rising Sun.

Grand Victoria Casino General Manager Duff Taylor indicated that as of yesterday, they had approximately 367 people on board; they have been in the licensing process during the last six or seven days and as of yesterday approximately 600 people have been licensed. He expects that number to extend to 800-850 through next Wednesday. They will start the second phase of the licensing in September. The total expectation of employees is around 1,400 with 1,300 licensable employees. Some of the employees will not be on the riverboat; therefore, they will not need to be licensed. Ninety-five percent will be full-time.

The population of Ohio County is around 5,200 and that of the City of Rising Sun itself is 2,500 to 2,600. The county minority population is 1.03 percent. They have recruited from Madison, Indiana; Kentucky, and Cincinnati. They have posted billboards in these areas as well as Mississippi and Louisiana to seek people who have gaming expertise.

Duff Taylor discussed the Grand Victoria does not want to get into a wage war with the boat in Lawrenceburg. He outlined minority recruiting efforts. They have been very aggressive in recruiting minority employees. They have attended the Indianapolis Black Expo twice and have attended the Cincinnati Job Fair twice. They will add Indiana University in their recruiting efforts. Grand Victoria wants to ensure that Rising Sun college graduates return to their home town for employment.

Executive Director Jack Thar indicated that the Indiana Gaming Commission staff have reviewed certain trust agreements and irrevocable proxy and consent agreements to which, from a staff perspective, there is one minor wording change. Staff's question is whether or not the documents are acceptable to the other members of RSR-American Gaming, as well as to the extent acknowledgments are necessary from the Hyatt affiliate and Grand Victoria Casino. Mr. Thar asked that representatives from each entity address the acceptability of each of the documents.

Douglas Wellington, President of American Gaming Entertainment, Ltd., indicated he has been working with Mr. Thar and staff to reach an acceptable agreement where they will put their interest in the Rising Sun project in trust for a period of two years, at which time, under an appraisal process, their partners will be purchasing the interest they are unable to sell at that time. They have had their board approve this transaction in concept. They have reviewed the draft. He noted there was a small change and today it has been sent to their board of directors. He anticipates board approval as soon as possible. In concept, their board has already approved the document.

Pat Dailey, Managing Partner of RSR, indicated his organization has also agreed with the concept and is aware of the change.

Richard Schultz, President of the Grand Victoria Casino Resort and Vice President of the General Partner - Indiana Argosy LLP, indicated all the parties are in agreement with the concept of the transaction. Executive Director Jack Thar indicated that it is then understood that all the parties are in agreement with the concept and the agreements to the extent that they have been voted on already, except for final approval of some changed language. He asked if there is then no problem in the IGC staff's final review and implementation of the documents. Mr.

Schultz agreed there is no problem.

Chair Alan Klineman noted there were three matters before the Commission for action. One is the resolution extending the Certificate of Suitability for Grand Victoria Casino and Resort and a second is the resolution approving the bond. Also there is an order issuing the owner's license, subject to certain conditions.

At this point in the meeting, Nicholas Pritzker indicated he would like to correct some of the statements that were made in the Switzerland County presentation the day before yesterday. He indicated some of the statements were not true. He took exception to the statement that an operation in Switzerland County would have no measurable impact on either operator. To the contrary, he stated he feels that a riverboat license granted to an operator in Switzerland County would have a serious impact on Hyatt's operation and could threaten the viability of the operation. They strongly feel that although they do not know exactly what this market will hold in the future, they also feel strongly that nobody knows. He expressed disagreement with the market figures previously given by Switzerland County representatives. He respectfully urged the IGC to look closely at the markets while the permanent facilities are in operation before making a decision on this final license. Of course, he noted, they will do whatever the Commission deems appropriate. He expressed skepticism at market studies. Hyatt has had to use their intuition. He thinks their operation will be the largest riverboat operation in the world. They are, of course, also concerned with what might happen in competing jurisdictions such as Ohio, as far as pending legislation or proposals. The future is a great unknown; they are very concerned about what will happen to Hyatt and to the community in which their commitment lies, which is Rising Sun. Mr. Pritzker indicated theirs is a very serious investment.

Commissioner Dr. David Ross asked that Hyatt bring the Commission information about the small market of minority hiring. Mr. Pritzker reported on a sensitivity analysis prepared by Peat Myrick looking at where the market is in the area. He disputed that the market would simply be coming from Kentucky only.

Commissioner Bob Sundwick questioned why then would Hilton Hotels be interested in spending \$130 million in a project that Mr. Pritzker feels would fail. He expressed that perhaps Rising Sun and Lawrenceburg boats would find themselves at a disadvantage.

Mr. Pritzker responded that of course the stress of a competitor is small comfort to Argosy. He does not want to see any boat fail. He indicated he has seen many competitors about which he has had the highest regard make decisions that were not particularly rational and were not decisions that he himself would make. He cited a New Orleans, LA, situation where a very strong gaming company,

Harrah's, made a terrible mistake. Mr. Pritzker indicated Hyatt has made mistakes in other markets.

Chair Alan Klineman asked Grand Victoria Casino and Resort officials to submit any requested reports to the Commission within the next week so that the Commission will be able to make a quick decision.

Indiana Gaming Commission Special Counsel Virginia Dill McCarty addressed the Commission regarding the security and insurance for Rising Sun Riverboat Casino & Resort, LLC. She reported on July 3, 1996, Rising Sun Casino & Resort, LLC delivered \$11,000,000.00 in cash to the Commission pursuant to IC 4-33-6-9 and their Certificate of Suitability. One million dollars secures the development costs as well as payment of contributions or road improvements; \$3,600,000 secures completion of land-based construction; \$3,500,000 secures payment to the Redevelopment Commission for a grant and revolving loan fund for downtown redevelopment and improvements and payment for a community park and the Tourism and Convention Bureau; \$900,000 secures payment for utilities and infrastructure and \$2,000,000 secures all other financial obligations plus the obligation to remain at the site for five years or until another owner is licensed to operate instead of Rising Sun.

Special Counsel McCarty reported that Rising Sun may wish to replace the posted cash with a surety bond. She recommended that the Indiana Gaming Commission delegate to its staff the authority to recommend to the Commission acceptance or rejection of the substitute security.

Ms. McCarty indicated Rising Sun has submitted certificates of insurance which appear to comply with the Indiana Gaming Commission's requirements, subject to examination of all policies. She recommended approval of the Rising Sun insurance as fulfilling the Commission's requirements subject to examination of all policies.

At this point in the meeting, Chairman Klineman invited Ms. McCarty to give a report to the Commission regarding the security for Indiana Gaming Company, L.P., in Lawrenceburg, Indiana.

