

COPY

BUSINESS MEETING
INDIANA GAMING COMMISSION

February 26, 1999

ORIGINAL

Transcript of the Business Meeting of the
Indiana Gaming Commission held on February 26, 1999,
at the Office of the Indiana Gaming Commission,
115 West Washington Street, South Tower, Suite 950,
Indianapolis, Indiana, commencing at 10:47 a.m.

Reported by: Carol S. Loewen

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APPEARANCES:

Donald Vowels, Chairman

Thomas Milcarek, Secretary

Jack Thar

Robert Swan

David Ross, M.D.

Richard Darko

Floyd Hannon

Rhonda Dalton

John Krause

Cynthia Dean

Members of the public



1 CHAIRMAN VOWELS: All right. We'll call
2 the meeting to order then. It is
3 approximately -- I'm on Evansville time so I
4 have to add here -- 10:50 or 10:47. We have a
5 quorum present. All Commissioners are here
6 with the exception of Commissioner Bochnowski.
7 Commissioner Sundwick has decided to leave the
8 Commission and move on to greener pastures in
9 Florida teaching there, so we're without
10 Commissioner Sundwick. So we'll call this to
11 order with a quorum being present.

12 First matter on the agenda is the approval
13 of the Minutes. We have the Minutes in front
14 of us from the November 16, 1998 Business
15 Meeting of the Gaming Commission which took
16 place in Elizabeth, Indiana. I assume
17 everyone's had an opportunity to review those.
18 Is there anyone with a motion in reference to
19 the Minutes?

20 MR. MILCAREK: I move for approval.

21 MR. DARKO: Second.

22 CHAIRMAN VOWELS: Is there any further
23 discussion?

24 All right. With a move to approve and a
25 second, all those in favor say aye.



1 THE PANEL: Aye.

2 CHAIRMAN VOWELS: Show the Minutes
3 approved.

4 The next matter on the agenda is a report
5 of the Executive Director. Mr. Thar, what do
6 you have for us?

7 MR. THAR: I had a lot more 'til you stole
8 my thunder.

9 CHAIRMAN VOWELS: Oh, I'm sorry,
10 Commissioner Sundwick is still with us. Go
11 ahead.

12 MR. THAR: One, I want to apologize.
13 Having the executive session to discuss some
14 financing matters ran us a little late, so
15 sorry we're starting late.

16 Secondly, as we have business today, the
17 way we're set up, those that we have business
18 with can take this table up here hopefully
19 should they have something to address the
20 Commission on.

21 I'll go through this anyway. Sad to
22 announce that Robert Sundwick has resigned his
23 position as Commissioner with the Indiana
24 Gaming Commission. Bob was one of the original
25 Commissioners appointed starting September 1,



1 1993. Bob has taken a position at a college in
2 Florida, and while he remains a consultant to
3 his prior company, Grote in Madison, he now
4 lives in Florida and no longer then is eligible
5 to be a member of the Indiana Gaming
6 Commission.

7 We have two new additions to the Indiana
8 Gaming Commission staff. Our new receptionist
9 is Lisa Slack. Unfortunately, Lisa experienced
10 a death in her family this week and is
11 therefore not with us today. She'll be
12 reintroduced at our next meeting.

13 We have a new auditor. Our new auditor is
14 Abraham George.

15 Abraham?

16 (Mr. Abraham stands)

17 MR. THAR: Abraham comes to us from the
18 Audit Division. Weren't you with the Indiana
19 Department of Transportation?

20 MR. ABRAHAM: Yes.

21 MR. THAR: Yes. And he joined us what,
22 about four weeks ago?

23 MR. ABRAHAM: 8th of this month.

24 MR. THAR: This month. So we welcome you,
25 and thank you very much for coming today.

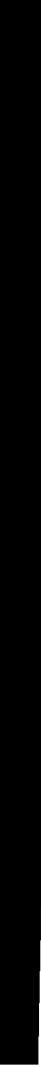


1 The Commission staff indirectly grew with
2 the birth of Seth Allen Fleming on New Year's
3 Eve. Mother and child are doing wonderfully,
4 and Kay plans to be back at work this coming
5 Monday, March 1st.

6 Sergeant Scott Rearick formerly in command
7 at the Majestic Star Vessel has been promoted
8 to First Sergeant at the Lake Michigan Boats.
9 He is replacing First Sergeant Greg Dhaene who
10 won election in November to be the Sheriff of
11 Lagrange County and therefore resigned his
12 position with the Indiana State Police. We
13 have get-out-of-jail-free cards for the
14 Commissioners good for Lagrange County only.

15 Sergeant Joe Gower replaces Sergeant Bill
16 Krueger at the Trump Vessel. Sergeant Kruger
17 retired.

18 With regard to the Lake Michigan Boats,
19 concerning Empress: The background
20 investigation of Horseshoe Casino is now
21 commencing based upon their application for a
22 change in ownership for the anticipated
23 acquisition of Empress both in Indiana and
24 Illinois. This has commenced about three weeks
25 ago when the teams finally concluded all the



1 aspects of the Harrah's investigation.

2 With regard to Showboat: In anticipation
3 of favorable Commission action today on the
4 application for change of ownership, Harrah's
5 has been making a lot of changes at the East
6 Chicago operation. A new computer system has
7 been installed under the watchful eye of the
8 Audit Division along with the conversion of all
9 chips and tokens. Cosmetic changes have been
10 made to such things as carpeting, and the
11 pavilion is undergoing construction to enlarge
12 certain areas. The application for change of
13 ownership is an agenda item for this meeting at
14 the end of the agenda.

15 Trump: Trump has advised it is in the
16 process of acquiring the Hilton Flamingo
17 operation in Kansas City, Missouri for a
18 reported price of \$15M along with approximately
19 \$30M in obligations to the City. In addition,
20 the lawsuit between two of the local investors
21 and Trump commenced on Wednesday of this week
22 in Federal Court in Indianapolis. The
23 remaining local investors had previously
24 settled their claims.

25 Majestic Star: Michael Kelly, the former



1 chief financial officer with that organization,
2 is now the general manager having replaced Paul
3 Sykes who left to seek other opportunities.

4 Ohio Riverboats, Grand Victoria: John
5 Spina is the new general manager replacing Duff
6 Taylor.

7 Caesars: Following the award of the
8 license and the test cruises on November 16,
9 1998, Caesars commenced full-time gaming on
10 November 20, 1998. Due to some problems,
11 including staffing, mechanical and electronic
12 issues, the staff and Caesars management agreed
13 to a gradual buildup in operations over the
14 next five to six weeks. As a result, as of
15 January 1, 1999, all limitations in Caesars
16 operations were lifted, and they have been
17 operating at their discretion at 100 percent
18 since that time.

19 There have been a lot of rumors and
20 articles written about Starwood offering all of
21 Caesars World for sale at a reported price of
22 \$3.1B. No one has advised the Commission that
23 any sale of some or all of those assets is in
24 any way pending. Although I see Joe Feldman
25 here.



1 Joe, are you here to tell us today
2 that --

3 MR. FELDMAN: Nothing new.

4 MR. THAR: Okay. With regard to the Fifth
5 Ohio River License: Hollywood Park, Inc.,
6 parent company to Boomtown and holder of the
7 Certificate of Suitability for the last license
8 on the Ohio River to be located in Switzerland
9 County, approached the staff with its intention
10 to refinance existing indebtedness via
11 SEC Rule 144A financing which, of course, we
12 were all intimately familiar with.

13 Jay, are you here?

14 MR. BOYD: Jack, here.

15 MR. THAR: Thank you. When I finish this,
16 if there are some mistakes, if you would please
17 advise us, I'd appreciate it.

18 This rule allows Hollywood Park to
19 complete an interim offering of notes in the
20 amount of 275M, this is what they're seeking,
21 prior to completion of a registered public
22 offering of Senior Subordinated Notes in the
23 same amount. The financing does not become a
24 registered public offering until review and
25 comment by the United States Securities and



1 Exchange Commission.

2 What is going on as I understand it is
3 this: The Rule 144A financing allows Hollywood
4 to get in the market quicker thereby taking
5 advantage of what appears to be favorable
6 interest rates by privately placing the debt
7 with certain large institutional lenders. Once
8 the notes are placed, they have 150 days in
9 which to file a registered public offering.
10 The subject is -- this offering is subject to
11 SEC review.

12 Hollywood requested that the requirements
13 for Commission review of debt financing be
14 waived. This request was orally made on
15 January 26, 1999 and followed up with a letter
16 request of the same date. After consultation
17 with Chairman Vowels and Commissioner Swan, I
18 as Executive Director exercised the authority
19 granted to the Executive Director by
20 68 IAC 5-3-6. I specifically did not waive the
21 approval process -- well, what 68 IAC 5-3-6
22 says is, under certain circumstances with
23 certain findings, the Executive Director or the
24 Commission can waive the Commission's
25 requirements as they pertain to the acquisition



1 of debt.

2 Among those requirements are a
3 two-commission-meeting review of the proposed
4 debt offering. I agreed to that waiver and
5 executed a letter, I think it's of
6 February 1st, agreeing to the waiver. The
7 letter specifically reserved the fact that I
8 did not waive the Commission approval process
9 for the registered offering and further
10 specifically stated that the waiver does not
11 guarantee an offering -- an approval of the
12 registered offering.

13 The waiver was granted because the
14 proposed financing does the following: The
15 \$275M of notes will raise approximately \$266.3M
16 after expenses, fees and discounts. This money
17 will be used to pay down approximately \$275M of
18 outstanding borrowings on Hollywood's bank
19 credit facility. Hollywood used 225M of the
20 borrowings on the bank credit facility in the
21 purchase of Casino Magic by using the funds to
22 redeem Casino Magic's 11-and-a-half percent
23 first mortgage notes because the effective
24 rate -- interest rate on the bank facility was
25 in the neighborhood of 7.3 percent.



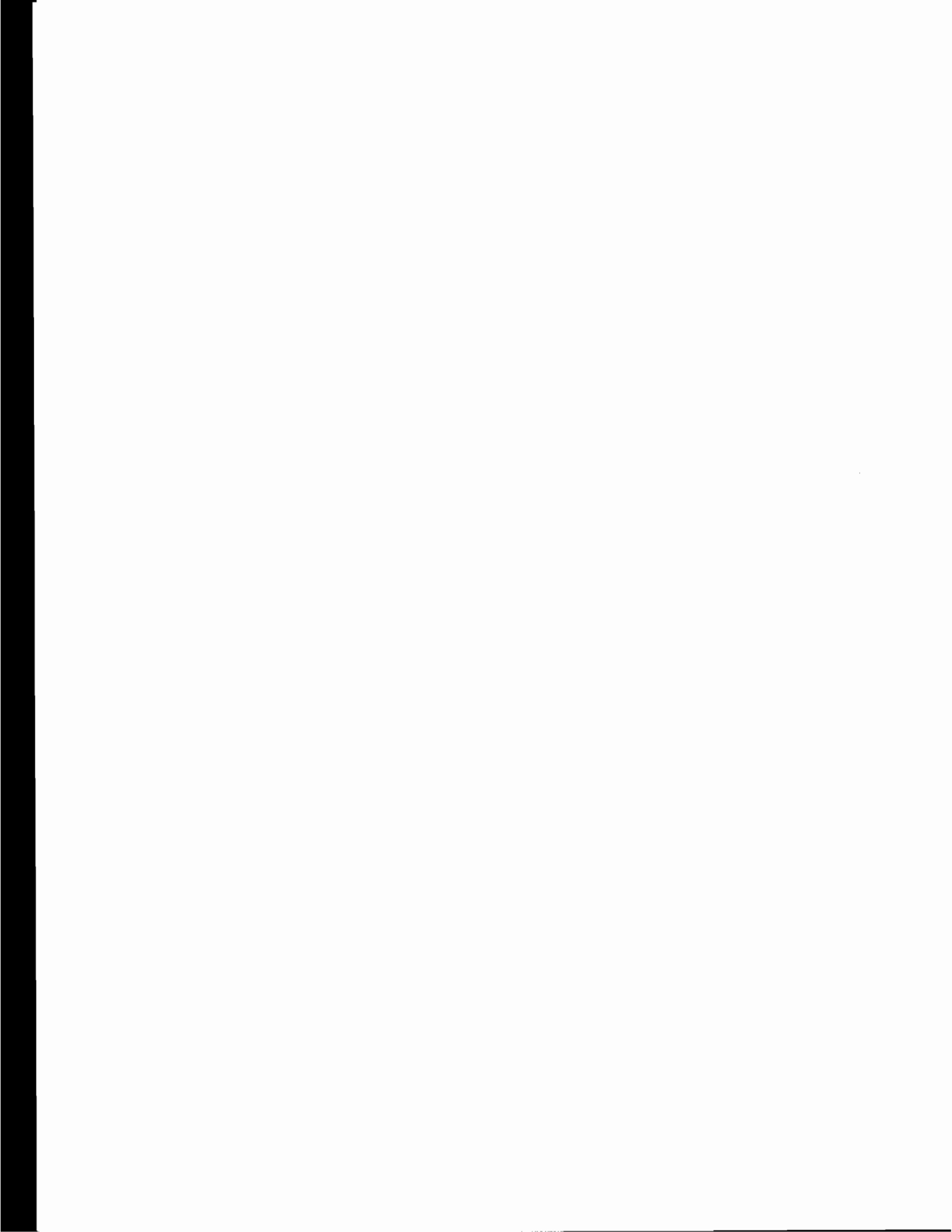
1 Because the bank facility comes due in
2 2003, the issuance of these notes allows the
3 company to finance the Casino Magic acquisition
4 at a set interest rate more favorable than
5 Casino Magic's first mortgage notes and for a
6 period of time longer than the bank credit
7 facility would have allowed. This procedure
8 then frees up the bank credit facility for the
9 development of the Indiana project.

10 Jay, is there anything you'd like to add
11 to that?

12 MR. BOYD: Only to add to that, Jack, that
13 we will probably be moving forward with the
14 registration -- filing the registration
15 statement sometime in the very near future at
16 which time we will submit that to the
17 Commission to go over in more detail together
18 with a full executive summary of the terms and
19 the proposed offering.

20 MR. THAR: Are there any questions on that
21 financing aspect?

22 Legislation: We have two bills presently
23 progressing through the Indiana Legislature.
24 Senate Bill 340 sets forth specific legislation
25 that makes it a crime for anyone under 21 to



1 enter the riverboat, as well as making it a
2 crime for anyone over the age of 21 to aid
3 anyone under the age of 21 in attempting to
4 gain access to the riverboat.

5 What we have found is two things, that's
6 why we proposed this legislation. Obviously
7 it's a challenge when somebody is under 21 to
8 try to get in someplace where they shouldn't,
9 and the use of fake IDs to get into the boat
10 has become somewhat prevalent, and there is not
11 a specific crime which bars -- which makes it
12 illegal for someone under 21 to enter the
13 boat. There is a crime for somebody to allow
14 someone under 21 to make a bet, but it does not
15 go after the 21-year-old.

16 The statute specifically prohibits anyone
17 under 21 from gambling, and the ABC laws
18 specifically prohibit anyone under 21 from
19 entering a tavern or a bar. Basically, from
20 our position, a riverboat is nothing more than
21 a tavern with gambling equipment in it or it is
22 a casino that serves boos. You can only do two
23 things on it.

24 Secondly, we have found that some people
25 over 21, including parents and relatives, aunts



1 and uncles, are, in fact, vouching that people
2 are over 21 when they are under 21 and backing
3 up with oral statements the supposed legitimacy
4 of the fake identification. So it would make
5 it a crime for anyone over 21 to help or
6 participate in trying to get someone under 21
7 on the vessel.

8 This bill passed I think 48 to nothing in
9 the Senate and is presently pending in the
10 House.

11 Senate Bill 341 prohibits triple damages
12 in the collecting of certain gambling debts
13 owed to the riverboat. We've only had one
14 instance of this occurring to date. It
15 occurred in Evansville. When somebody writes a
16 check to pay a debt knowing that the check is
17 written on an account that doesn't exist or
18 doesn't have enough money, in certain
19 circumstances there can be triple damages.
20 That occurred in Evansville. And it is the
21 general philosophy that that's probably bad
22 public policy. You should be allowed to
23 collect the debt only, not be allowed to profit
24 beyond that at least with regard to gambling.