Special Counsel McCarty reported that she recommends that the Indiana Gaming Company, L.P. be required to post security in the amount of \$14,000,000 with the Commission pursuant to IC 4-33-6-9 and Indiana Gaming's Certificate of Suitability and further agreement with the City of Lawrenceburg. Six million dollars secures payment of the minimum guaranteed annual fee to the city; \$4,000,000 secures complete demolition of the project and property restoration if called for; \$1,000,000 secures completion of land-based construction; \$500,000

secures payment for infrastructure in addition to that specified in the Certificate of Suitability and \$2,500,000 secures all other financial obligations plus the obligation to remain at the site for five years or until another owner is licensed to operate instead of Indiana Gaming.

Ms. McCarty stated Indiana Gaming has indicated that it may wish initially to post cash and later to replace the posted cash with a surety bond. She recommended that the Commission delegate to its staff the authority to examine any surety bond or other form of security proffered by Indiana Gaming to replace any posted cash, and the authority to recommend to the Commission acceptance or rejection of the substitute security.

ACTION: Upon motion by Commissioner Ann Bochnowski, second by Commissioner Don Vowels, to extend the Certificate of Suitability issued to Grand Victoria Riverboat Casino & Resort, LLC, **Resolution 1996-47, A Resolution Concerning an Extension of the Certificate of Suitability Issued to Grand Victoria Riverboat Casino & Resort, LLC on June 30, 1995,** was unanimously approved.

ACTION: **Resolution 1996-48, A Resolution Approving the Bond that is to be Posted by Grand Victoria Casino & Resort, LLC,** was unanimously approved on motion by Tom Milcarek, second by Robert Swan.

Chairman Alan Klineman indicated that an **Order of the Indiana Gaming Commission Issuing the Grand Victoria Riverboat & Casino Resort, LLC, a Riverboat Owner's License** is before the Commission. The Indiana Gaming Commission issued a Certificate of Suitability to the Grand Victoria Riverboat & Casino Resort, LLC, formerly known as Rising Sun Riverboat Casino Resort, LLC on June 30, 1995. During the time since the issuance of the Certificate of Suitability, Grand Victoria has been finalizing those steps necessary to commence regular riverboat excursions pursuant to IC 4-33. Chair Klineman recited Grand Victoria's many accomplishments including receiving the necessary permit from the Army Corps of Engineers, preparation of an emergency response plan, posting of an \$11,000,000 bond with the Commission on July 3, 1996, and meeting of commitments pursuant to the Project Agreement executed with the local government on November 7, 1994, and their Certificate of Suitability, and its obtaining insurance in types and amounts that are acceptable to the Commission.

Chairman Klineman indicated that Grand Victoria continues to complete additional conditions imposed on its Certificate of Suitability, and pursuant to IC 4-33 and 68 IAC that must be completed prior to the commencement of regular riverboat excursions; these conditions will be completed before this Order becomes effective, including:

(see Section B, through 8, on the attached **Order of the Indiana Gaming Commission Issuing the Grand Victoria Riverboat & Casino Resort, LLC, a Riverboat Owner's License**)

ACTION: Upon motion by Bob Sundwick, second by Bob Swan, the Order issuing the owner's license to Grand Victoria Riverboat & Casino Resort, LLC, was unanimously approved pending completion (but not before September 16, 1996) of all eight conditions outlined on the Order, at which time it will become effective and the Commission staff will issue to Grand Victoria a Riverboat Owner's License pursuant to IC 4-33.

Indiana Blue Chip Hotel and Riverboat Casino Resort Corporation

After a brief recess, Chairman Klineman introduced Joseph McQuaid, Vice President of Indiana Blue Chip, who addressed the group. Mr. McQuaid in turn introduced Kevin Larson, President of IN Blue Chip and formerly part of Empress Casino Corporation and Empress Casino-Hammond, and Lee Alexander, Vice President of Indiana Blue Chip who is responsible for design and construction. He formerly was with Harrah's Entertainment Corporation and while there was responsible for the design and construction of eight casino development projects.

Mr. McQuaid indicated his pleasure and pride in publicly announcing the progress that has been made by IN Blue Chip since April 17, 1996, when they were awarded the Certificate of Suitability. He stated he would break down the last 124 days into two parts.

The first 90 days -- on April 17 IN Blue Chip was granted a 90-day Certificate of Suitability outlining four specific points or issues. They needed to demonstrate significant progress during this period of time in the following areas: 1) Filing a complete application with the Army Corps of Engineers; 2) Submitting a complete financial package; 3) Submitting a feasibility study of constructing the riverboat on site in Michigan City and the cost of that vessel; and 4) Submitting a report regarding the feasibility of making the necessary modifications to Trail Creek. Mr. McQuaid reported that Executive Director Jack Thar indicated early on in this process that he and his staff would need at least a week to review all of the submissions and that the very last date to submit the information would be July 9, the 83rd day. Mr. Thar further advised them that the Corps permit application should be filed on or before July 16. On July 9, IN Blue Chip filed with Mr. Thar's staff all required documents pursuant to the Certificate of Suitability, other than the Corps permit application which was filed on July 16. On July 9, IN Blue Chip presented the financing package to Mr. Thar. HB of Indiana has contributed \$20,000,000 of equity. HB of Indiana has also contributed a \$25,000,000 irrevocable letter of credit and HB of Indiana has arranged for \$43,000,000 in

asset-based financing.

The Gaming Vessel -- Guido Perla & Associates, their design firm, and Midwest Marine, their construction manager, and Chicago Bridge and Iron, the major contractor to build the riverboat, have submitted a report as of July 9 that left little doubt that the vessel can and will be built on the permanent boat site in Michigan City. The engineering study is a component of the application for the Army Corps of Engineers permit, but is a separate report submitted to Mr. Thar in July by Beard and Associates, identifying the modifications necessary in the water.

Mr. McQuaid reported Indiana Blue Chip accomplished all of the above in the first 90 days; he sited pride in these accomplishments. He indicated they did not take a break after July 16 and in the past 34 days have accomplished a great deal more.

The next 34 days -- The vessel design and safety evacuation plan have been submitted to the United States Coast Guard for their review. Steel for the vessel has been ordered and construction has been tentatively scheduled to begin in October. Material will start arriving at the fabrication facility by September 22, which will allow adequate time for fabrication before their first start date in the field. Their construction team has met with three Indiana steel fabricators to discuss responsibilities and participation in the process. Indiana Blue Chip, stated Mr. McQuaid, has reached an agreement with a vessel interior design company. The vessel's interior design has begun.

Land Acquisition -- Mr. McQuaid indicated IN Blue Chip has reached an agreement with First Citizens' Bank of Michigan City for the largest single component of property needed for the project. In addition to the bank property, an additional 24 parcels of property will be purchased. This agreement has also been reached. IN Blue Chip has also reached an agreement to purchase a privately-owned marina and is working with the City of Michigan City and the Port Authority of Michigan City to relocate Sprague Marina, a city-owned marina, to the newly acquired site. This relocation will completely mitigate all city-owned storage, all city-owned slips, and any other amenities that are presently enjoyed by the citizens of Michigan City at Sprague Marina. IN Blue Chip has committed over \$10,000,000 to land acquisition.

Job Information Fair -- Mr. McQuaid reported that on Wednesday, August 6, IN Blue Chip held a job information fair in Michigan City. They previously had requested that any interested persons make an appointment for one of the twenty-two sessions that were to be offered that day. Mr. McQuaid reported that over 1200 people elected to spend time with them. He hopes this will be the beginning of many years of gainful employment.

Vice-President of Design and Construction Lee Alexander outlined his casino-based background with Harrah's in several states. He is also a graduate of Notre Dame University. He showed the Commission an artist rendering of a 200-room hotel adjacent to a pavilion building with a four-story covered parking garage in the background. The pavilion and hotel will be in an art deco style. He reviewed the proposed layout of the pavilion including its buffet areas and lounges. The travel distance between the pavilion and the vessel is very short. He explained the vessel will be 350' long and 80' wide. He noted that Trail Creek will be widened with islands formed in the center. Upon a query from Commissioner Bob Swan about the width of Trail Creek, Mr. McQuaid explained the creek will be widened to 210 ft. At another point it will be widened to almost 300 ft. Dr. Ross asked about the traffic flow into the project. Mr. Alexander explained that most of the people will be coming from Michigan City across Michigan Boulevard to East Street and over to the project on the south. The interstate is south of the project.

Upon inquiry from Commissioner Tom Milcarek regarding a church located in the area, Joe McQuaid indicated that Blue Chip representatives have had discussions with the minister and would like to purchase the property. However, if they are unsuccessful, they do have a plan to build around it.

Executive Director Jack Thar added that what is shown in the renderings as islands is currently land. Mr. Alexander indicated that Blue Chip will excavate the area behind the slips and the water will flow in. He stated that the boat's cruising channel will be within the newly dredged out area. However, even though the boat will have the ability to cruise, IN Blue Chip is also bound by the Johnson Act, as are all the other Lake Michigan boats.

Commissioner Tom Milcarek questioned when IN Blue Chip will actually take possession of the land. Mr. Joe McQuaid responded that they hope to close within thirty days on the bank property. They have settled on a price. They hope construction will be starting in October; the steel has been shipped and is Indiana Steel (Bethlehem Steel). They anticipate construction will take nine to eleven months and hope to expedite it at the end. Mr. McQuaid reported the pavilion will be 70,000 sq. ft. The first floor will be 350 ft. of fine dining, conference room, etc. The vessel itself will be 348 ft. long by 80 ft. wide. It will have two decks and 35,000 sq. ft. of gaming. They will commence construction of the 200 room hotel as soon as possible, as well as the parking facility.

Upon query from Chair Klineman regarding a reservations operator, Mr. McQuaid responded IN Blue Chip has had conversations with operators. Their call is to go with a nationally recognized reservation service.

Mr. Joe McQuaid indicated HB of Indiana has purchased a riverboat, the Silver

Eagle, currently located in Illinois. They hope that within the next thirty days, it will start transit to Michigan City. They will have an opportunity within the next sixty days to work out the details. Both Mr. McQuaid and Mr. Alexander gave descriptions of the Silver Eagle. It will be replaced by another vessel in Illinois. They have appeared before the Illinois Gaming Board and have worked out the financial details relative to bringing the vessel to Indiana.

Responding to a question about the temporary site, Mr. Alexander stated it is out in the harbor. Mr. McQuaid indicated they have negotiated with NIPSCO, which has been very cooperative, but a situation with a railroad makes that site less than desirable. They have an option to purchase property on the harbor and this would at least eliminate the railroad situation. The City of Michigan City is aware of their dilemma and has been working with them and has given them an opportunity to make other arrangements with the City Port Authority. The permanent boat and site are their focus. He emphasized whatever they decide with the temporary site will not affect the permanent location.

Mr. McQuaid asked the Commission for a 180-day extension of their Certificate of Suitability citing all they have accomplished since their Certificate was first awarded on April 17, 1996. However, he did advise the Commission of an issue that he stated will have no impact on IN Blue Chip's continued progress.

Mr. McQuaid reported that the relationship with some of their potential minority shareholders has deteriorated. There is an executed Stock Purchase Agreement that was agreed to and signed by all of the potential shareholders. Under the terms of the agreement, minority shareholders were obligated to make a capital contribution of \$8,000,000 to receive 40% of the company. This capital contribution needed to be made during the 90-day period so that a complete financial proposal could be presented to Mr. Thar by July 9. The agreement stated that HP of Indiana would fund any shortfall and would be awarded the appropriate shares of stock associated with the additional contribution. When no contribution was made, HP of Indiana contributed \$20,000,000 of equity in IN Blue Chip. This included their original \$12,000,000 responsibility and the \$8,000,000 which was to have been contributed by the minority shareholders. HP of Indiana also contributed a \$25,000,000 irrevocable letter of credit and HP of Indiana arranged for the \$43,000,000 from S & H Finance. Mr. McQuaid noted that after all this was in place and in an effort to resolve the issue, IN Blue Chip offered to the potential minority shareholders 12% interest of this company at no cost. Last week this offer was rejected.

On August 16, in an effort to resolve the issue, Mr. McQuaid met with Mr. Thar, Indiana Gaming Commission Deputy Director Floyd Hannon, and the potential minority shareholders in the offices of the Commission. Six of the minority

shareholders had invited a Mr. Gary Baldwin to the meeting. Mr. Baldwin indicated he represented the Chippewa Sioux Native American Tribe of Indians. The six individuals advised they had a plan that the Chippewa Sioux Tribe would invest \$8,000,000 in In Blue Chip for an undetermined amount of equity. After further discussion, Mr. McQuaid was to have received a written proposal by Friday of last week. He was told throughout the weekend that the proposal was still coming; it did not. A written proposal was received at his office on Monday, August 19 (yesterday), at 10:30 in the morning. That proposal expired at noon yesterday. The proposal was made by only six of the eight individuals; they also asked for yet another extension of 90 days to raise \$1,500,000 for 20 percent of the company. In summary, Mr. McQuaid indicated, HP of Indiana assumed all of the risk and responsibility of the financing requirements for IN Blue Chip within the prescribed time frame of the Indiana Gaming Commission. He stated the potential minority shareholders indicated they had the ability and willingness to contribute \$8,000,000 to the project. The potential minority shareholders have contributed nothing. The potential minority shareholders were offered 12 percent of the company with no financial risk; they turned it down. At this point in time, HP of Indiana is the sole shareholder of IN Blue Chip.