25 The Casino Association of Indiana supports



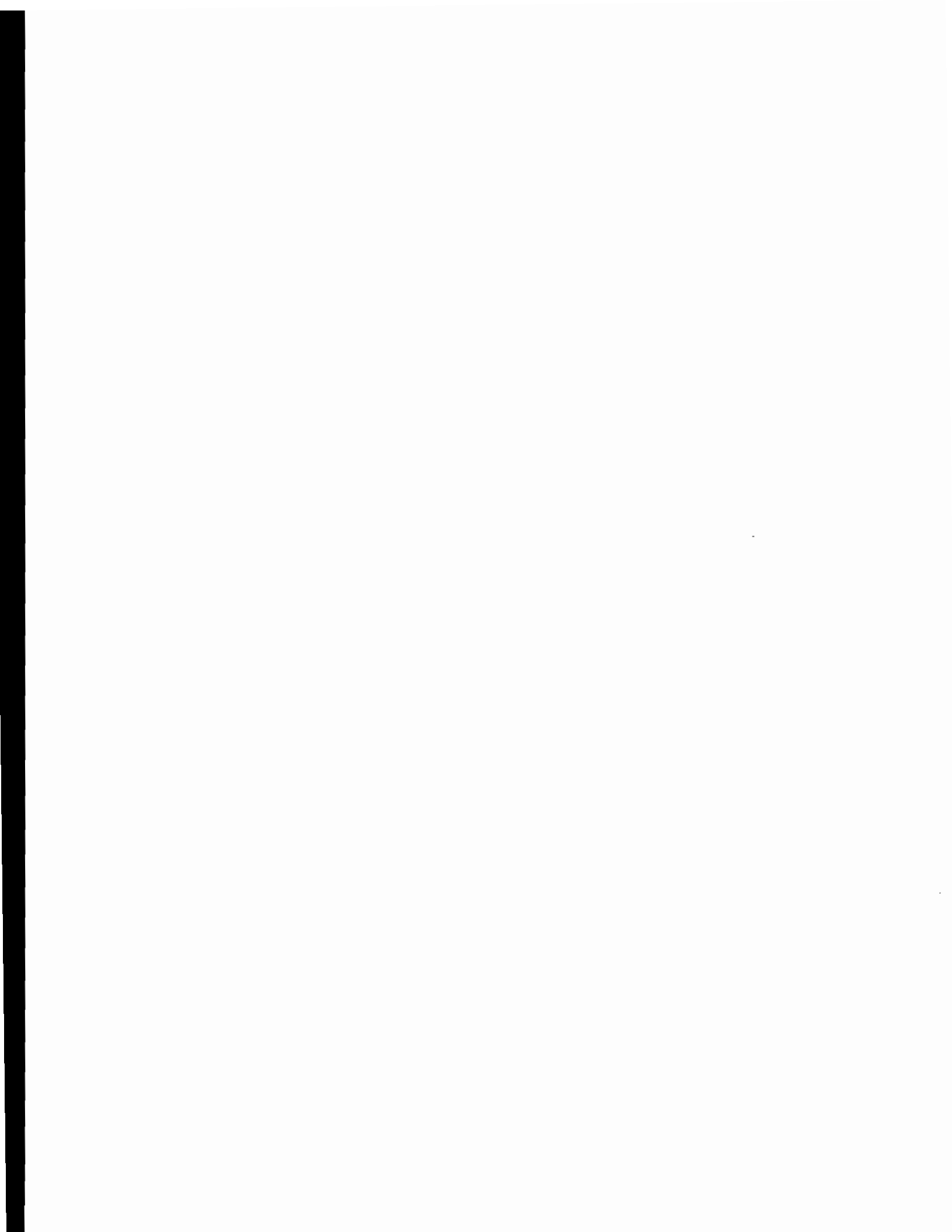
1 both of these bills agreeing that they want to
2 make it more difficult in any way they can for
3 anyone under 21 to enter the boat, and they
4 likewise do not think it's a good policy for
5 the casinos to seek triple damages. Casinos
6 are not allowing that to be done now on their
7 own, although there are certain lawyers who
8 recognize that, if they're to represent their
9 client to the best of their ability, that on
10 occasion when the facts allow, they as an
11 attorney should step forward and take what
12 steps are necessary for the best representation
13 of their client.

14 So both of these bills were co-authored by
15 Senator Luke Kenley, he is a republican out of
16 Noblesville, and Senator Bill Alexa, he is a
17 democrat serving La Porte and various counties
18 up north. Both are on the Indiana Gambling
19 Impact Study Commission. Both bills are
20 co-sponsored in the house by Representative
21 Vaneta Becker from Evansville and
22 Representative Bob Kuzman from --

23 Merrillville?

24 MR. KUZMAN: Merrillville.

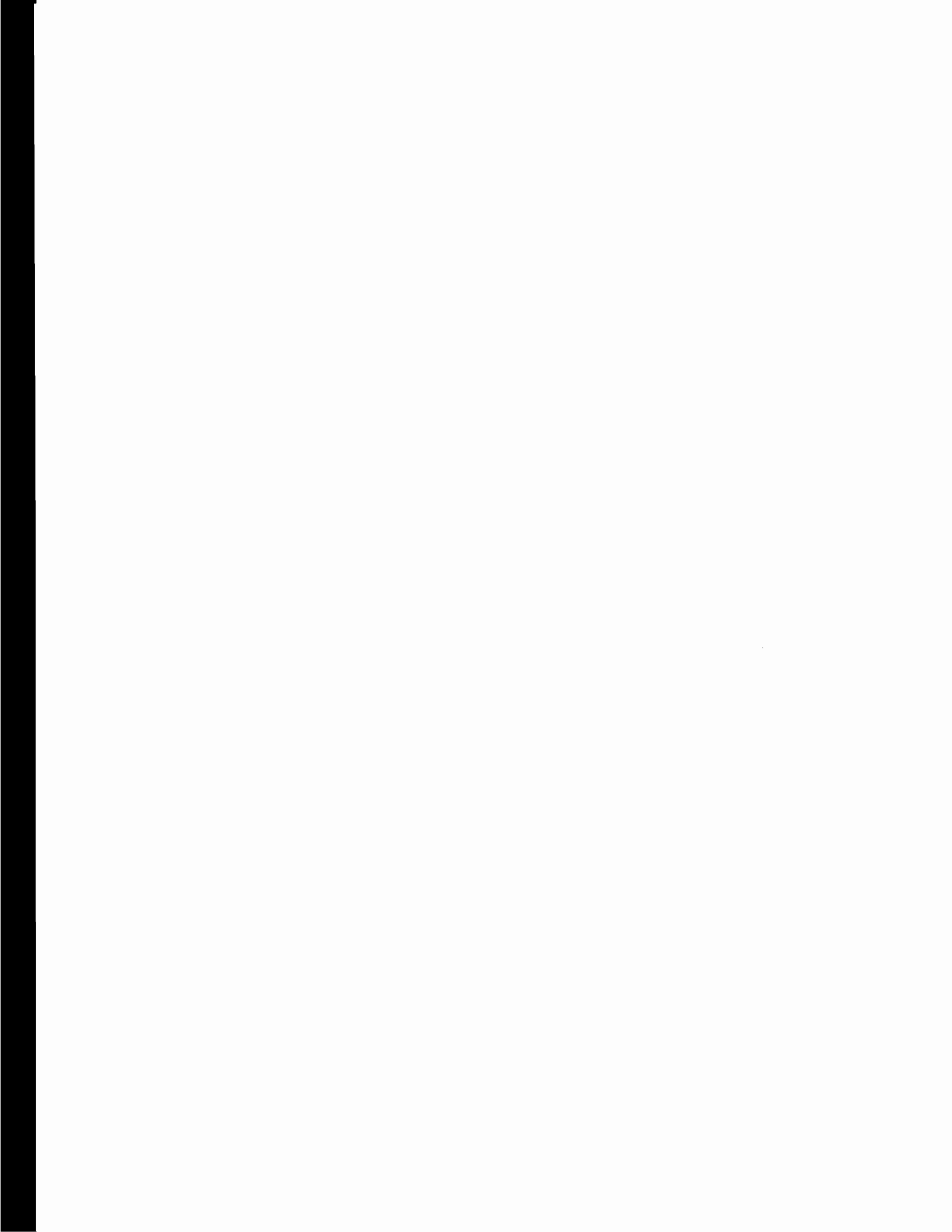
25 MR. THAR: Merrillville.



1 Finally, the annual report of the
2 Commission will be delivered to the Governor's
3 office today. They have been distributed to
4 the Commission members. We have actually a
5 little color in here, a little color photograph
6 of each of the boats.

7 And one comment: It does on page 2 in the
8 overview as well as further in the back give a
9 brief three-year overview of the Indiana
10 riverboat operations. We had six boats
11 operating at the end of '96. They generated
12 \$371M in win. 1997 with eight boats it was
13 \$961M in win. 1998 with nine boats, remember
14 only -- one only functioned for about six
15 weeks, five weeks, \$1.3M in win. That then
16 translates to certain taxes as well as
17 admissions.

18 To save asking, these reports will not be
19 available to the public or to our friends in
20 the press until after they've been delivered to
21 the Governor's office. We feel he has the
22 right to see it first. We will have one
23 available by the end of the day for press
24 review. We don't have enough to give out to
25 everybody who wants one today. We will have



1 some, however, later in the week, or it might
2 be the week after since it takes a bit of time
3 to publish these. But we will have one
4 available for press review in our office later
5 today after it's been delivered to the
6 Governor's office.

7 That would conclude my report, and I'm
8 sorry it was so long, but we haven't been
9 together since November.

10 CHAIRMAN VOWELS: Okay. Thank you,
11 Mr. Thar.

12 The next matter -- well, are there any
13 questions of Mr. Thar from his report? No?

14 Next matter is old business. Any of the
15 Commissioners have any old business to bring to
16 our attention?

17 Next matter then is new business, and
18 first under that, occupational license
19 matters. I'm not sure which one of the three
20 would like to go first.

21 Ms. Marsden? My understanding this is
22 reference to Resolution 1999-1?

23 MS. MARSDEN: That's correct. This is
24 Resolution 1991 -- 1999-1. It's a resolution
25 concerning the issuance of permanent



1 occupational licenses. We did this for the
2 employees at Aztar, Majestic Star and the Trump
3 Casino. It was for the period of June 9th of
4 1998 through February the 5th of 1999.
5 Attached is a listing of everyone that we've
6 currently batched, and this is for you to
7 approve.

8 CHAIRMAN VOWELS: Anyone have any
9 questions of Ms. Marsden?

10 All right. In front of us then is
11 Resolution 1991-- 1999-1. It's a resolution
12 concerning the issuance of permanent
13 occupational licenses. Is there a motion in
14 reference to this resolution?

15 MR. SWAN: Move to approve.

16 CHAIRMAN VOWELS: Is there a second?

17 DR. ROSS: Second.

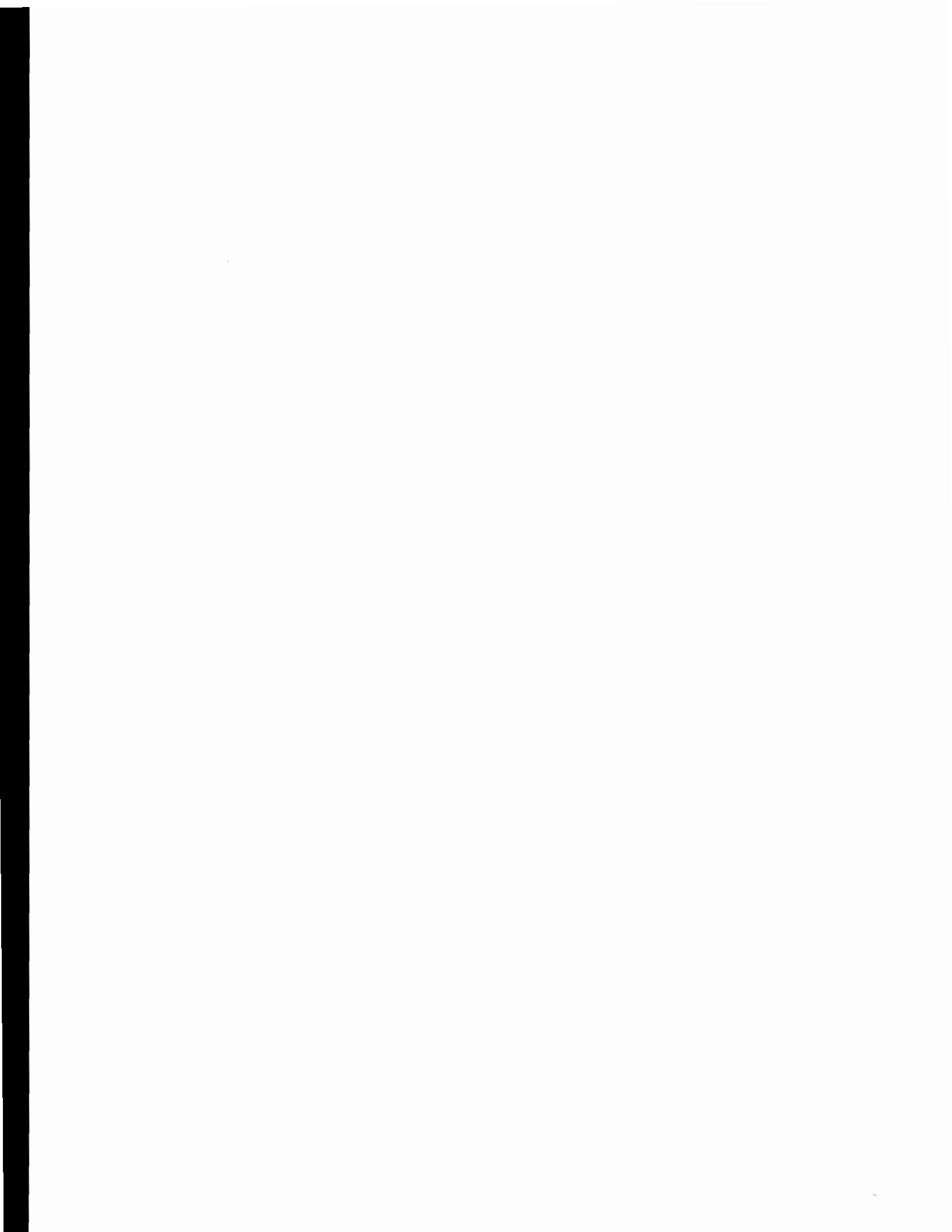
18 CHAIRMAN VOWELS: Is there any further
19 discussion?

20 All those in favor of the motion say aye.

21 THE PANEL: Aye.

22 CHAIRMAN VOWELS: Show that the resolution
23 is approved. Thank you, Ms. Marsden.

24 And then we have Mr. Krause and Ms. Dean.
25 Which of you would like to -- Mr. Krause? All



1 right.

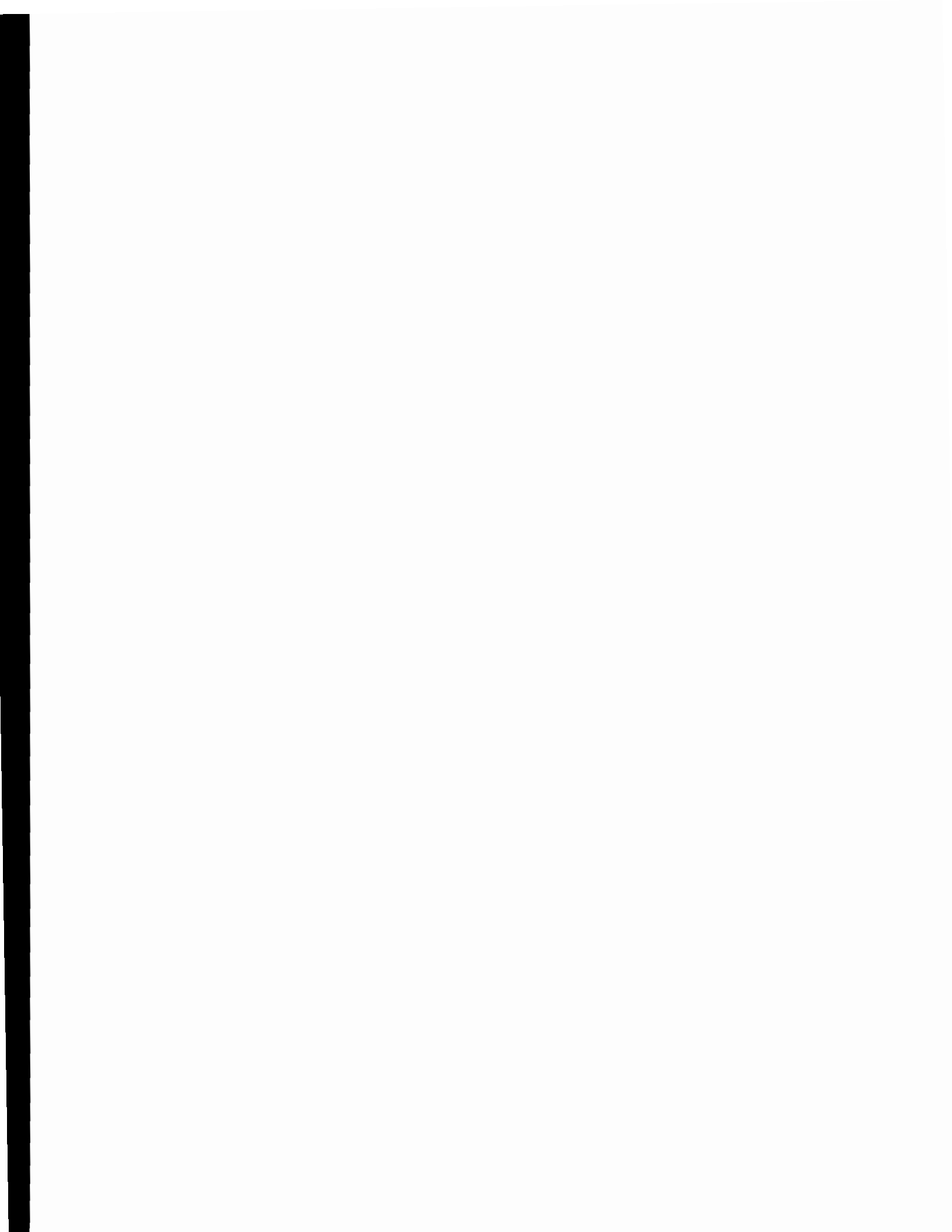
2 MR. KRAUSE: I have five separate
3 occupational licensing matters before the
4 Commission today.

5 The first is regarding employee Rhonda
6 Davis. That's Case No. SB-DEN-99-1. Ms. Davis
7 was employed at Showboat as a cage cashier.
8 Her temporary license was revoked by Commission
9 staff after it was discovered that she had
10 stolen \$1,000 worth of gaming chips. Ms. Davis
11 subsequently gave them to an acquaintance to
12 redeem for cash. Ms. Davis was terminated from
13 her employment at Showboat and charges were
14 filed.

15 As I said, the Commission staff has
16 revoked Ms. Davis' temporary occupational
17 license. If the Commission upholds the staff's
18 actions, Davis will have the opportunity to
19 appeal the matter before an ALJ.

20 CHAIRMAN VOWELS: All right. Anyone have
21 questions for Mr. Krause?

22 All right. In reference to this action on
23 the revocation and request for the denial we
24 have an option here of either denying or
25 approving the application for the occupational



1 license. Is there someone who might like to
2 make a motion in reference to either denying or
3 approving that application?

4 MR. MILCAREK: I would like to motion that
5 we approve the Commission's --

6 CHAIRMAN VOWELS: And deny the
7 application?

8 MR. MILCAREK: And deny the application.

9 CHAIRMAN VOWELS: All right. There's a
10 motion to deny the application. Is there a
11 second?

12 DR. ROSS: Second.

13 CHAIRMAN VOWELS: All right. Is there any
14 further discussion?

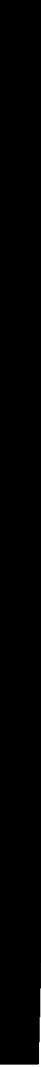
15 All those in favor of the motion to deny
16 the application for an occupational license for
17 Rhonda Davis say aye.

18 THE PANEL: Aye.

19 CHAIRMAN VOWELS: Show that it is denied.

20 And, Mr. Krause, what else do you have for
21 us?

22 MR. KRAUSE: The next is regarding
23 employee Michelle Ware. That's Case
24 No. MA-DEN-98-5. Ms. Ware was employed at
25 Majestic Star as a cage cashier. It was



1 discovered that she had stolen \$2,000 from the
2 casino and passed the money to an unknown
3 patron. Ms. Ware was terminated from her
4 employment at Majestic Star and charges were
5 filed.

6 The Commission staff has revoked
7 Ms. Ware's temporary occupational license and
8 denied her application for a permanent
9 license. The Commission will need to vote to
10 uphold the revocation and denial of the
11 application, and if it is the Commission's want
12 to uphold the staff's actions, she will have
13 the opportunity to appeal the matter to an ALJ.

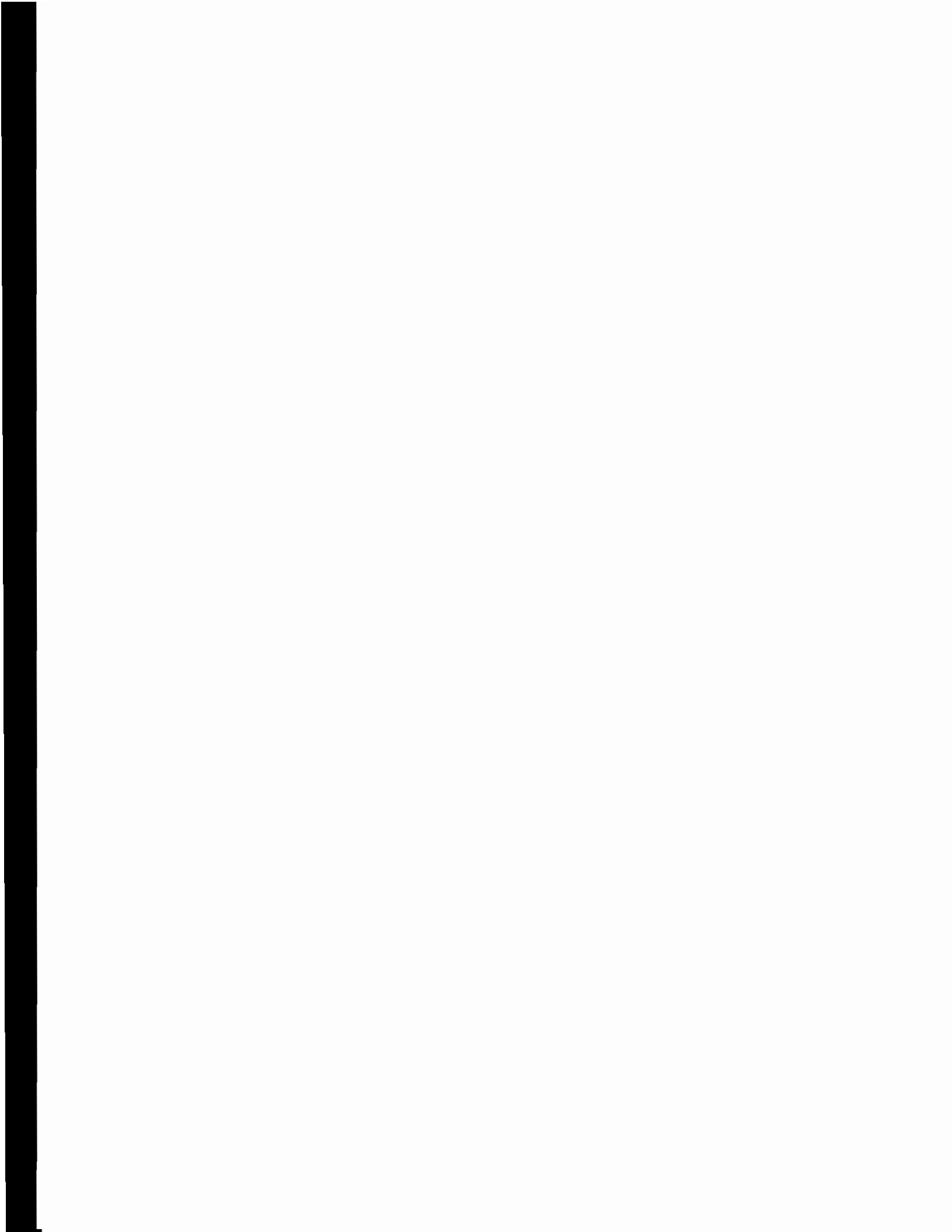
14 CHAIRMAN VOWELS: All right. Any
15 questions then of Mr. Krause?

16 We have before us then the action on the
17 revocation of the temporary license and the
18 recommendation of the staff to deny the
19 application for the permanent. Is there a
20 motion to either deny or approve the
21 application for the occupational license?

22 MR. DARKO: I'll move to deny the license.

23 CHAIRMAN VOWELS: Okay. Is there a
24 second?

25 MR. SWAN: Second.



1 CHAIRMAN VOWELS: All right. So we have a
2 motion to deny the application for the
3 occupational license. Any further discussion?

4 All those in favor of the denial say aye.

5 THE PANEL: Aye.

6 CHAIRMAN VOWELS: Show that it is denied.

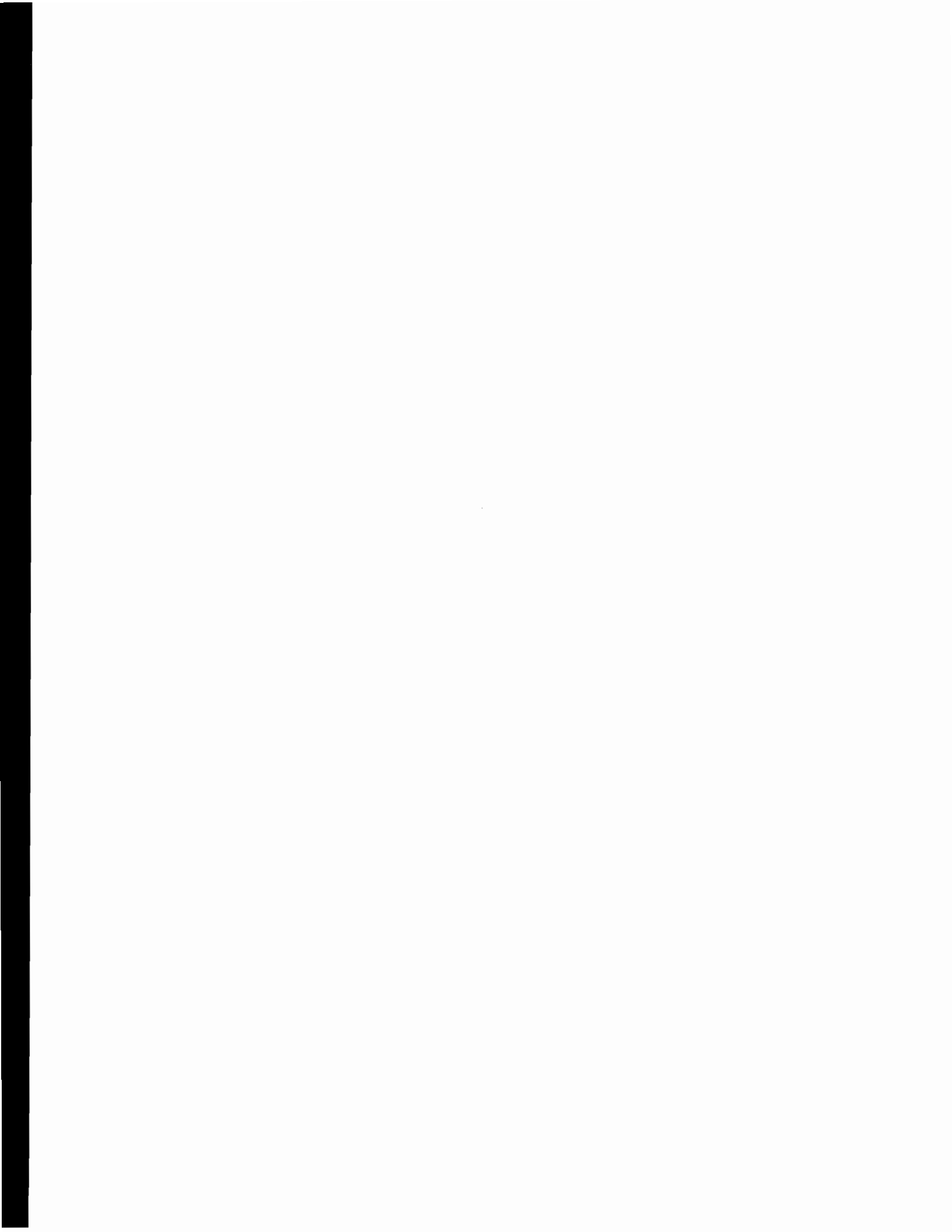
7 And, Mr. Krause?

8 MR. KRAUSE: The next matter is regarding
9 employee Roy Morgan. That's Case

10 No. SB-FEL-98-1. This employee was a dealer
11 and floor supervisor for Showboat Casino.

12 During the conduction of the background
13 investigation, the Commission determined that
14 this employee had been convicted of a felony in
15 the State of Illinois. Because based on those
16 actions, the Commission staff revoked
17 Mr. Morgan's temporary occupational license.

18 Mr. Morgan then submitted a request for a
19 waiver of his felony disqualification. A
20 hearing officer was assigned to this matter,
21 and a hearing was held. The hearing officer
22 has issued Findings of Fact and Recommendation
23 to the Commission, and the recommendations are
24 that Mr. Morgan's felony waiver request be
25 denied. The Commission will need to vote



1 either to adopt or reject the recommendation.

2 CHAIRMAN VOWELS: Are there any questions
3 of Mr. Krause in reference to Mr. Morgan's
4 request for felony waiver?

5 DR. ROSS: How old was he when he
6 committed the crime that he's accused of?

7 MR. KRAUSE: Mr. Morgan was 18 years old.

8 DR. ROSS: How old is he now?

9 MR. KRAUSE: He is in his late 20s.

10 CHAIRMAN VOWELS: That happened in '91 or
11 '92?

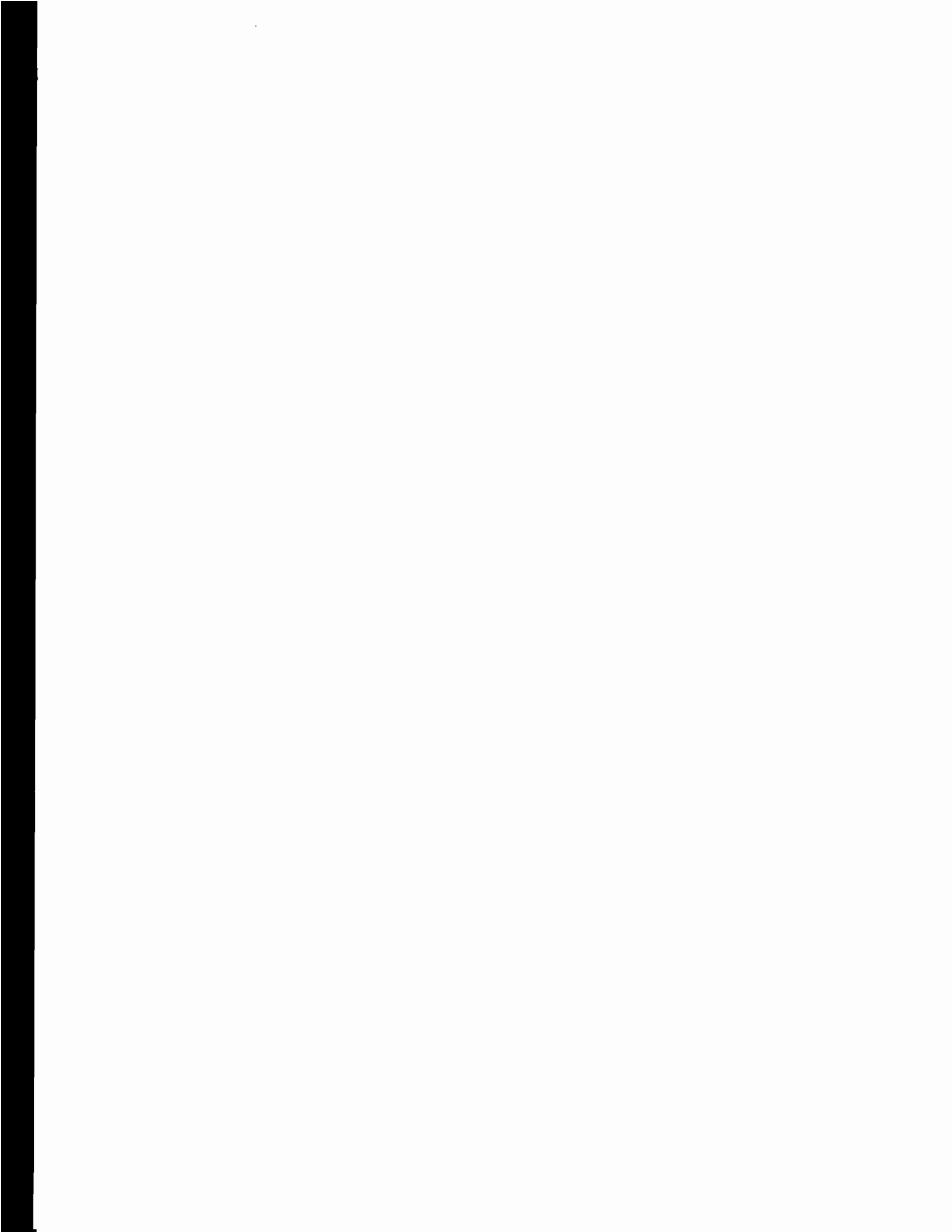
12 MR. KRAUSE: '91.

13 CHAIRMAN VOWELS: Okay. So that'd be
14 seven, eight years, okay, so he's 25, 26, 27
15 years old now.

16 MR. DARKO: Do we understand correctly
17 that he apparently has an extremely good work
18 record and Showboat would be anxious to hire
19 him back?

20 MR. KRAUSE: Yes, that is correct.

21 CHAIRMAN VOWELS: The statute on the
22 waiver request, it's a laundry list there, but
23 my understanding is that what Mr. Morgan would
24 fall under would -- waiver would only be
25 applicable if he's been discharged from



1 incarceration or probation or parole, et
2 cetera, within a five-year period. He didn't,
3 from what I see here, bring forward any
4 evidence or records to show that that five-year
5 period has passed, did he?

6 MR. KRAUSE: That is correct.

7 CHAIRMAN VOWELS: Okay. So we don't know
8 whether he would -- whether we would even have
9 an option under this with a five-year period.

10 His work record from what his potential
11 employer or former employer said seems to be
12 fairly high. Do any of the other Commissioners
13 have any thoughts on that?

14 DR. ROSS: Well, I think that a crime at
15 18 he's still an adolescent, still kind of an
16 adolescent, and if he's been working good, I
17 think we should look favorably upon his waiver.