In response to a Commission question regarding how the IN Blue Chip group initially formed, Mr. McQuaid stated that originally there was a riverboat application on file in 1992 and his organization was invited to join in 1995. Chair Alan Klineman indicated the document to which Mr. McQuaid has referred is subject to different interpretations. The Commission feels IN Blue Chip has met its timelines.

Commissioner Bob Sundwick expressed puzzlement as to why the 12 percent reduced stake would be offered for no investment. Mr. McQuaid responded that the deal was offered to avoid further disputes and to avoid the chance it would affect renewal of their Certificate of Suitability. He added that the Monday, August 19 minority shareholder deadline represented only six of the eight. The other two would have to be negotiated with separately.

Chair Alan Klineman stated that when the IN Blue Chip riverboat application was filed, the Commission conducted an investigation of the ownership, prior to the issuing of the Certificate of Suitability, and it was found to be suitable. He stated that internal squabbles can be resolved. He does not think it is the Indiana Gaming Commission's position to get involved.

Representing the six local investors, Stewart & Irwin Attorney Douglas Brown addressed the Commission, noting there are two sides to every story. He indicated there is a profound difference of opinion with respect to what IN Blue Chip had previously stated. He stated the minority shareholders he represents fear

they will be left in the cold without Commission leverage. He respectfully requested the Indiana Gaming Commission help his clients resolve the issue and asked for a 30-day extension.

Executive Director Jack Thar questioned Attorney Brown about whether his clients would try to hold up the project. Mr. Brown indicated he would not rule this out; it is a potential remedy available to the minority shareholders he represents. Mr. Thar stated this could be a suitability issue.

ACTION: Resolution 1996-45, A Resolution Concerning an Extension of the Certificate of Suitability Issued to Indiana Blue Chip Hotel & Riverboat Casino Resort Corp. on April 17, 1996, was unanimously approved for a period of 180 days on motion by Bob Swan, second by Bob Sundwick. Furthermore, IN Blue Chip is to report to the Commission staff 60 days from this date where they are in resolving the problem. The Gaming Commission staff was authorized to fill in the appropriate date with respect to minority investors.

Lunch Recess

At this point in time (12:25 p.m.), the business meeting was recessed for lunch until 1:30 p.m.

Next Meeting

Upon resumption of the business meeting, Chair Alan Klineman announced the next meeting of the Indiana Gaming Commission will be on September 6, 1996, at 11:00 a.m., Indianapolis time, at which time the Commission will consider the licensing for either Crawford or Switzerland County.

New Business (Continuation)

Consideration of Extensions of Certificates of Suitability (Continued)

Indiana Gaming Company, LP

John B. Pinney, Attorney for Graydon, Head & Ritchey representing Schilling Casino Corporation, addressed the Commission. He has filed an application on behalf of Empire Casino & Resort with regard to a Lawrenceburg application. He introduced his co-counsel, Barton Braddick, and Mike Roberts who have developed a team including Ronald Schilling, James Fran, Mike Lenahan, etc.

Mr. Pinney has filed an objection to an extension of time for the Certificate of Suitability for Indiana Gaming Company, LP (Argosy). He indicated Empire views its application for revocation now before the Commission as a separate

proceeding, independent from the underlying proceeding for an owner's license, in which it earlier participated with Argosy (Argosy being the successful recipient of the Certificate of Suitability). He requested that the record for this proceeding include all papers filed by Empire -- transcripts, other Commission hearings related to the application of the owner's license in June 1995, and Argosy's previous request for an extension of their Certificate of Suitability. He also requested Argosy's recent SEC filings pending before the Commission on July 1, 1996 be made part of the record.

Mr. John Pinney indicated that he further understands that Argosy's Certificate of Suitability extension technically expired on August 16, 1996. Empire's position is that by virtue of the expiration of the Certificate on August 16, the Commission should now deal with all underlying applications for Lawrenceburg. He indicated their position is that once expired, it cannot be extended and the Commission should consider all existing applicants. In any event, his client feels that it has been over 12 months since the Certificate was first issued based on Argosy's representation that it would have a boat in the water by December 1995, through what it called, "Operation Fast Start."

Mr. Pinney further stated at the time of their presentation, Argosy and Conesco (their partner) represented that the money would immediately be available and in effect, be in the bank, to fund the entire project. He respectfully submitted that these representations have proved to be false. As a consequence, he asked the Commission to reconsider all applications as it appears that the financial market is such that there is a question regarding whether Argosy will have adequate financial resources to complete the project.

Empire has filed a report by Mr. Dennis Amerine, International Gaming Consultant, analyzing the financial abilities and status of Argosy's finances. Mr. Pinney stated it comes down to a number of very serious matters as to whether Argosy by virtue of the fact that, in June of this year, it issued some \$235,000,000 worth of mortgage notes which had stringent financial conditions on them can fund the project. Among those financial conditions were that approximately \$93,000,000 was required to be placed in a special depository account for use in the Lawrenceburg project. He noted that if Argosy is not operating by June of 1997, holders of those notes would have a call option to put the securities back to Argosy; this would significantly impact the availability of those funds.

More importantly, Mr. Pinney noted, there is an ongoing criminal investigation in Marion County, Indiana, before a Grand Jury. He indicated that if the outcome of the investigation raises any questions as to the continued suitability of Argosy or its partners, it would undermine the ability of the partnership to complete the project in a timely manner to allow a riverboat gaming operation to be underway

in Lawrenceburg to create revenue for the city and the State of Indiana. Mr. Pinney stated that a year ago there was no expectation of any of these problems. He indicated there is doubt that Argosy will be in operation by the end of 1996. This will undermine the viability of the project. He noted that the Certificate of Suitability itself stated that if all of the conditions were not satisfied by June 30, 1996, the Certificate would be subject to revocation and the license awarded to another applicant.

Mr. Pinney noted that Argosy's debt obligation requires it pay annual interest of approximately \$46,000,000. As the Commission is aware, over the past year Argosy's stock on the New York Stock Exchange has plummeted to a value of just over \$5.00 a share, or a reduction of 60 percent. Argosy had operating losses for both the two quarters of 1996. This creates more doubt as to whether or not Argosy, Indiana Gaming Company, LP, will have the financial wherewithal to do what they had stated a year ago.