18 CHAIRMAN VOWELS: It does seem that the
19 Boat, as I said, I mean more so than what we've
20 seen in other instances, certainly thought very
21 highly of him and is willing to allow him to
22 work there again. How about the suggestion
23 that we go ahead and follow this recommendation
24 of the review officer and deny the request for
25 a felony waiver with the understanding for



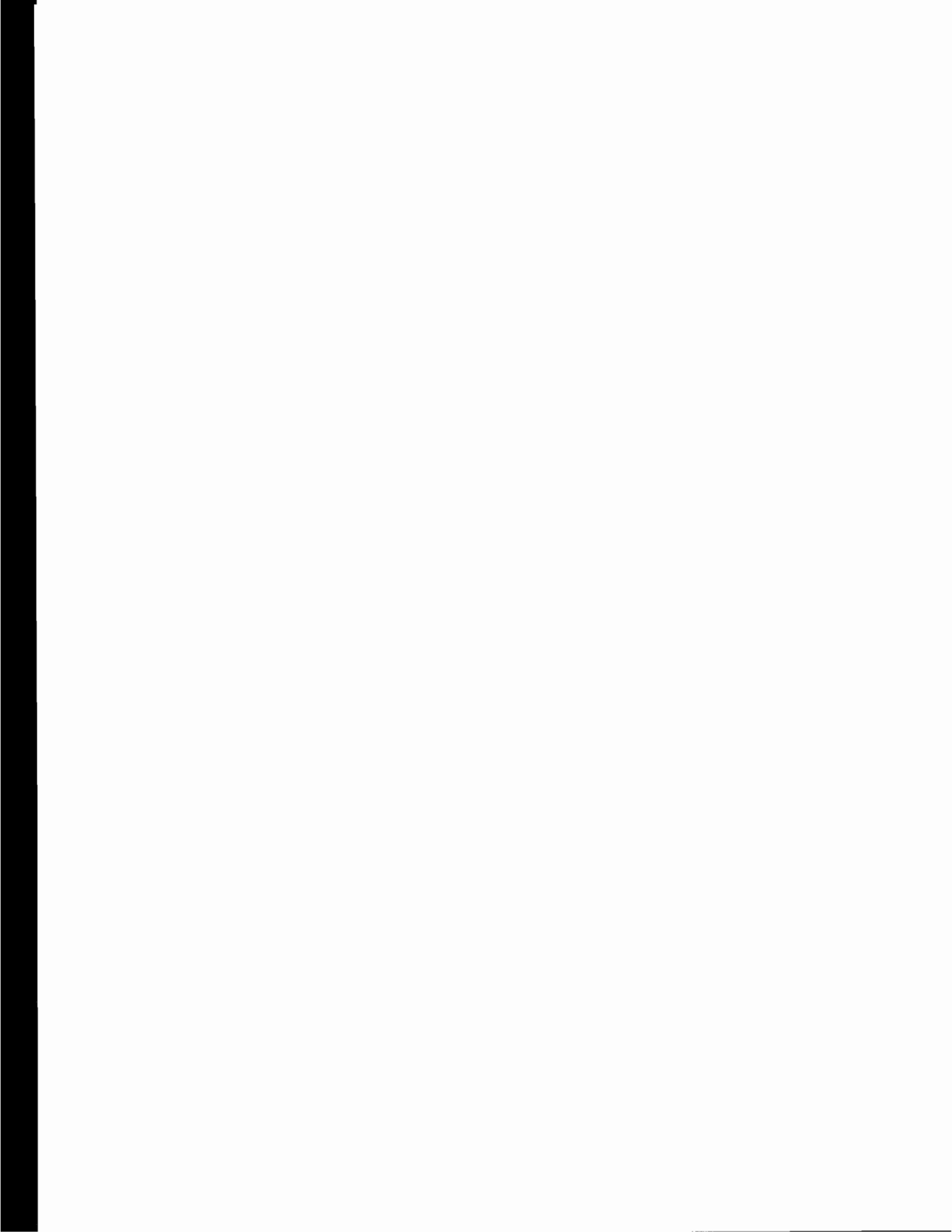
1 Mr. Morgan that, if he can bring forward
2 records to Mr. Krause showing that that
3 five-year period has passed, that he could then
4 make another application for the job?

5 Part of the problem, he was not
6 forthcoming about this information until it was
7 brought to his attention that he wasn't going
8 to be able to get by any longer without
9 disclosing it. But now that all the cards are
10 on the table and his potential employer thinks
11 highly of him, if we could make a determination
12 of just let him make -- bring forward the
13 records that this five-year period has passed
14 or will pass at some point in time, and that
15 does allow him to reapply. Anybody have any
16 thoughts about that?

17 MR. DARKO: I think that makes sense.

18 DR. ROSS: If that's the statute, it makes
19 sense.

20 CHAIRMAN VOWELS: Mr. Krause, do you
21 understand what we're saying here, that we
22 would follow your recommendation if, once the
23 vote's taken here, what I would propose is that
24 we follow your recommendation and you could
25 relate to Mr. Morgan, if he could bring those



1 records forward to you, surely they're
2 something he can get his hands on, make him
3 have the burden of bringing that to you.
4 And -- because in my calculations, if he did
5 get two years sometime in '92 or so, that would
6 take him into '94, maybe '95, the five years
7 may be up now and maybe not, maybe in the near
8 future, maybe next year. Okay.

9 Is there any motion in reference to this
10 waiver?

11 MR. DARKO: I would move to deny the
12 request for felony waiver at this time with
13 leave to Mr. Morgan to reapply at any time with
14 sufficient demonstration that he's met the
15 statutory criteria including the five-year
16 period of time.

17 CHAIRMAN VOWELS: All right. Is there
18 any --

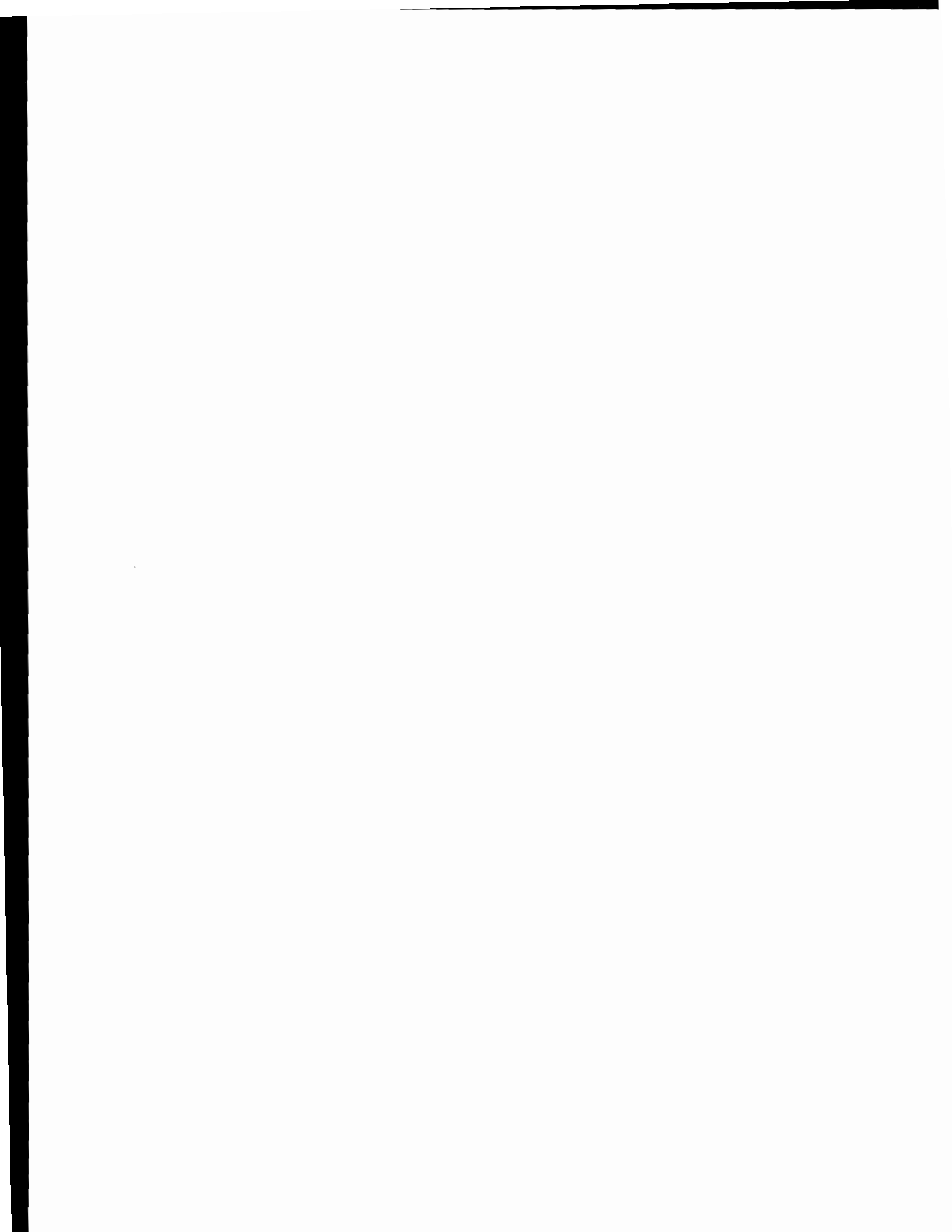
19 MR. SWAN: Second.

20 CHAIRMAN VOWELS: Is there any further
21 discussion then?

22 All those in favor of that motion say aye.

23 THE PANEL: Aye.

24 CHAIRMAN VOWELS: All right. We'll show
25 that that is the request for the



1 disqualification.

2 MR. THAR: Just as a matter of clarity
3 then, on this particular case, the Commission
4 has adopted the recommendation of the review
5 officer and denied the request for felony
6 waiver and then added to that that the
7 Commission -- the staff is to advise Mr. Morgan
8 that he can reapply and he must come forward
9 with the proof that he has fulfilled the
10 five-year waiver thing with regard to the new
11 application.

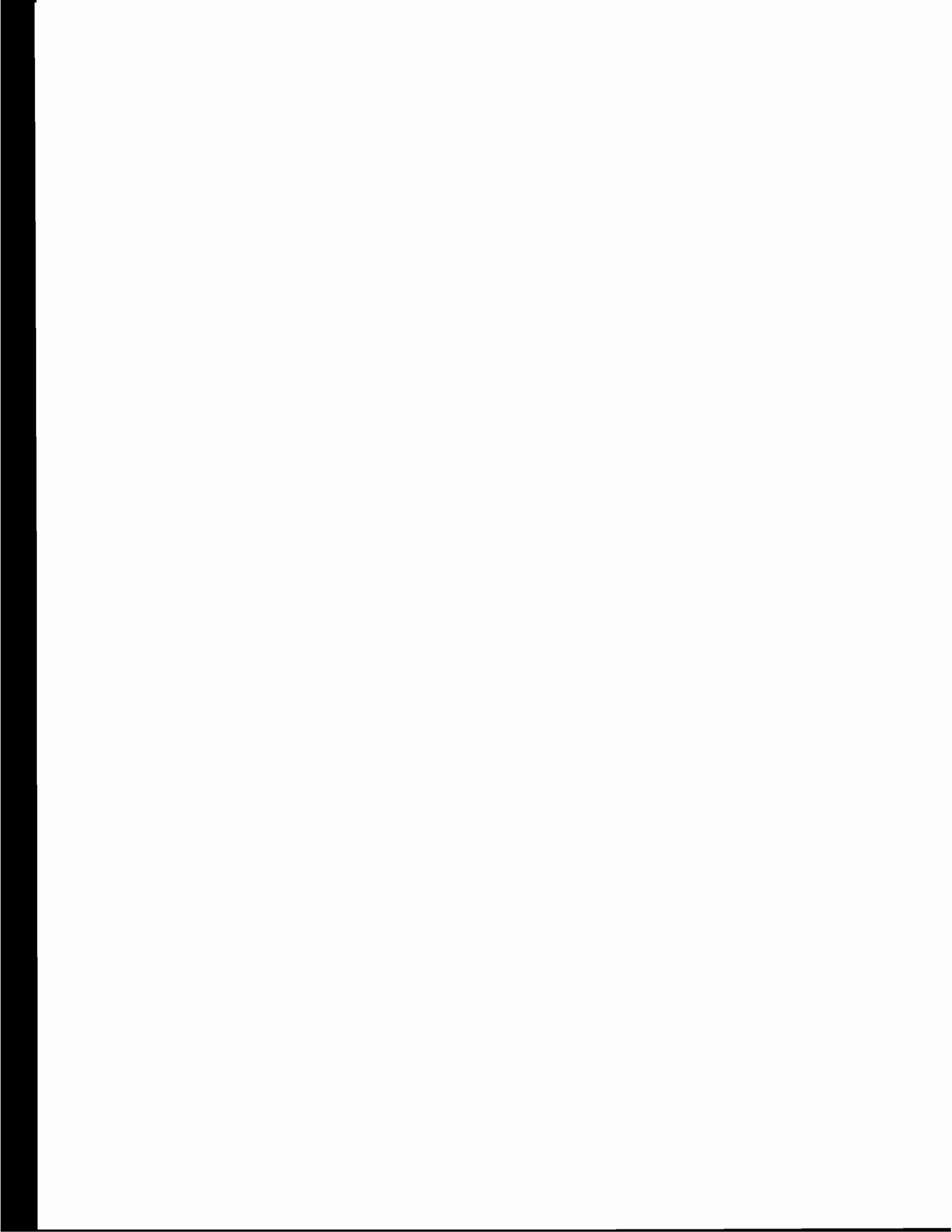
12 CHAIRMAN VOWELS: Right. As I was reading
13 this the other day, I looked at the statute.
14 That statute number is 4-33-8-11(f), so it's
15 that subsection F that I was looking at. So if
16 that language -- you want to insert that
17 somehow.

18 All right. Okay. I think that's as clear
19 as we can get it, Mr. Krause.

20 MR. DARKO: And I think it's also fair to
21 say that there was certainly good -- good
22 grounds to support the recommendation --

23 CHAIRMAN VOWELS: Right.

24 MR. DARKO: -- made by our staff. It's a
25 very reasonable recommendation. Maybe we're



1 going a little too far in trying to give a
2 person a second chance, but I think the staff's
3 recommendation was very well supported.

4 CHAIRMAN VOWELS: Well, as a criminal
5 defense attorney, I'm big on this
6 rehabilitation thing. And I've been --

7 MR. DARKO: That was supposed to be a soft
8 question.

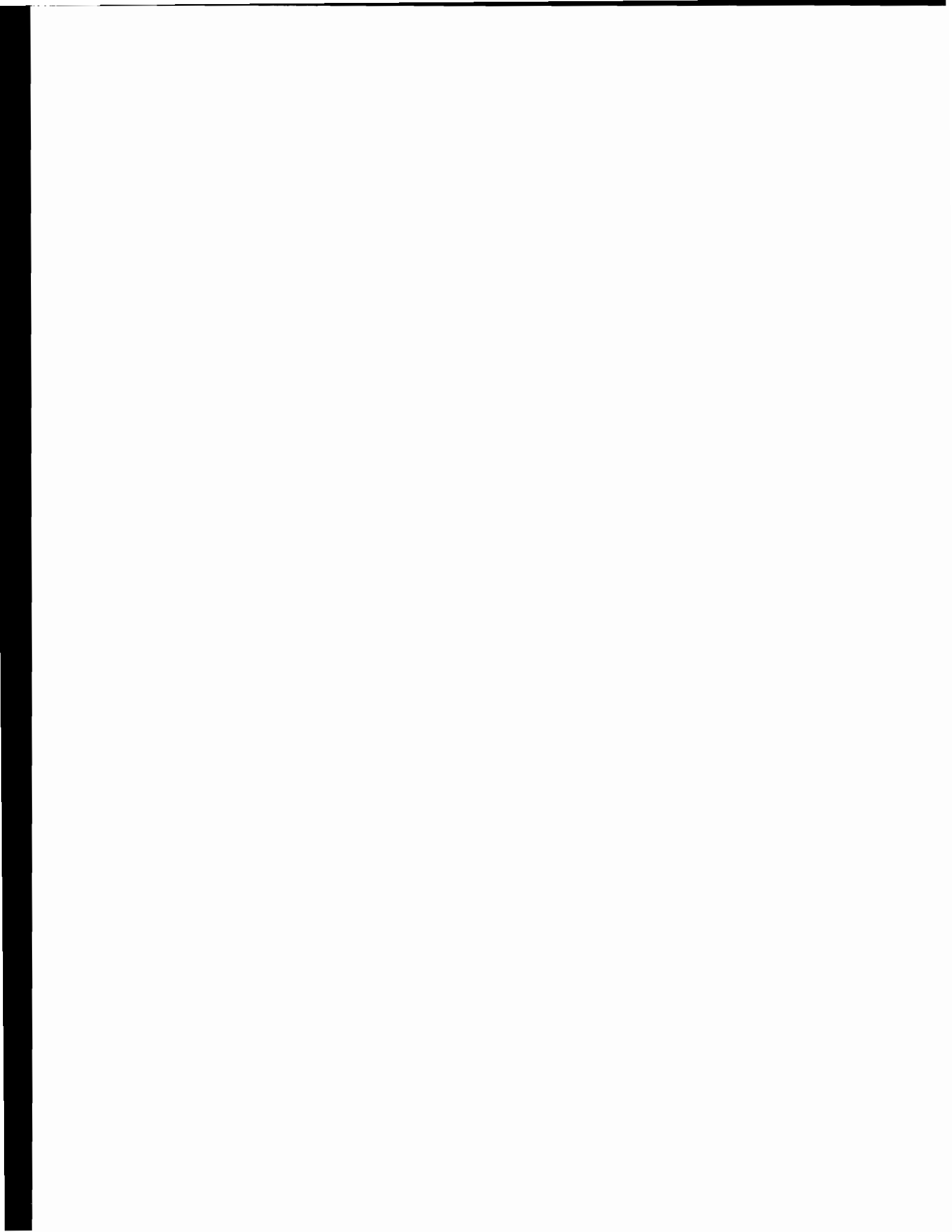
9 CHAIRMAN VOWELS: I know. I've been
10 dealing with very draconian prosecutors lately,
11 so maybe it's just my mood.

12 MR. THAR: I thought you were the one that
13 brought the prosecutorial experience and law
14 enforcement experience --

15 CHAIRMAN VOWELS: I do have that. But in
16 divorce court sometimes I represent men, and
17 sometimes I represent women.

18 Anyhow, Mr. Krause, back to you.

19 MR. KRAUSE: The next matter is regarding
20 employee Rudy Pacheco. That's Case
21 No. SB-DEN-98-6. This employee was employed at
22 Showboat as a floor supervisor. It was
23 discovered during his background investigation
24 that he had been convicted of promoting
25 gambling in the State of New York. The

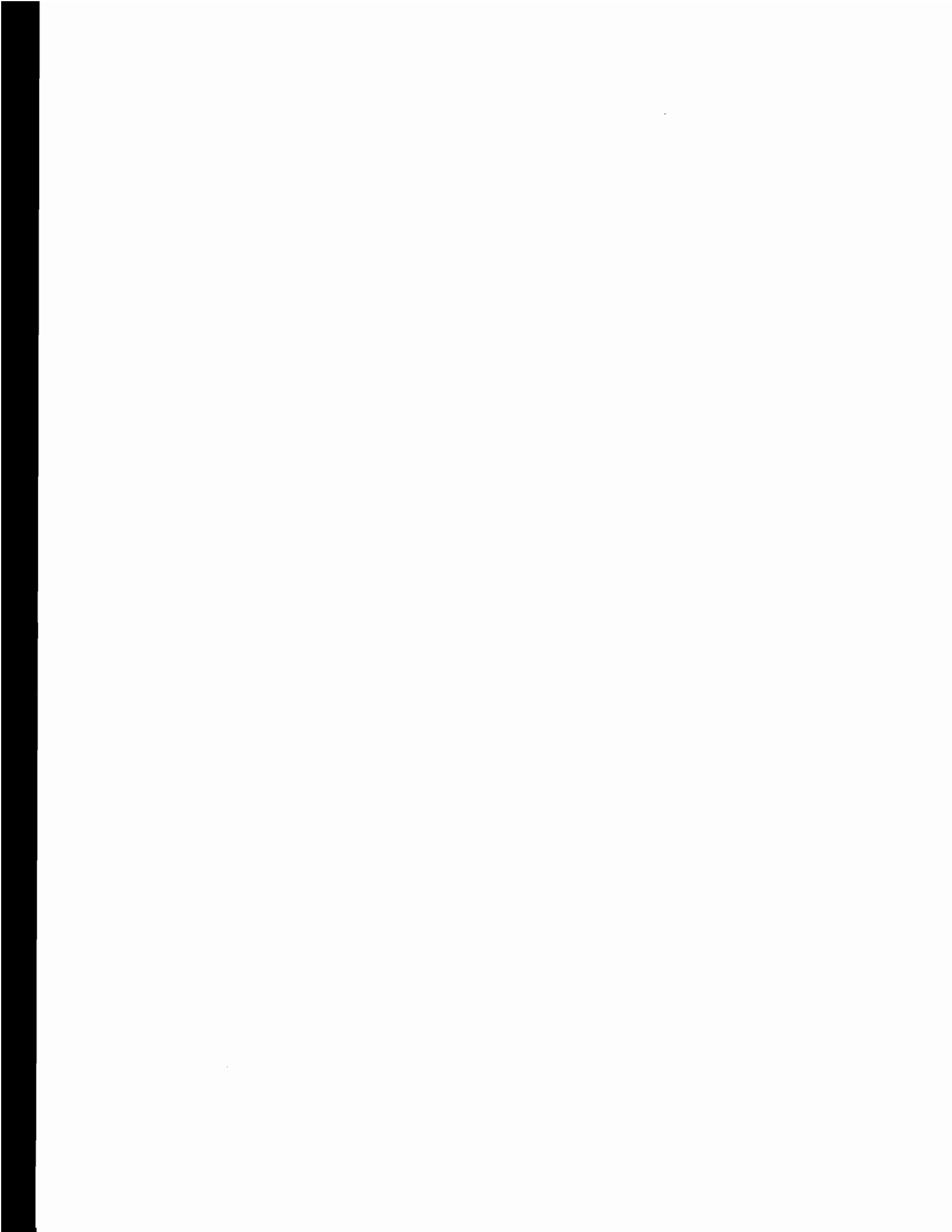


1 Commission staff revoked his temporary
2 application, and the Commission upheld the
3 revocation denial of Mr. Pacheco's license.

4 This employee subsequently appealed the
5 decision of the Commission to an Administrative
6 Law Judge. During the proceedings, Mr. Pacheco
7 and his counsel were nonresponsive to several
8 attempts by the Administrative Law Judge to set
9 up a Telephone Prehearing Conference. The ALJ
10 issued a Final -- a Notice of Final -- Fourth
11 and Final Telephone Prehearing Conference.

12 Mr. Pacheco and his counsel did not make
13 themselves available at the agreed-upon time.
14 The ALJ issued an order to show cause whether
15 Mr. Pacheco's appeal should not be dismissed.
16 Subsequent to that, the attorney for
17 Mr. Pacheco contacted the Commission staff
18 indicating that he was withdrawing his
19 appearance on behalf of Mr. Pacheco.

20 At that point, the ALJ issued a
21 Supplemental Order to Show Cause to allow
22 Mr. Pacheco leave to find another attorney or
23 present additional information why his appeal
24 should not be dismissed. There was no response
25 to that, so the ALJ has recommended that



1 Mr. Pacheco's appeal be dismissed with
2 prejudice, and acceptance of this
3 recommendation will dismiss Mr. Pacheco's
4 appeal.

5 CHAIRMAN VOWELS: All right. Anyone have
6 any questions for Mr. Krause?

7 We have before us this -- basically the
8 order to dismiss his appeal. There was a
9 request with prejudice which means that he
10 couldn't refile it. Is there any motion in
11 reference to that one way or the other?

12 MR. SWAN: Move to accept the ALJ
13 recommendation.

14 CHAIRMAN VOWELS: And dismiss the appeal?

15 MR. SWAN: Yes.

16 CHAIRMAN VOWELS: All right. Is there a
17 second?

18 MR. MILCAREK: I second.

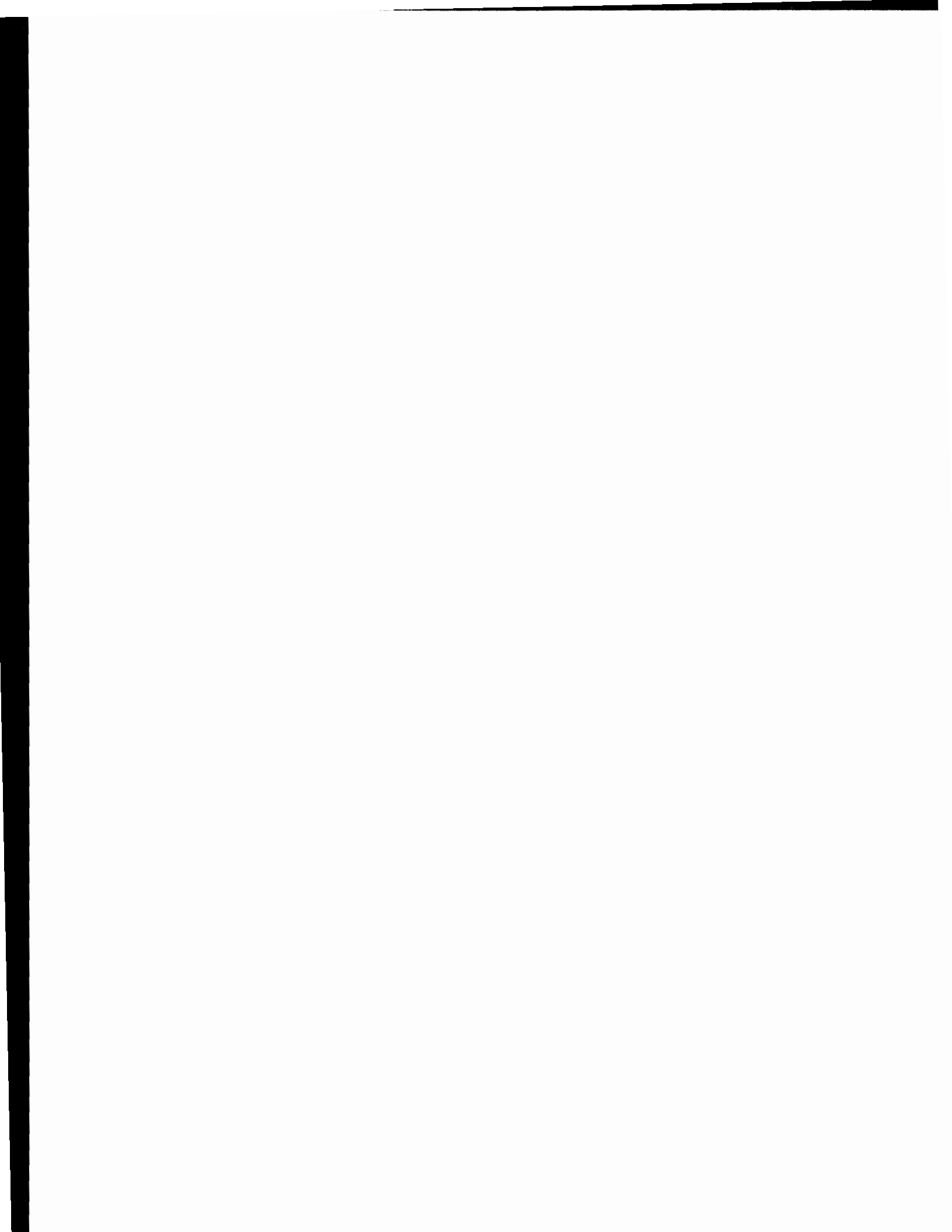
19 CHAIRMAN VOWELS: Is there any further
20 discussion?

21 All those in favor of the motion say aye.

22 THE PANEL: Aye.

23 CHAIRMAN VOWELS: All right, the appeal is
24 dismissed.

25 And, Mr. Krause, I haven't been keeping



1 count.

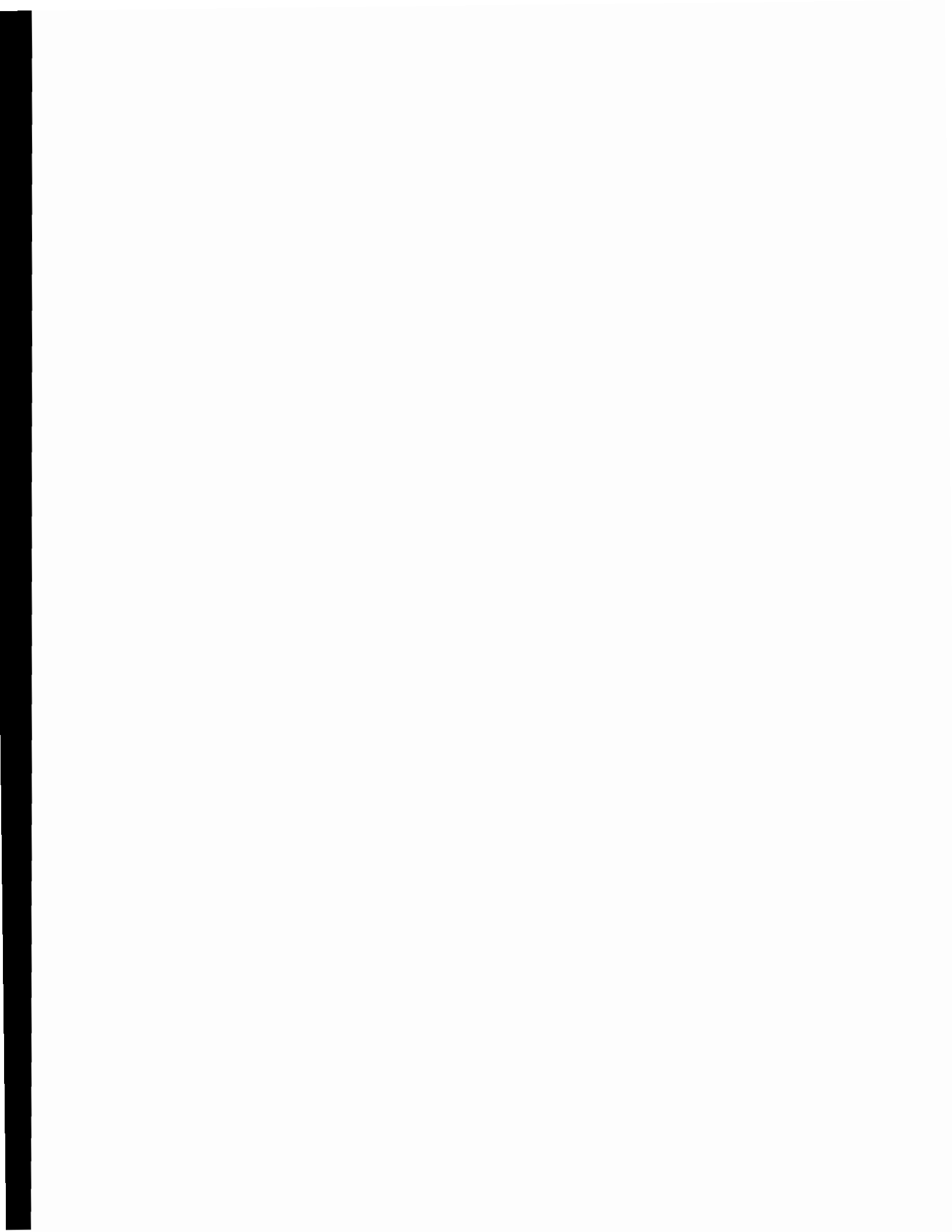
2 MR. KRAUSE: One more.

3 CHAIRMAN VOWELS: One more.

4 MR. KRAUSE: The next matter is regarding
5 employee Maurice Rivas Jauregui. That's Case
6 No. 98-OL-AZ-1. This employee is the holder
7 of -- was the -- is the holder of the
8 permanent -- of a permanent occupational
9 license and was employed by Casino Aztar as an
10 executive chef. The Commission initiated
11 disciplinary action when it was discovered that
12 he had been convicted of several criminal
13 offenses including felonies which he failed to
14 disclose on his application. The Commission
15 was seeking a determination in that
16 disciplinary action that this employee was both
17 ineligible and unsuitable for licensure. An
18 Administrative Law Judge was assigned.

19 Shortly after this disciplinary action was
20 initiated, this employee was arrested and
21 charged with theft for taking merchandise from
22 the gift shop at Casino Aztar while on duty as
23 a licensee. This employee voluntarily
24 terminated his employment at Aztar.

25 The ALJ has issued his Findings of Fact,



1 Conclusion of Law and Recommendation
2 dismissing -- dismissing the Complaint for the
3 reasons that this disciplinary action -- or the
4 Commission no longer has jurisdiction since
5 this employee is no longer an employee -- or
6 this person is no longer an employee of the
7 Indiana riverboat. The ALJ also further
8 recommended that this employee be deemed
9 ineligible and unsuitable for future
10 licensure.

11 If the Commission accepts the ALJ's
12 recommendation, the Complaint will be dismissed
13 and Mr. Jauregui will be deemed ineligible and
14 unsuitable for future licensure.

15 CHAIRMAN VOWELS: Any questions then of
16 Mr. Krause?

17 All right. In front of us then we have --
18 I think we have. There it is -- this matter
19 concerning the disciplinary action against this
20 gentleman. The ALJ's recommendation is to
21 dismiss the Complaint and deem ineligible and
22 unsuitable for future licensure. Is there a
23 motion in regard to this?

24 DR. ROSS: I'll move for acceptance.

25 CHAIRMAN VOWELS: Is there a second?



1 MR. DARKO: Second.

2 CHAIRMAN VOWELS: Is there any further
3 discussion?

4 All those in favor of the motion say aye.

5 THE PANEL: Aye.

6 CHAIRMAN VOWELS: All right. And,
7 Mr. Krause, I think that concludes your
8 portion; is that correct?

9 MR. KRAUSE: Yes.

10 CHAIRMAN VOWELS: Thank you.

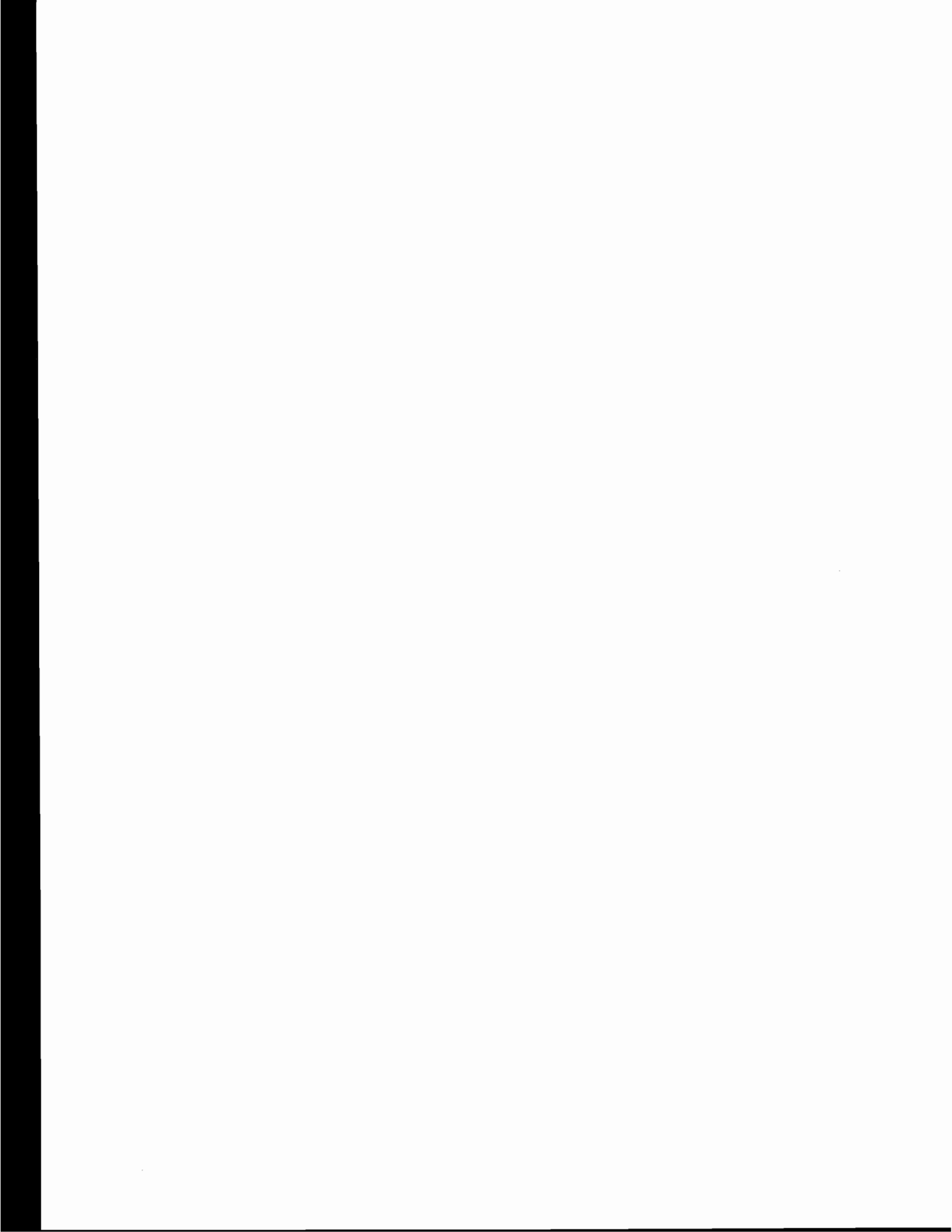
11 And, Cindy Dean, Ms. Dean, you have a
12 matter for us?