In conclusion, Mr. Pinney noted that Empire has been advised that the Indiana Gaming Commission does not want to conduct a hearing in the matter today because there are many factual issues pertaining to the position of Empire seeking revocation of Argosy's Certificate of Suitability. He requested the Commission refer the matter (before ruling on it) to an Administrative Law Judge for a further full evidentiary hearing, where testimony will be heard. Mr. Pinney asked that the request for an extension for Argosy's Certificate of Suitability not be granted.

Mr. Barton Braddick, formerly a gaming regulator with the State of Louisiana and a former Assistant United States Attorney, addressed the Commission. He stated that his reading of the Indiana Gaming statute and rules indicates that suitability is a continuing process. He indicated that the Indiana Gaming Commission has a responsibility to continue to demand all aspects of suitability of an applicant up to the point in time that it awards the final license. One of the reasons he is present at today's meeting is to note that there is a lack of information about many factors. Empire is asking the Commission to examine the possibility and re-examine the process and the facts and allow an evidentiary hearing to take place. Mr. Braddick stated Argosy is a fine company and is licensed in his home town. He asked the Commission to simply look at the Lawrenceburg Argosy situation as it exists today. He indicated that he does not have evidence of any wrongdoing, but is suspicious. He encouraged the Indiana Gaming Commission to examine the situation very closely.

Chairman Alan Klineman indicated that in respect to the request for some kind of evidentiary hearing in front of an administrative law judge, the Indiana Gaming Commission has been advised by Commission Counsel and the State Attorney General's office that there is no procedure under current State statute to set up

such a procedure. Mr. Klineman indicated the witness list Mr. Pinney has submitted will also be part of the record, just as everything else that he has presented. Upon his review of the submitted material, Mr. Klineman stated he saw nothing that would affect the suitability of Indiana Gaming Company except to the extent that Mr. Pinney guesses or thinks they will be found to have done something in the proceedings which were improper or illegal. The Commission has no evidence of that at all. Mr. Klineman stated that at this point in time, the Commission can only guess that these suspicions exist. He noted that nothing Mr. Pinney has said in his pleadings, vis a vis restrictions on the financing, etc., lead him to believe personally that nothing has happened to change the facts since June 30, 1995. That is not to say that the Indiana Gaming Commission does not have the duty to continually review suitability. Mr. Klineman stated the Commission has the right to consider suitability even after the granting of the final license. The Commission has the duty to ensure the suitability of the licensees and applicants is maintained.

ACTION: Chairman Klineman indicated that at this time the Indiana Gaming Commission finds no reason to appoint an administrative law judge to hear the evidence that has been presented.

Executive Director Jack Thar interjected that the Argosy Certificate of Suitability was extended at the Hammond meeting (minutes of which were approved at today's meeting) and extended to August 21, 1996. These June 27 minutes will now become public record. He added that no formal resolution was made to that effect.

Argosy CEO and President Thomas Long addressed the Commission. He indicated the Indiana Gaming Company Lawrenceburg project will be the largest riverboat project in the United States. The vastness of the project has brought together a great deal of need for expertise and capital from all concerned. His Centaur Group and Conseco Partners are present today at the meeting. To build a \$225,000,000 project, one needs money. Mr. Long stated the money is currently in the bank, as it was when the Certificate of Suitability was awarded to them.

Mr. Thomas Long told the Commission that \$46,800,000 has been spent on the project to date. They have spent more than \$11,900,000 on a riverboat, \$10,900,000 on the land-based facility, \$15,000,000 on land acquisition, and \$3,500,000 for a city infrastructure grant. Contracts and commitments for more than \$96,000,000 are outstanding. Mr Long indicated the total commitments and money spent as of this date are \$143,100,000. Their completed project is going to be in the range of \$210,000,000 to \$225,000,000. He explained where the balance of the funding is and how they are going to pay for it.

The Argosy group has a 57 1/2 % interest; Consecos has 29%; Centaur, 9.5%; and R.J. Investments, 4%. Mr. Long noted the partners have funded a total project cost of 225, allowing for an overrun of their 210 budget of \$15,000,000. They have funded that complete amount. Up to the time they closed their financing, they had spent \$36,800,000, which came from money in Argosy's bank accounts and the bank accounts of Consecos from their lines of credit and other sources of capital available to them. Mr. Long stated they have furniture and fixtures of \$24,200,000. They have remaining budget costs of \$164,000,000. He indicated that \$94,300,000 of Argosy's money is in the bank in an escrow account. Consecos's \$69,700,000 has been separately segregated. The money is there and is available to fund the project.

Mr. Thomas Long updated the Commission on the beginning of construction of the needed bypass into the casino site, as well as improvements to U.S. 50. The highway work will be completed on September 1; in places it will be widened to as many as seven lanes at a cost of almost \$4,600,000. There will be three lanes coming off of 275; it is a safer, better access plan. Argosy Parkway is completed; the work on U.S. 50 is almost completed; work on 275 is being completed; and signalization is being completed.

Regarding the opening of Argosy's temporary casino, Mr. Long indicated that vessels and barges had to be acquired to support it. Thus, Indiana Gaming Company entered into an agreement with the Casino St. Charles owned by Stations Casino. This boat is fully loaded, spot cleaned, and ready to go. Mr. Long stated it is a 1,300 gaming position, 2,000 passenger boat and is currently in Mount Vernon, Indiana, ready to move up the Ohio River and go into business around November 1, 1996. It is fully leased and under contract. They have also acquired The Spirit of America Barge and are in the process of renovating it. This will be their support facility for ticketing, coat checks, a 200-seat food court -- all that is necessary to support, on a temporary basis, the casino boat itself. If the Army Corps of Engineers' permit is issued when expected, they will be prepared in late October to ask for an early November opening.

Progress continues on the permanent boat construction. Mr. Long noted that it is expected to be completed by the end of the second quarter of 1997. The permanent boat will be built by Service Marine which won the competitive bid to build. It will be the largest riverboat in the United States. They are building a \$40,000,000+, 2,900 gaming position, 4,000 passenger riverboat that he feels will be the "Queen of the Nile (Ohio)." It is tentatively set to be put in the water in mid-December of this year. They have let many local contracts for the temporary construction that is ongoing. He noted the percentage of workers from the local five-county area and that 85% is union labor.

Mr. Long noted the laborious Army Corps of Engineers' permitting process. He indicated that it was the most difficult that he has experienced in four jurisdictions. IN Gaming Co. has no control on when their submitted reports are reviewed by the Corps. Their reports were filed in September 1995; the public hearing was in February 1996; archeological reports were filed in March 1996; and he noted the Corps review process did not commence until June 1996. All of IN Gaming Co.'s filings were prompt. The Corps process is slow.