13 MS. DEAN: Yes, I do.

14 CHAIRMAN VOWELS: Okay.

15 MS. DEAN: The matter is concerning Thomas
16 Halveland. Mr. Halveland applied for an
17 Occupational License Level 2 for employment
18 with Argosy Casino Lawrenceburg in the position
19 of surveillance agent on August 17, 1998.
20 Mr. Halveland truthfully disclosed on his
21 application that he had been convicted of two
22 misdemeanor convictions of possession of
23 gambling records in St. Louis, Missouri.

24 Once the Commission staff reviewed
25 Mr. Halveland's application, his temporary



1 occupational license was revoked, and his
2 application for a permanent license was denied
3 due to 68 IAC 2-3-5(c)(4) which states that an
4 applicant must not have been convicted of any
5 offense involving violation of a gaming law in
6 any jurisdiction. On December 29, 1998,
7 Mr. Halveland was issued notice of revocation
8 of his temporary license and denial of his
9 permanent license application.

10 On December 31, 1998, Mr. Halveland
11 responded by letter to the Commission
12 requesting an immediate hearing due to the
13 revocation of his temporary license. And after
14 a series of telephone calls between the
15 Commission and Mr. Halveland, in the interest
16 of fairness, the Executive Director Jack Thar
17 agreed to assign the matter to Administrative
18 Law Judge Pylitt, and a hearing was held on
19 January 6, 1999.

20 The issue at the hearing was whether or
21 not the rule prohibiting an applicant with a
22 misdemeanor gambling conviction is fair and
23 reasonable. The ALJ, Judge Pylitt, found that
24 the rule is fair and reasonable; however,
25 Judge Pylitt further found that similar to the



1 waiver provisions for a felony conviction, the
2 Commission may provide for a waiver provision
3 in 68 IAC 2-3-11 and 12. Judge Pylitt remanded
4 the matter back to the Commission for a waiver
5 hearing.

6 Due to the fact that all parties were
7 present and Mr. Halveland agreed to proceed
8 pending Commission approval of the
9 recommendation of the ALJ, Mr. Thar functioned
10 as the hearing officer on January 6, 1999.
11 Mr. Thar recommends to the Commission that
12 Mr. Halveland be granted a waiver of the
13 prohibition found in 68 IAC 2-3-5(c)(4).
14 Mr. Thar further granted Mr. Halveland a
15 conditional reinstatement of his temporary
16 occupational license pending review and
17 approval by the Commission.

18 If the Commission would agree with the
19 findings of the Administrative Law Judge and
20 the issuance of the waiver by Mr. Thar, the
21 Commission would accept the recommendation of
22 the Administrative Law Judge and approve the
23 request for waiver of Thomas Halveland. And I
24 believe Mr. Halveland is present here today.

25 CHAIRMAN VOWELS: Okay. Mr. Halveland?



1 Okay. Mr. Halveland, is there anything that
2 you would like to say to the Commission while
3 we're addressing this matter?

4 MR. HALVELAND: Not really.

5 CHAIRMAN VOWELS: Okay. All right. Are
6 there any questions for Ms. Dean?

7 I think, in essence, what we have here is
8 it's almost a case of first impression in front
9 of the ALJ where there is a -- and is
10 interpretation is there's a possibility of a
11 waiver under the Administrative Code as there
12 is in the Indiana Code under the felony waiver;
13 is that what we're looking at here now?

14 MS. DEAN: Correct.

15 CHAIRMAN VOWELS: This is really the first
16 time that we've addressed this sort of
17 situation of a waiver under the Administrative
18 Code.

19 MS. DEAN: It is.

20 CHAIRMAN VOWELS: Okay. Anyone have any
21 thoughts or any questions of Ms. Dean or
22 Mr. Thar since he was the hearing officer?

23 Okay. We have in front of us then this
24 Commission action on the revocation of the
25 temporary license and application for



1 occupational license of Thomas Halveland, and
2 we either can accept or reject the
3 recommendation which would essentially -- the
4 recommendation is to waive the prohibition
5 under the IAC and allow Mr. Halveland the
6 license; does that sum it up correctly?

7 MR. THAR: It's two-part. First on page 2
8 you either accept or reject the recommendation
9 of the ALJ which was to remand it back to staff
10 for consideration of waiver. If you accept
11 that recommendation, then the next step is to
12 determine whether or not you accept, deny or
13 approve the recommendation of the hearing
14 officer, being myself, that Mr. Halveland be
15 granted a waiver.

16 CHAIRMAN VOWELS: Okay. Well, let's take
17 it a couple steps at a time -- one step at a
18 time. These two steps then, the first part is
19 do we have a motion to accept or reject the
20 recommendation of the Administrative Law
21 Judge?

22 MR. DARKO: I'll make that motion.

23 CHAIRMAN VOWELS: To accept the
24 recommendation?

25 MR. DARKO: To accept.



1 MR. SWAN: Second.

2 CHAIRMAN VOWELS: Okay. And then second
3 by Mr. -- Commissioner Swan.

4 Any further discussion in reference to
5 that?

6 All those in favor of accepting say aye.

7 THE PANEL: Aye.

8 CHAIRMAN VOWELS: And then the next step
9 is in reference to Mr. Thar's recommendation as
10 a review officer which would be to approve the
11 request for a waiver. We can either deny or
12 approve that. Is there a motion in reference
13 to that?

14 MR. SWAN: Move to approve.

15 CHAIRMAN VOWELS: All right.

16 MR. MILCAREK: I'll second.

17 CHAIRMAN VOWELS: Is there any -- is there
18 any further discussion?

19 All those in favor of approving the
20 request for the waiver say aye.

21 THE PANEL: Aye.

22 CHAIRMAN VOWELS: All right.

23 Mr. Halveland, I don't know if you were able to
24 follow all of that, but that was good for you.

25 MR. HALVELAND: I was.



1 MR. DARKO: We're from the government and
2 we're here to help.

3 CHAIRMAN VOWELS: And the check's in the
4 mail and da, da, da, da.

5 All right. And does that take care of the
6 matters under occupational license matters
7 then, Ms. Dean?

8 MS. DEAN: Yes, it does.

9 CHAIRMAN VOWELS: Okay. The next thing on
10 the agenda -- next matter on the agenda is
11 disciplinary matters, and I think that's also
12 with you, Ms. Dean; is that correct?

13 MS. DEAN: That is correct.

14 CHAIRMAN VOWELS: All right.

15 MS. DEAN: The only disciplinary matter on
16 the agenda is a Disciplinary Complaint
17 No. 98-AZ-1 involving a disciplinary matter
18 against the Casino Aztar in Evansville,
19 Indiana. On or about October 30, 1998 a female
20 employee began working for Aztar as a cocktail
21 server in the Hoosier Lounge, which is located
22 in the pavilion of Aztar's riverboat gambling
23 operation. The employee did not need an
24 occupational license to work as a cocktail
25 server in the pavilion; however, she did need a



1 license to do the same job on the riverboat.
2 The employee was hired to work aboard the
3 riverboat but did not submit an application for
4 the Occupational License 3 to the Commission
5 until November 5, 1998.

6 On or about October 30, 1998, the beverage
7 supervisor determined that he did not have a
8 sufficient number of cocktail servers to work
9 aboard the riverboat for October 31st and
10 received the name of the employee who did not
11 have a license as being available to work. The
12 beverage supervisor was aware that the employee
13 was working with a temporary non-gaming badge
14 but did not require -- did not inquire into
15 whether or not she had applied for or been
16 issued a temporary occupational license.

17 On October 31st the employee reported for
18 work, and the beverage supervisor authorized
19 and signed for the issuance of a non-gaming
20 badge, then took the non-licensed employee
21 aboard the riverboat and she began working.

22 Commission Agent Clark noticed the
23 employee who was working upon the riverboat
24 without the correct badge and notified Aztar
25 security. Aztar security escorted the employee

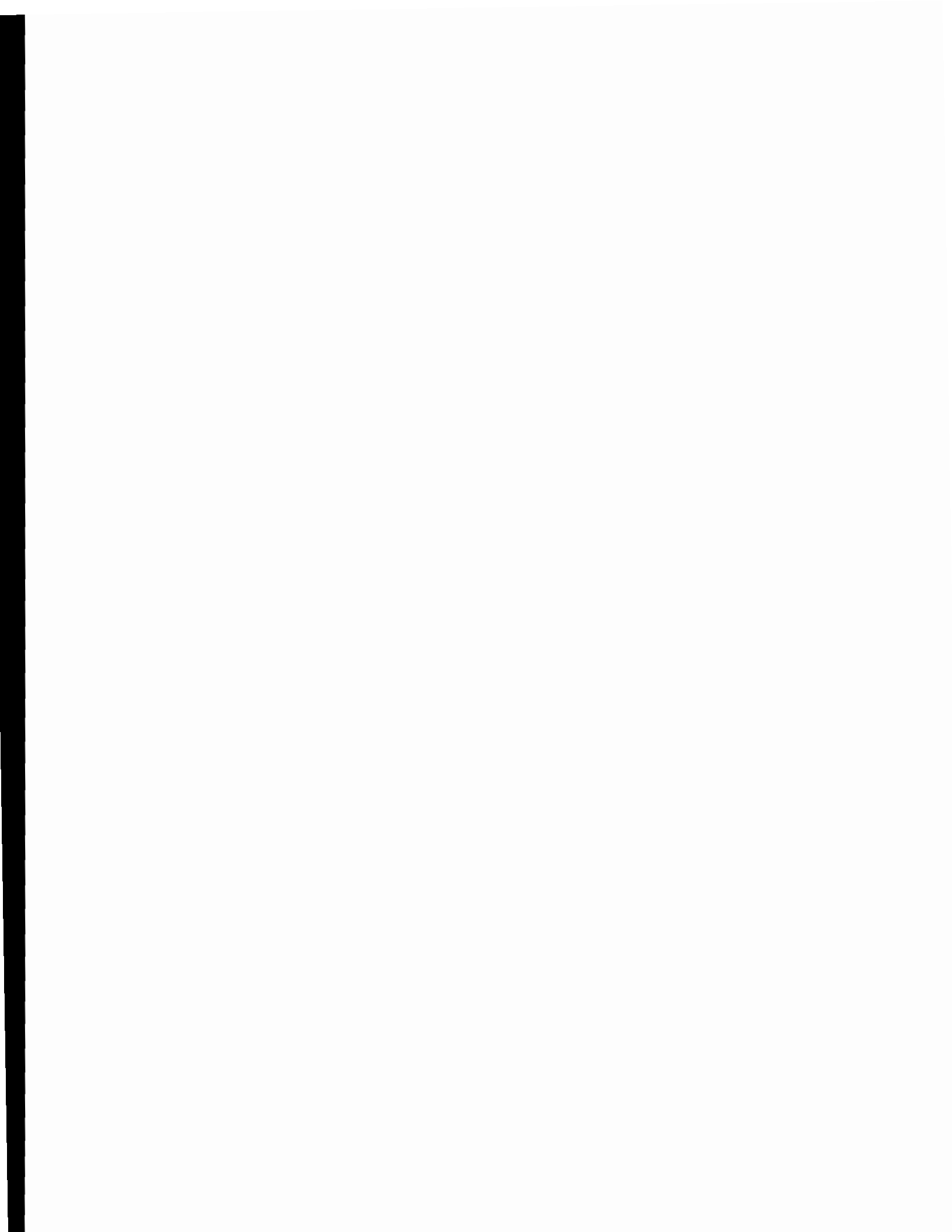


1 off the riverboat and issued her a temporary
2 gaming badge. Commission Agent Clark verified
3 that the employee did not have and had not
4 submitted an application for an Occupational
5 License Level 3 to the Commission and advised
6 security that the employee could not continue
7 working aboard the riverboat.

8 By allowing the employee to work aboard
9 the riverboat without having submitted an
10 application and without a temporary
11 occupational license having been issued by the
12 Commission, Aztar violated IC 4-33 and
13 68 IAC 2-3 and the directives set forth in a
14 letter dated January 22, 1997.

15 The Commission filed disciplinary action
16 on December 8, 1998, and James Brown, General
17 Manager of Aztar, and Mr. Thar signed a
18 settlement agreement awaiting Commission
19 approval. Aztar has agreed to pay a fine in
20 the amount of \$1,500 and that Aztar take steps
21 to insure that all Aztar employees working
22 aboard the riverboat have obtained the
23 appropriate level of occupational license
24 before beginning work aboard the riverboat.

25 CHAIRMAN VOWELS: Any questions of



1 Ms. Dean?

2 With that letter in January of 1997, do
3 you recall what the directives were? Just
4 explain essentially what they were supposed to
5 do as far as anyone coming --

6 MR. DEAN: I believe that's what it did,
7 but I don't specifically recall.

8 CHAIRMAN VOWELS: Okay. All right.

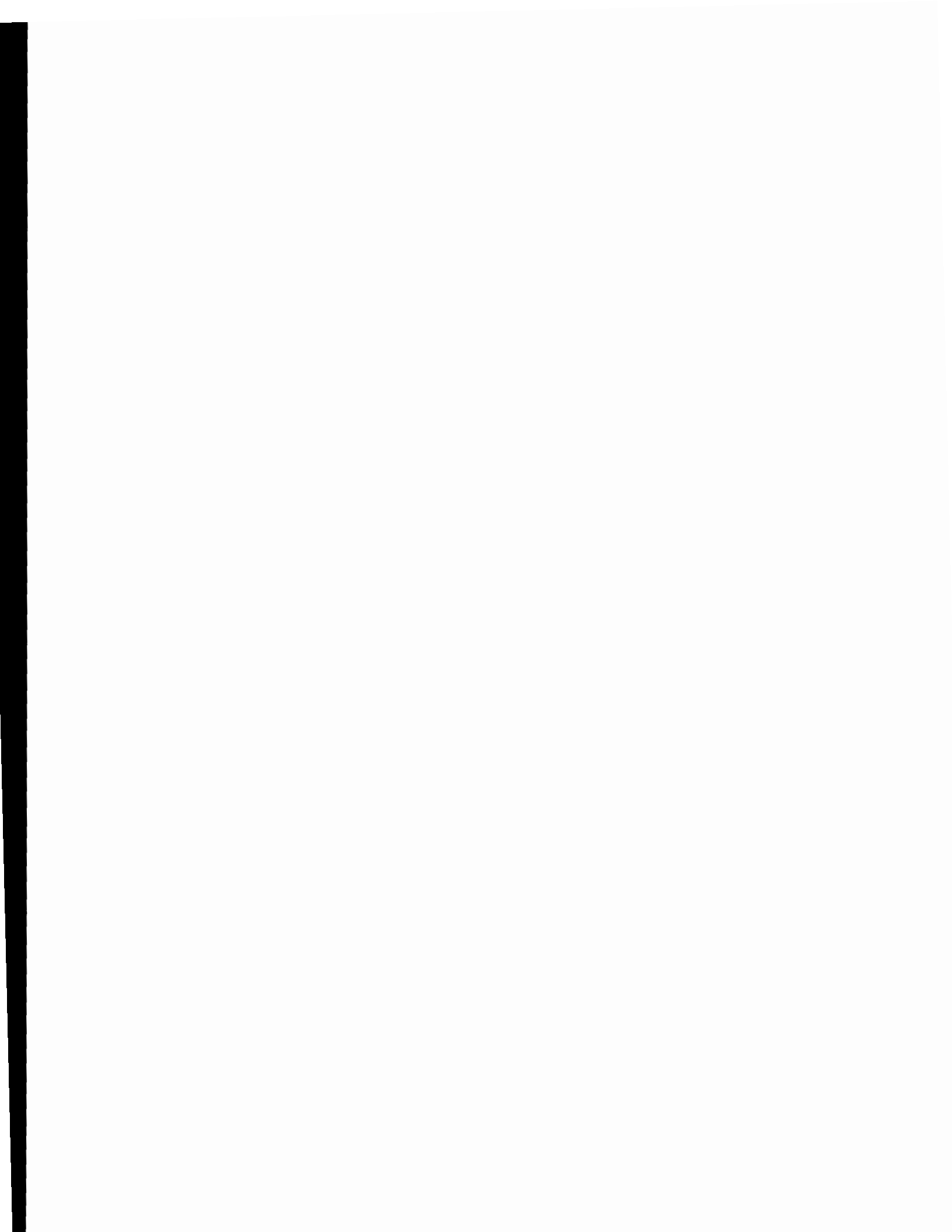
9 MR. THAR: They had a prior incident of a
10 non-licensed employee being on the vessel.

11 CHAIRMAN VOWELS: Okay.

12 MR. THAR: It was brought to their
13 attention. We did not do a formal disciplinary
14 action. Gave them a warning. They were to
15 implement steps to make sure that all
16 employees -- all -- anybody that works on the
17 riverboat needs to be licensed. And what
18 happened was is that, having gone through it
19 once without disciplinary action, they blew it
20 again.

21 CHAIRMAN VOWELS: Okay.

22 MR. SWAN: When I first saw this, I
23 thought that that fine was a little excessive
24 for the -- as innocuous as this sounds, but the
25 gamers need to know we have rules and they need



1 to abide by those rules. And with a warning,
2 it's like warning the coach, "Stay in your seat
3 or you're going to get the technical." I will
4 support approval of this recommendation or the
5 action taken.

6 CHAIRMAN VOWELS: And while we're in that
7 analogy, Mr. Swan's black eye comes from
8 playing basketball the other day.