IN Gaming Co. has worked through environmental issues with Oxbow, etc. They have worked very closely with historical districts in the City of Lawrenceburg. They have worked with the City of Greendale. Mr. Long indicated the new mayor of Lawrenceburg and his counsel are present at today's meeting. They have renegotiated matters. As of this morning, Mr. Long reported, their final amendments were signed. Everything is done and complete between Argosy and the City. They have worked with the Conservancy District in creating a district that will be viable and will lease them the property they need.

Mr. Long noted Argosy has acquired parking lots on U.S. 50 for intercept lots, in which to move their temporary parking. They have worked very carefully to construct a traffic-flow pattern that will not impact adversely the downtown of Lawrenceburg.

IN Gaming Co.'s bonding requirements were addressed this morning and presented to the Commission for approval by Virginia Dill McCarty. Mr. Long indicated all of their key personnel have been hired and 850 people are being trained. They are heavily recruiting, always aware of MBE and WBE concerns. They are working at Expo's and working with business enterprises. They are paying attention to everything that is critical to a successful development.

Mr. Long indicated that IN Gaming Company has put together a project that is well planned, will be a great benefit to the City of Lawrenceburg, and is going to be well executed. They have a lot invested in it. As expeditiously as governmental units have requested information, IN Gaming Company has provided it in a timely manner.

Regarding the Marion County Grand Jury investigation, Mr. Long stated that Argosy and its partners have done nothing wrong. Their integrity is being insulted. He and the partnership decided to come to the Commission and prove to it that IN Gaming Co. does care about its suitability. Therefore, each partner hired independent outside counsel to investigate the situation. Argosy and IN Gaming Company formed a special committee of their board of directors. Management had no input whatsoever. They had total control over reviewing and investigating any of the alleged circumstances. They selected the most

independent persons who had knowledge of Indiana and the process. Argosy selected James Richman of the Chicago firm, Coffield Ungaretti & Harris. Mr. Richman and his staff fully investigated Argosy and that investigative report has been filed with the Indiana Gaming Commission. Mr. Richman is available today to give a short summary of what they found. Mr. Long indicated that Conseco did likewise. They also hired outside independent counsel who are also present to give an oral presentation. Mr. Richman also looked at Centaur, Inc. and R. J. Investments, Inc. in connection with the Lawrenceburg, Indiana, riverboat casino project.

James Richman, partner in the law firm of Coffield Ungaretti & Harris, addressed the Commission. He indicated he is a former United States Attorney for the Northern District of Indiana. Mr. Richman indicated he and his firm were hired by the special committee of the board of directors of Argosy Gaming. This committee consisted of outside directors who had no part in the management of the company. He reported directly to that committee; the management of the company played no role in the formulation of the findings that have been submitted to the Commission, other than by way of providing relevant testimony where needed. He has also submitted a report to the Commission regarding his investigative findings of Centaur and R.J. Investments.

Mr. Richman stated he did not focus his investigation in any way on the granting of the Certificate of Suitability. Neither did he focus his investigation on the granting of the Certificate on the Indiana Gaming Commission. There was never any question raised about the work of the Commission or its process. What he learned was that in the granting of the Certificate, it was probably one of the most competitive, hard fought battles in the history of gaming in the State of Indiana.

Covering several weeks, Mr. Richman's investigation involved talking to numerous public officials and interviewing all of the relevant officers and employees of the partnership. He examined over 100,000 documents. The investigation basically focused on the allegations and innuendos arising out of the March 3, 1996 *Indianapolis Star* article concerning State Representative Sam Turpin and the subsequent subpoena issued by the Marion County Grand Jury.

Mr. Richman reported the first allegation concerned the hiring of Representative Turpin by American Consulting Engineers, Inc. (ACE) in September 1993 and subsequent hiring by Argosy of ACE to do the engineering portion of the Lawrenceburg project. Mr. Richman stated his investigation disclosed there is no evidence that anyone, Argosy, Centaur or R.J. Investments, knew of the relationship between Representative Turpin and ACE, prior to the newspaper article being published.

In examining the process by which ACE became employed by Argosy, Mr. Richman indicated that in the fall (November) of 1993 they put out a request for a proposal for the engineering work in the Lawrenceburg project. That request went out to six different engineering firms, four of which submitted proposals: ACE, Clyde Williams & Associates, R. W. Armstrong, and Pucker(?), Inc. The selection in this instance was no different from any other selection of an engineering firm for any other project. Each was invited in to make presentations. There was much discussion and debate about the process and ACE was selected, primarily, first for their overall view of the project and their ability to do the job. They have an excellent reputation for their ability to do highway work, highway relocation, architecture and design. Through their investigation, they learned that the redesign of S.R. 50 was an important part of the project.

Mr. Richman indicated that when Representative Turpin was hired by ACE in September 1993, the Democrats had control of both the House of Representatives and the Senate. Mr. Turpin was not Chairman of the House Ways and Means Committee at that time. He did not become the Chairman until January of 1995, some sixteen months after the selection of ACE. Mr. Richman stated this begs the question of what relevance was Turpin at all to the Argosy gaming process and the hiring of ACE.

The second allegation Mr. Richman looked at was the hiring of Representative Turpin by Conseco. No one at Argosy knew anything about his relationship with Conseco until the articles appeared on March 3. Mr. Roderick J. Ratcliff, principal in R. J. Investments, in either April or May of 1995 or more likely in August of 1995, had a conversation with Mr. Turpin at which time Mr. Turpin indicated he was looking for employment. Mr. Ratcliff recommended a number of companies where he should try to obtain employment: Eli Lilly, Conseco, and the Simon brothers. Mr. Richman stated Mr. Ratcliff did not learn of Mr. Turpin's employment with Conseco until the March time period when the article came out.

In examining the Indiana legislative records, Mr. Richman found that Mr. Turpin was not a sponsor of the Indiana gaming bill. In order to speed the bill through the process, it was introduced simultaneously -- two different bills, one in the House and one in the Senate. The bill was passed on May 8. It passed both houses by very sizable majorities.

Mr. Richman stated they looked at the nature of the David Zerbe (former city attorney in Lawrenceburg) relationship with Centaur and with Argosy. At one time, Mr. Zerbe was an investor in Centaur. Mr. Richman stated his conclusions were the same as Rebecca McClure's (special prosecutor hired to examine the entire Zerbe affair). She had issued a report that she found nothing unethical or

illegal had been done by Mr. Zerbe. In reviewing Argosy's records, he noted, they found that from the moment this relationship came to the attention of Argosy, they felt there was a problem. They communicated that problem to the mayor of Lawrenceburg and to the Lawrenceburg City Council. They felt Mr. Zerbe had a conflict. Argosy kept pushing for Mr. Zerbe's removal from the partnership. In May of 1994 he was removed from Centaur as an investor.