9 Okay. With that in mind, is there any --
10 are there any other questions of Mr. Thar or
11 Ms. Dean?

12 We have in front of us the order of
13 approving this settlement agreement, and is
14 there a motion to approve or disapprove the
15 proposed terms of the settlement agreement?

16 MR. SWAN: I move to approve.

17 CHAIRMAN VOWELS: Is there a second?

18 MR. DARKO: Second.

19 CHAIRMAN VOWELS: All right. Is there any
20 further discussion?

21 All those in favor of the motion to
22 approve say aye.

23 THE PANEL: Aye.

24 CHAIRMAN VOWELS: All right. And that is
25 approved.



1 And, Ms. Dean, thank you. I think that's
2 all.

3 MS. DEAN: Yes.

4 CHAIRMAN VOWELS: Supplier's license
5 issues is the next matter on the agenda, and
6 Mr. Hannon, turn to you.

7 MR. HANNON: There are several supplier's
8 license issues. The first is three suppliers
9 who we would like to make permanent suppliers,
10 recommend be made permanent, the first being AC
11 Coin & Slot Service Company, a company based in
12 Pleasantville, New Jersey. They also have
13 facilities in Las Vegas. They currently offer
14 slot machines, tables games, related equipment
15 and casino furniture. They're licensed in six
16 jurisdictions with licenses pending in four
17 others. All jurisdictions provided favorable
18 reports on the company.

19 The company slot machines are distributed
20 through an agreement with IGT. IGT provides
21 generic machines that the company retrofits
22 with their own games. The relationship with
23 IGT is the subject of a civil action that could
24 alter the contract and have a considerable
25 effect on this company's business. That's



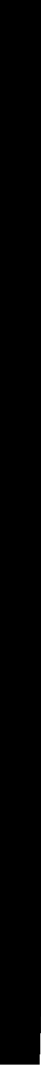
1 pending in the court.

2 The company is privately held by the
3 president, and Level 1 investigations have been
4 conducted on all key employees. The company
5 received a temporary license in Indiana
6 September of 1996 and is currently doing
7 business with two of the Indiana casinos.

8 There have not been any complaints or
9 disciplinary matters recorded regarding the
10 company in Indiana, and no information was
11 developed that would prevent them from being
12 awarded a permanent license.

13 The second company is GameCash, Inc., a
14 Minneapolis, Minnesota company that provides a
15 check-cashing service and a credit card advance
16 service. The latter, the credit card advance,
17 is by a machine similar to an ATM located on
18 the boats. The check-cashing service is
19 conducted by game cash personnel who are -- who
20 operate from a keyos (phonetic) located on the
21 casino floor.

22 The company is a wholly-owned subsidiary
23 of Gain Financial Corporation which is in turn
24 a subsidiary of Travelers Express and whose
25 parent company is the VI Corporation. The



1 ultimate parent company is publicly traded.

2 Gamecash is licensed to do business in 17
3 jurisdictions. None provided any negative
4 information about the company. The company
5 received a temporary license in Indiana
6 December of 1996 and they -- when they decided
7 to open the check-cashing booths on the casino
8 floor. We do not license the companies that
9 provide the credit card advance protection.

10 They currently are operating on the casino
11 floor at three Indiana casinos and have credit
12 card advance machines on several others. We
13 have them report quarterly on the number of
14 checks that they cash and if they are following
15 our rules on the cashing limits.

16 The company has not been the subject of
17 any complaints or disciplinary actions. The
18 investigation did not develop anything that
19 would prevent them from being awarded a
20 permanent license.

21 The third company is Southwest Systems.
22 It is a Las Vegas company that sells and
23 installs surveillance systems. They currently
24 hold licenses in ten jurisdictions, none of
25 which provided any negative information. The



1 company is owned by its two managing members
2 who are -- were subject to Level 1
3 investigations.

4 The company was a temporary license in
5 Indiana on March -- in March of 1997 and
6 currently does business with one of our
7 casinos.

8 They have not been the subject of any
9 complaints or disciplinary action. No
10 information was developed that would prevent
11 that company from being awarded a permanent
12 license.

13 Based on the investigations, we would
14 recommend that all three companies be awarded a
15 permanent license contingent on their paying
16 for the cost of the investigation and the
17 \$5,000 license fee.

18 CHAIRMAN VOWELS: All right. Any
19 questions then for Mr. Hannon?

20 We have in front of us Resolution 1999-2
21 which would grant a permanent supplier's
22 license to these three companies. Is there a
23 motion in reference to this resolution?

24 DR. ROSS: Move for acceptance.

25 MR. DARKO: Second.



1 CHAIRMAN VOWELS: Any further discussion?
2 All those in favor of granting this
3 permanent license and Resolution 1999-2 say
4 aye.

5 THE PANEL: Aye.

6 CHAIRMAN VOWELS: Show it's adopted.
7 And then, Mr. Hannon?

8 MR. HANNON: We have six companies who
9 have been licensed as permanent suppliers for a
10 year and have applied for a renewal of their
11 supplier's license, that being GDC, Inc., IEP,
12 IGT, WMS Gaming, Lodging & Gaming Systems
13 (sic), Inc. and Anchor Coin. These are routine
14 renewals, and we would recommend that all of
15 these companies be allowed to renew their
16 license.

17 CHAIRMAN VOWELS: Any questions then for
18 Mr. Hannon?

19 Resolution 1999-3, is there any motion in
20 reference to that?

21 MR. DARKO: Move to approve.

22 CHAIRMAN VOWELS: Any second?

23 MR. MILCAREK: I'll second.

24 CHAIRMAN VOWELS: Any further discussion?
25 All those in favor of the resolution say



1 aye.

2 THE PANEL: Aye.

3 CHAIRMAN VOWELS: Show it's approved.

4 Mr. Hannon?

5 MR. HANNON: The next issue would be
6 Resolution 1999-4 which concerns Four Aces,
7 Inc. which was a dealing instructor school
8 located in northwest Indiana. The school was
9 opened in 1995. We awarded a temporary license
10 in '97. We received communication from the
11 owner of the school in the last 30 days that
12 they wish to withdraw for lack of business. We
13 would recommend that they be allowed to
14 withdraw their application for a permanent
15 license.

16 CHAIRMAN VOWELS: All right.
17 Resolution 1999-4, are there any questions for
18 Mr. Hannon?

19 Is there any motion in reference to that
20 resolution?

21 MR. SWAN: Move to grant.

22 CHAIRMAN VOWELS: Any second?

23 DR. ROSS: Second.

24 CHAIRMAN VOWELS: Any further discussion?

25 All those in favor of a resolution say



1 aye.

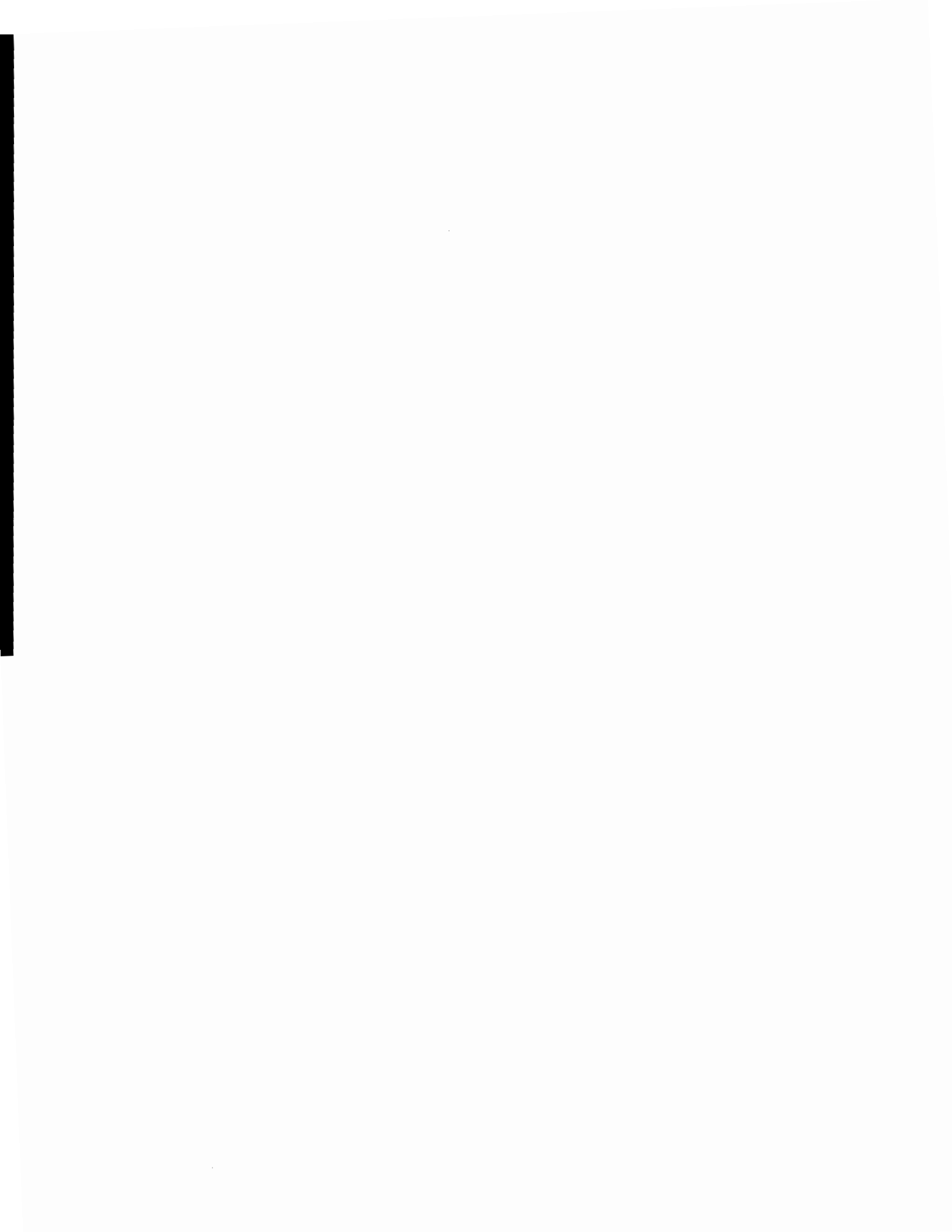
2 THE PANEL: Aye.

3 CHAIRMAN VOWELS: Show it's approved.

4 Mr. Hannon?

5 MR. HANNON: Final issue is a license
6 application on the part of Jerry Beck Casino
7 Connection. This was one of two junketeers who
8 requested licensure with the assistance of the
9 Aztar Casino. The first one has received a
10 temporary license and is operating in Indiana.
11 The investigation of Jerry Beck Casino
12 Connection developed concerns over his
13 financial status and the tax status of the
14 owner and the company -- the owner being Andrew
15 J. Schlotterbeck.

16 As part of the investigation,
17 Mr. Schlotterbeck was requested to provide our
18 investigators with proof of his solvency in
19 regard to his tax debt in Ohio and with the
20 Federal Government and also to pay the cost of
21 the investigation up until the time of that
22 request. He did not provide either of those at
23 a deadline that was originally set for April
24 20th of 1998. He was given a second chance by
25 letter December of 1998 with a deadline of



1 January 11, '99, and in the second time he did
2 not respond with either the information or the
3 payment of the cost.

4 We would recommend that his license
5 application be denied.

6 CHAIRMAN VOWELS: Any questions then of
7 Mr. Hannon?

8 Resolution 1999-5 which is a resolution
9 denying supplier's license to Jerry Beck Casino
10 Connection, is there any motion in reference to
11 that resolution?

12 DR. ROSS: Move to deny.

13 CHAIRMAN VOWELS: And is there a second?

14 MR. DARKO: Second.

15 CHAIRMAN VOWELS: Any further discussion?
16 All those in favor of the resolution say
17 aye.

18 THE PANEL: Aye.

19 CHAIRMAN VOWELS: Show that that is
20 granted.

21 And then that takes care of the supplier's
22 license issues, Mr. Hannon; is that correct?

23 MR. HANNON: That's it.

24 CHAIRMAN VOWELS: All right. Thank you.
25 And next on the agenda is new game



1 approval, and we turn back to Mr. Krause.

2 MR. KRAUSE: Yes. Thank you.

3 You have before you Resolution 1999-6
4 concerning the conditional approval of the game
5 of Guarantee 20. The company Circle Gaming has
6 submitted the game of Guarantee 20 and has
7 asked the the Commission consider approving it
8 for use in Indiana. They provided the
9 Commission with a full breakdown of the rules
10 of the game. This is a side bet to Blackjack,
11 an existing game.

12 The materials were forwarded to Gaming
13 Laboratories International, and they have --
14 they have found that the game of Guarantee 20
15 is a variation of the traditional game of
16 Blackjack. I provide with you a summary -- for
17 you a summary of the rules of this game. It
18 involves if a player gets a two-card total of
19 20, they're able to move their original bet
20 into a guaranteed -- a portion of the table
21 marked guarantee. If the dealer gets a
22 Blackjack, they are still guaranteed the win of
23 100 percent. If the dealer does not have
24 Blackjack, the player still wins; however, they
25 are only paid at 50 percent per bet.



1 The resolution if approved calls for a
2 trial period of six months. For the game of
3 Guarantee 20, additionally Empress Casino
4 Hammond has advised the Commission that they
5 will use the game in its submitted proposed
6 rules.

7 The trial period of six months: The
8 Commission staff will re-examine after those
9 six months the conduct of the game. And any
10 other casino that is going to implement this
11 game would have to first present proposed
12 rules.

13 CHAIRMAN VOWELS: All right. Thank you,
14 Mr. Krause.

15 Any questions or Mr. Krause?

16 MR. DARKO: Does anyone ever tell us what
17 the anticipated house advantage is on a new
18 game like this?

19 MR. KRAUSE: Yes, they do, GLI does.

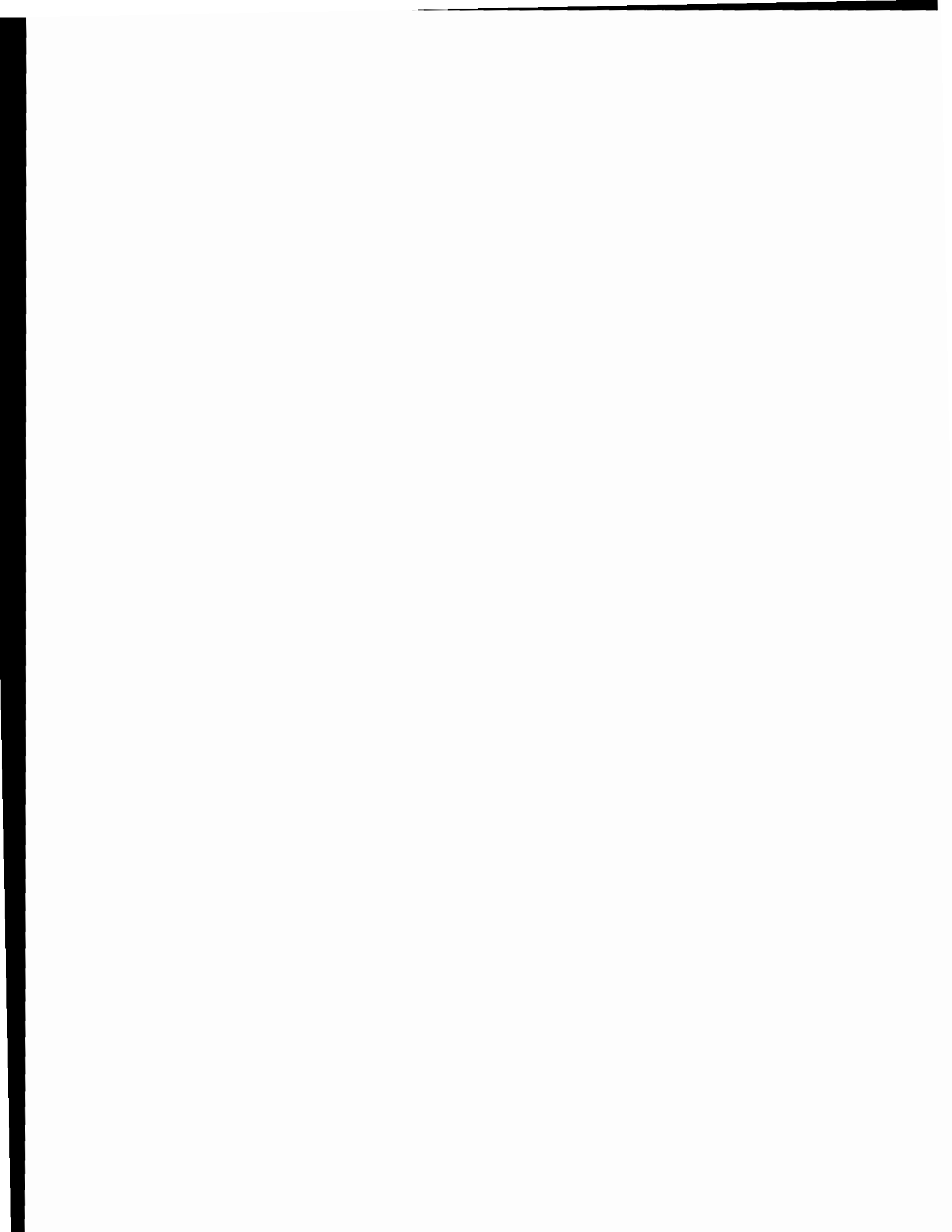
20 MR. DARKO: Do you know what it is on this
21 game?