In examining the lobbying efforts of all of the partners, Mr. Richman indicated that Argosy, later Indiana Gaming Co., like all companies engaged in the gaming business employs lobbyists on a regular basis in every jurisdiction in which they do business. Mr. Richman found that the lobbyists that were employed were professional lobbyists, men who do this for a living and have well-known legislative credentials. They found that all the lobbying expenses paid by the partnership were properly documented. With a few minor exceptions, Mr. Richman noted, all expenses were correctly reported to the State pursuant to the lobbying statute. The instructions that were given to the lobbyists were that they were to press the legislature on the issues of economic development, what gaming would mean to various communities that were selected, and on the jobs that would be created. This was perfectly proper lobbying. Mr. Richman stated they found no political contribution by anyone involved as a principal or officer of Argosy or R. J. Investments, or Centaur. They found no contributions to Representative Turpin.

In conclusion, Mr. Richman stated, they looked at the *Indianapolis Star* articles and found no evidence to support any of the allegations. He concluded his report.

Executive Director Jack Thar asked Mr. Richman if he had met with the Marion County Prosecutor, Scott Newman. Mr. Richman stated that he had. Prior to Mr. Richman's entry into the matter, the Marion County Prosecutor had sent a letter to Argosy which stated that under Indiana law were Argosy to be a part of the investigation, they would have to be so notified. To this date, Argosy has not received a target letter from the Marion County Grand Jury. Mr. Richman indicated he has offered to make his findings available to the Marion County Prosecutor at Mr. Newman's pleasure. Neither Centaur or R. J. Investments has received a target letter from the Marion County Grand Jury. Mr. Richman indicated Argosy has cooperated fully with the investigation.

Chicago law firm D'Ancona & Pflaum partner Dean A. Dickie addressed the Commission. He conducted the investigation in respect to Conseco. Neither Mr. Dickie nor his law firm had any previous contact with Conseco before they were contacted by them in July of this year to do the interim investigation. He indicated there were three conditions under which they would assume this role: 1)they be allowed to review all of the relevant documents; 2)they have the ability

to interview and meet with those persons who were employed or associated with Conseco, without interruption by any interference from any of the management of Conseco; and 3) they pay his firm their regular hourly rates without regard to the conclusion they would reach. Conseco agreed to these three conditions.

Mr. Dickie and four members of his law firm devoted the better part of a month at looking at documents, meeting and interviewing individuals, and looking at public records and filings. They were investigating the allegation that Conseco at any time had engaged in wrongful activity with respect to original procurement and endorsement for Lawrenceburg and the issuance of the Certificate of Suitability or acting improperly in its hiring of Sam Turpin.

Mr. Dickie and his associates submitted a report to the Indiana Gaming Commission that there is no factual support anywhere in the documents or in the materials that would suggest in any way that Conseco acted improperly. Its involvement in the project did not begin until at least November of 1993. The final agreement was not completed until some time in the first quarter of 1994. Mr. Dickie stated that at the time that Conseco first became involved, there were a number of items that were already a matter of public record, that had already been completed. Sam Turpin's hiring by Conseco in early September of 1995 was because his personal circumstances at that time necessitated he find other employment. Mr. Turpin has been put on a leave of absence although he is still on the payroll. Conseco expects him to be a valuable member of the company.

Mr. Dickie indicated that Conseco has the management responsibility of more than \$33,000,000 and would not jeopardize their business reputation and integrity by hiring someone from the Legislature in an improper fashion. The investigation records confirm that throughout Conseco's entire period of involvement in this project, they have acted honestly. His conclusion is that they have acted in a suitable manner.

In response to a question from Executive Director Jack Thar regarding the receipt of a target letter from the Marion County Grand Jury, Mr. Dickie responded that Conseco has not received such letter or subpoena. The only contact with the Marion County Grand Jury has been to produce certain documents. They have offered their full cooperation. Mr. Dickie concluded his report.

Tom Long stated Argosy has diligently pursued the Lawrenceburg project. It will be completed and will carry out the intent of the statute. People will be going to work, vendors are going to have business with the City of Lawrenceburg, and the surrounding communities are going to benefit greatly. He asked the Commission to extend Indiana Gaming Co.'s Certificate of Suitability for a period of six months. However, he stated they firmly believe they will be opening in early

November 1996.

At this point in time, Chairman Alan Klineman announced a short break. The meeting will resume at approximately 3:00 p.m.

Upon resumption of the meeting, Chairman Klineman asked Mr. Long to reiterate assurances of funding for the project. Mr. Long talked about Argosy's last quarterly statement. He explained that Argosy is now in five different jurisdictions. They have grown aggressively over the past several years. With growth, Mr. Long explained, a company undertakes significant costs and expenses. From the standpoint of the .20 loss they posted over the last quarter, only .04 was an operating loss. That .04 had a great deal of the interest money in it that they had borrowed to build the project. When the project opens, they will have more than enough revenue coming back in to offset this. It will put them in a positive position.

Mr. Long explained about the competitive situation in Kansas City. Some of the marketing trends in that this city have been self-destructive from the standpoint of literally vying for business by competitors. Argosy has remained profitable in Kansas City. They have \$85,000,000 invested; others have \$190,000,000 - \$200,000,000 invested. They have a great location and are confident that when that market shapes out, they will continue to be profitable there.

Argosy's Alton, IL, casino operation, Mr. Long stated, has been producing very well. As competitors have come in, they have seen a diminution in revenue. However, this is leveling off to what they expect to be an acceptable level.

Mr. Long added Argosy has over \$67,000,000 in the bank today. In the next year they will have \$100,000,000 available to them. Smaller gaming companies have taken a beating at the hands of some of the larger stocks. A lot of the problems with the stock is speculation about the Lawrenceburg project. Mr. Long stated when Argosy gets Lawrenceburg up and running, they will move forward solidly and well. They are a strong company. He has a substantial investment in the company. He believes in it.

In response to Commissioner Bob Swan's question about a riverboat in Switzerland County, Mr. Long responded that a boat there with less than advantageous access could lead to a depreciation of the quality of the product in the Rising Sun-Lawrenceburg market. Of course, the applicant in Switzerland County, the Hilton Corporation, is a wonderful company. It is a question of where the boat is and how strong does one want the operators that are there to be. He stated that the Commission should look at how a selection in Switzerland County will impact the quality of the product in the area.

Executive Director Jack Thar asked two questions. He referred to the *Indiana Gaming Insight*, a publication put out once a week. He read, "If Schilling Casino Corporation gets to make its case for revocation of a Lawrenceburg license at Tuesday's Indiana Gaming Commission meeting, don't be surprised if the 'gameboys' ask Schilling a few questions about a June 3, 1993 agreement and \$125,000 payment between Schilling and folks close to the Indiana Gaming Company, LP partnership." Mr. Thar asked Mr. Long if he knew what this meant. He responded that he did not.

James Sommer of Sommer Barnard in Indianapolis addressed the Commission. He stated he represented Centaur and several affiliated entities. One is an agreement entered into in 1993 between Erace and Schilling to explore a joint venture in East Chicago as to whether it would be a viable opportunity. He related that under that agreement, Schilling committed \$125,000 to that joint venture with the understanding that it would be repaid if Centaur received a license and Schilling did not. Mr. Sommer's documents indicate that in October, that document was amended for a return of \$62,500, which has been paid back to Schilling. Part of the issue there was that there had not really been a license granted to Centaur.

Executive Director Thar asked if this agreement in any way gave rise to a claim by Schilling that they have an interest in the Lawrenceburg license. Mr. Sommer responded that no it did not. To the contrary, Mr. Sommer indicated, the inference of that agreement would be exactly the opposite.

Executive Director Thar asked if a Mr. McEnery was a substantial owner of Argosy. He asked that someone address the Marion County Grand Jury's subpoenas issued to Mr. McEnery.

Counsel Duane Kelly of Chicago addressed the Commission. He reported he represents William D. McEnery of Gas City, on various matters including the submission of records to a Grand Jury in South Bend, Indiana. Mr. Thar asked if he had received any notification that Mr. McEnery is a target of that investigation. He responded that he had not. Mr. Kelly indicated he sees Mr. McEnery as functioning as a third-party record keeper.

Assistant City Attorney for the City of Lawrenceburg Frank Cramer addressed the Commission. He introduced Milton Gabor, Mayor of Lawrenceburg, and Roland Hörning, Municipal Development Director. They are present to speak in support of the application by Indiana Gaming Company to extend the Certificate of Suitability. He indicated Indiana Gaming Co. has cooperated with the city; they have met all of their commitments to the city to date; they expect that to continue. He commented that the improvements to U.S. 50 are nearing completion.

Progress on the entryway is coming along. Mr. Cramer noted that Lawrenceburg is in need of an access road from U.S. 50 over to the Ohio River. Mr. Long has stated that that has been completed. The right of way has been acquired for that access road, but the construction has not started. That is no fault of Argosy, but rather, part of the permitting process and the Corps of Engineers' approval is required for that to happen. Lawrenceburg desperately needs that road; it will greatly relieve the traffic around their schools. The Indiana Gaming Co. has agreed to build the road and the right of way has been acquired. The Corps of Engineers has a procedure whereby one can request the opportunity to start construction before all of the permits are issued. Indiana Gaming Company made that request in May of this year. Mr. Cramer reported that Indiana Gaming Company has cooperated fully and made all of their commitments. He indicated that as of yesterday, the city has signed the second amended development agreement. All outstanding issues have now been resolved.

ACTION: Upon motion by Bob Swan, second by Dr. David Ross, **Resolution 1996-49, A Resolution Approving the Bond that is to be Posted by Indiana Gaming Company, L.P.**, was unanimously approved.

ACTION: After some discussion, a motion was made to deny the request of John Pinney, representing Schilling Casino Corporation, to not extend the Certificate of Suitability for Indiana Gaming Company, L.P. (Argosy). It was unanimously adopted by those present. (Commissioner Tom Milcarek had excused himself because of illness.)

ACTION: After much discussion regarding a possible financial penalty (tabled to the September 6, 1996 meeting), **Resolution 1996-46, A Resolution Concerning an Extension of the Certificate of Suitability Issued to Indiana Gaming Company, L.P. on June 30, 1995**, was unanimously approved by those present upon motion by Bob Sundwick, second by Bob Swan.

Other Business

Empress Request for Waiver of 68 IAC 14-1-1

Chairman Alan Klineman outlined a waiver request from Empress Casino Hammond Corporation ("Empress") to utilize a tip box with four non-transparent sides (back, two sides, and bottom) and two transparent sides (top and front). The tip box can be locked and attached to the side of a live gaming device table. The Commission staff recommends approval of this request.

ACTION: Upon motion by Bob Sundwick, second by Bob Swan, **Waiver 96-1, Empress Request for Waiver of 68 IAC 14-2-2**, was unanimously approved by those

present.

Empress Request for Waiver of 68 IAC 15-6-3

Chair Klineman noted this is also a waiver request from Empress asking that the requirement that an admission ticket to the riverboat have two perforated sections, one of which is retained by the patron, be waived. The Commission staff recommends disapproval of the request for a waiver.

ACTION: Upon motion by Bob Sundwick, second by Bob Swan, and unanimous vote by those present, **Waiver 96-2, Empress Request for Waiver of 68 IAC 15-6-3**, was denied.

Trump Hotels & Resorts, Inc. Acquisition of the Trump Castle

Executive Director Thar indicated that material relevant to the acquisition of the Trump Castle by Trump Hotels & Resorts, Inc. was forwarded to the Commission in July of this year. It was preliminary proxy materials. This is primarily a stock transaction to Donald Trump. From a staff point of view, this particular type of transaction would not require Commission action. He questioned if the Commission decides that it does, what kind of action would it require. This transaction is a stand-alone operation and does not affect the Gary operation in any way. While the company may in effect carry extra debt and may affect the overall public company in not having monies for new gaming ventures, the debt is to the Castle solely. He noted this transaction does have to be approved by the shareholders of the various companies involved. The transaction may not go through. Mr. Thar stated that because it will not affect the Gary operation, it would appear that this Commission would not need to take any action with regard to it.

ACTION: The Indiana Gaming Commission has determined that this particular merger is not one that requires Commission action. Everyone was in agreement. The Commission has determined that any issues with regard to Trump Hotel & Casino Resorts, Inc., acquiring the asset of Trump Castle do not require action by the Indiana Gaming Commission.

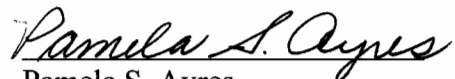
Next Meeting

As previously stated, the next meeting of the Indiana Gaming Commission will be September 6, 1996, at 11:00 a.m.(Indianapolis time) in the Auditorium of the Conference Center, 402 West Washington Street.

Adjourn

Upon motion by Bob Sundwick, second by Dr. David Ross, and unanimous vote, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,


Pamela S. Ayres

THE INDIANA GAMING COMMISSION:


Alan I. Klineman, Chair

ATTEST:


Donald R. Vowels, Secretary