22 MR. KRAUSE: I'd have to refer to the --

23 MR. DARKO: That's all right.

24 MR. KRAUSE: -- technical figures.

25 MR. DARKO: So long as it's within Indiana



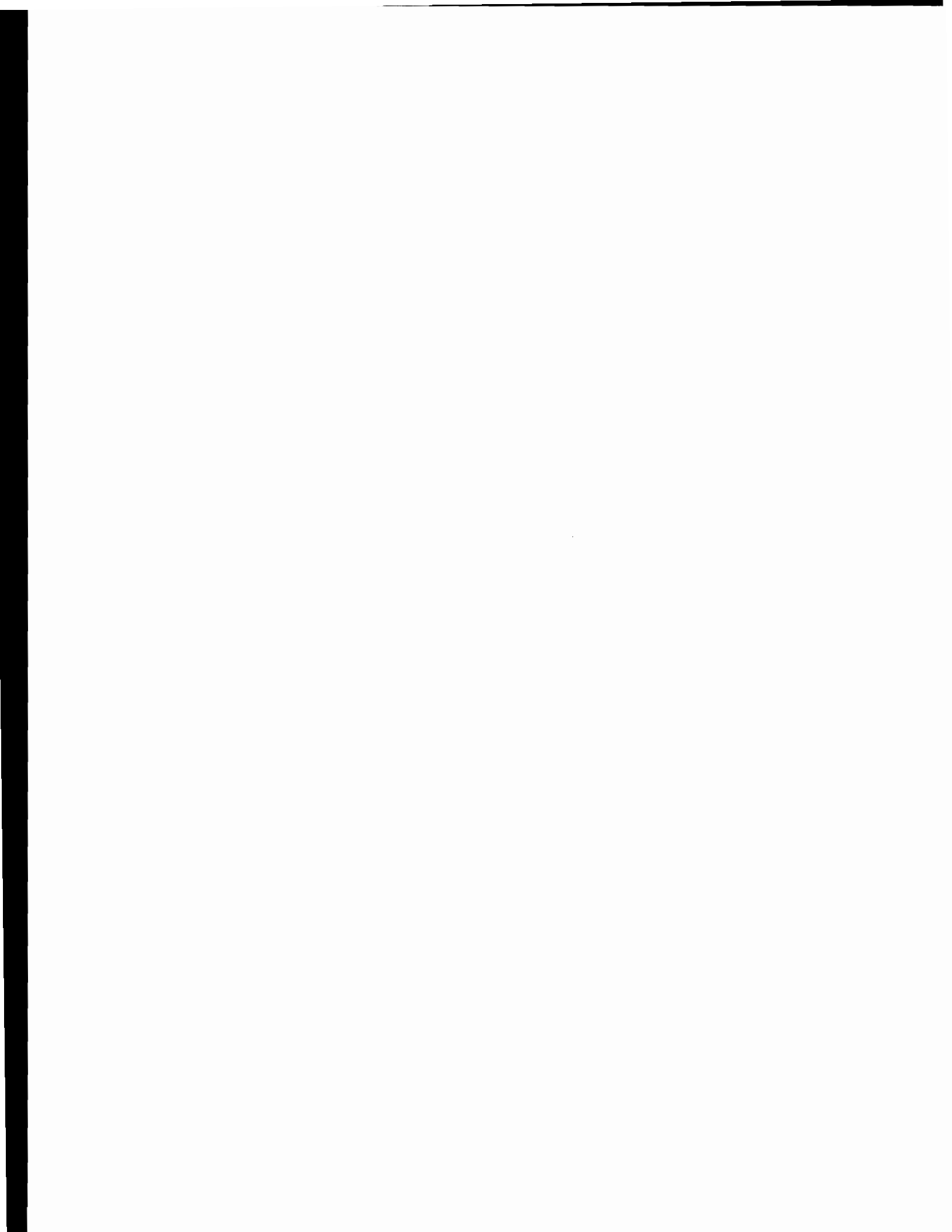
1 lottery limits.

2 MR. KRAUSE: This does improve the house
3 advantage but not significantly.

4 MR. DARKO: Thank you.

5 MR. THAR: It doesn't so much improve the
6 house's advantage in terms of win or loss. It
7 does improve the house's percentage in terms of
8 payout, actual cash. It kind of functions this
9 way: If I have a 20 and I move my thing into
10 the guarantee, if the dealer's got a 21, they
11 pay me 100 -- they pay me equal to my bet
12 rather than one-and-a-half times. If I have a
13 20 and I'm doing some kind of money management,
14 that's the only time that any player would
15 really want to make a bet, I can move that in
16 so that I don't get beat by something else.
17 And then what happens, instead of in Blackjack
18 it's a 1-to-1 return, it's only a -- it's
19 a .5-to-1 return.

20 So the house on a 20 which is generally a
21 58-percent winner for the house, 58 percent of
22 the time they're only going to pay back half if
23 somebody makes that bet, so they save a little
24 in their payout. It doesn't really change the
25 percentage of the game.



1 Is that about right since you're going to
2 run it, Mr. Mazer?

3 MR. MAZER: That's correct.

4 MR. DARKO: Aren't you glad you didn't
5 have to give that?

6 MR. MAZER: Thank you both.

7 CHAIRMAN VOWELS: Resolution 1999-6 is the
8 conditional approval of the game of
9 Guarantee 20. Is there a motion in reference
10 to that?

11 MR. DARKO: Move to approve.

12 CHAIRMAN VOWELS: Is there a second?

13 DR. ROSS: Second.

14 CHAIRMAN VOWELS: Any further discussion?

15 All those in favor of Resolution 1999-6
16 say aye.

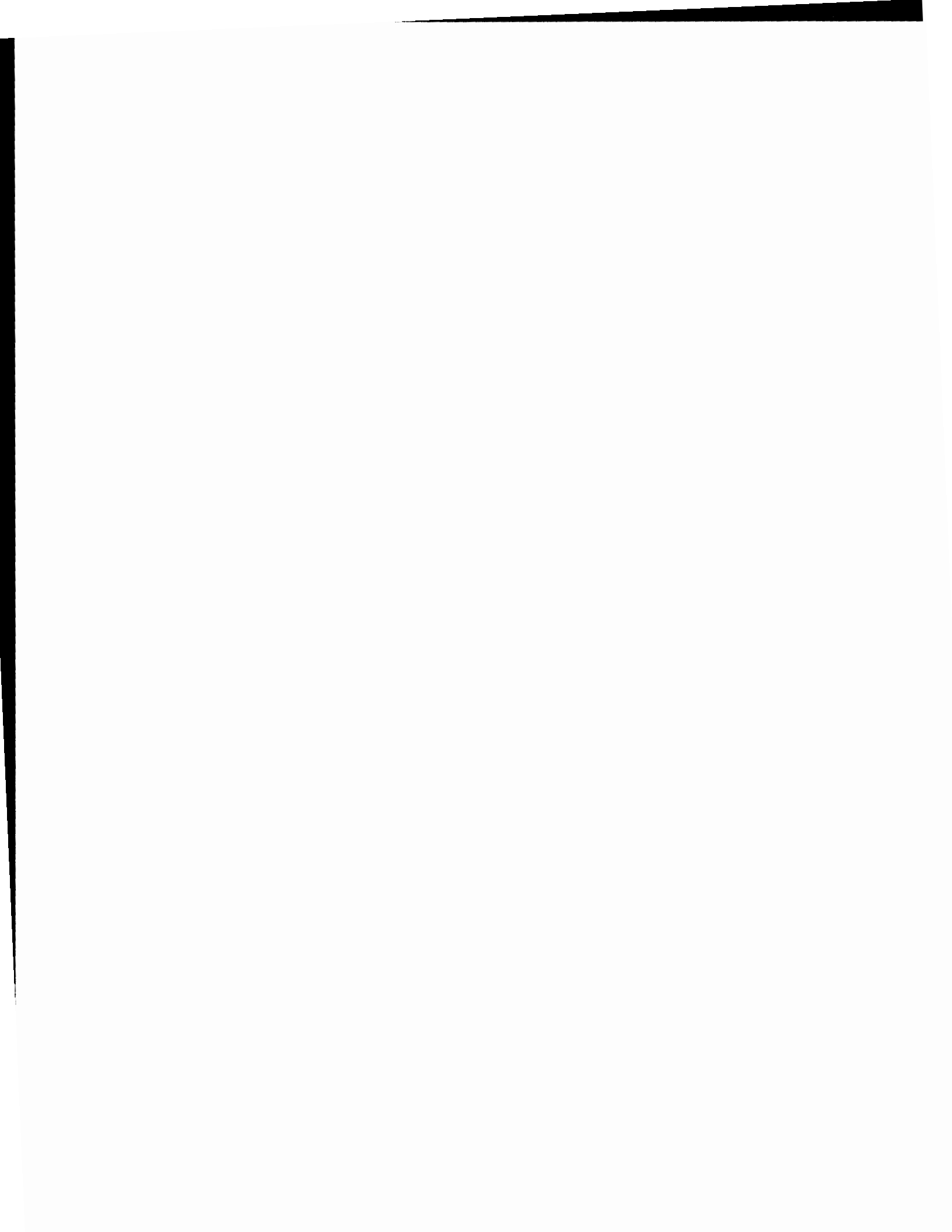
17 THE PANEL: Aye.

18 CHAIRMAN VOWELS: Show that it is
19 approved.

20 And that's the only thing that we have
21 under new game approval; is that right,
22 Mr. Krause?

23 MR. KRAUSE: Yes.

24 CHAIRMAN VOWELS: And we'll move to the
25 next matter on the agenda which is bond



1 reductions. Under that Aztar would be first,
2 and again, that's you, Mr. Krause?

3 MR. KRAUSE: Yes.

4 CHAIRMAN VOWELS: All right.

5 MR. KRAUSE: We have four separate actions
6 on the request to reduce bonds and also a
7 resolution.

8 The first action -- the first request to
9 reduce the bond is for Casino Aztar, and it
10 reflects nine different payments, the first
11 five of which are -- have dates a significant
12 time ago. The reason for that is that these
13 payments were initially in error reduced from
14 Casino Aztar's Letter of Credit. It was
15 reduced without Commission approval. We have
16 since called for Aztar, and they have
17 reinstated their Letter of Credit up into
18 appropriate amount which would be the original
19 amount less approved -- less the approved
20 reductions.

21 Then we went back and reviewed the
22 payments that were made and reduced in error
23 and checked to make sure that the appropriate
24 documentation was submitted, and that's why we
25 have these numerous amounts of payments. The



1 total amount for the reduction of the Letter of
2 Credit by Casino Aztar would be \$4,083,333.36.

3 CHAIRMAN VOWELS: All right. Any
4 questions then to Mr. Krause?

5 The -- what we have in front of us then is
6 the action on the request to reduce the Letter
7 of Credit for Aztar -- for Casino Aztar. Is
8 there a motion in reference to this?

9 MR. SWAN: Move to approve.

10 CHAIRMAN VOWELS: Is there a second?

11 DR. ROSS: Second.

12 CHAIRMAN VOWELS: Any further discussion?
13 All those in favor say aye.

14 THE PANEL: Aye.

15 CHAIRMAN VOWELS: Show that as granted.

16 And, Mr. Krause?

17 MR. KRAUSE: The next action is on a
18 request from Trump Indiana. The surety bond
19 posted by Trump includes the amount of \$4.5M
20 posted to secure the performance by Trump of
21 its obligation to construct a 300-room hotel in
22 Gary, Indiana. As of December 28, 1998, the
23 300-room hotel is complete and open; therefore,
24 the amount of surety bond posted by Trump may
25 be reduced in the amount of \$4.5M.



1 CHAIRMAN VOWELS: Any questions then of
2 Mr. Krause?

3 Then this action on the request to reduce
4 the surety bond posted by Trump Indiana, Inc.,
5 is there a motion in preference to that?

6 MR. DARKO: Move to approve.

7 CHAIRMAN VOWELS: Is there a second?

8 MR. MILCAREK: Second.

9 CHAIRMAN VOWELS: Is there any further
10 discussion?

11 All those in favor say aye.

12 THE PANEL: Aye.

13 CHAIRMAN VOWELS: Show that it is
14 approved.

15 Mr. Krause?

16 MR. KRAUSE: The next action is on a
17 request by Showboat Marina Casino Partnership.
18 On January 12, 1998, Showboat made an annual
19 lease payment to the City of East Chicago in
20 the amount of \$400,000 pursuant to the surety
21 bond. The portion of the bond securing the
22 annual lease payment is eligible for a
23 reduction at a rate 353,000 per year, and that
24 reduction is to take place after each annual
25 lease payment. As a result, the surety bond



1 posted by Showboat may be reduced for a total
2 amount -- in a total amount of \$353,000.

3 CHAIRMAN VOWELS: Okay. Any questions of
4 Mr. Krause?

5 We have this action on the request to
6 reduce the surety bond by Showboat Marina
7 Casino Partnership, and is there a motion in
8 reference to this?

9 MR. MILCAREK: Motion to approve.

10 CHAIRMAN VOWELS: Is there a second?

11 DR. ROSS: Second.

12 CHAIRMAN VOWELS: Any further discussion?
13 All those in favor of the motion say aye.

14 THE PANEL: Aye.

15 CHAIRMAN VOWELS: Show that it is
16 approved.

17 And Blue Chip the next?

18 MR. KRAUSE: Yes. Next is an action on
19 request to reduce the surety bond posted by
20 Blue Chip Casino, Inc. On December 5, 1998,
21 Blue Chip paid \$100,000 under a promissory note
22 which is secured on mortgage by Smith Brothers
23 property in Michigan City, Indiana. This
24 payment on the mortgage was a condition of the
25 surety bond posted by Blue Chip Casino. As a



1 result, the surety bond may be reduced in the
2 amount of \$100,000.

3 CHAIRMAN VOWELS: Any questions then of
4 Mr. Krause?

5 The action on the request to reduce the
6 surety bond posted by Blue Chip Casino, Inc.,
7 is there a motion?

8 MR. MILCAREK: I motion to accept.

9 CHAIRMAN VOWELS: Is there a second?

10 MR. DARKO: Second.

11 DR. ROSS: Second.

12 CHAIRMAN VOWELS: Any further discussion?

13 All those in favor say aye.

14 THE PANEL: Aye.

15 CHAIRMAN VOWELS: Show that it is
16 approved.

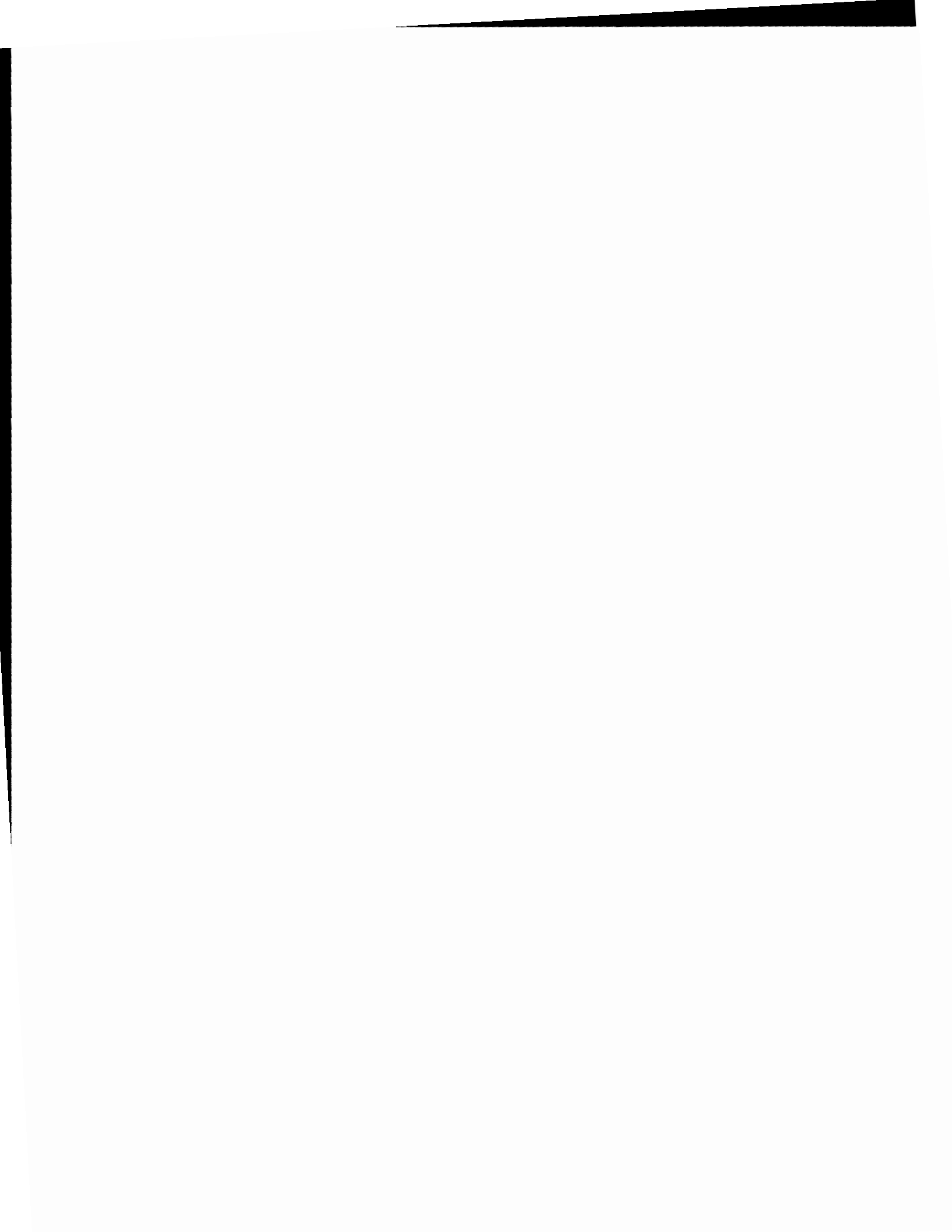
17 MR. MILCAREK: I would like to make one
18 comment.

19 CHAIRMAN VOWELS: Yes.

20 MR. MILCAREK: I want to once again thank
21 Blue Chip from the people of Michigan City for
22 that wonderful piece of property.

23 CHAIRMAN VOWELS: Thank you.

24 Mr. Thar, there's a Resolution 1999-7 that
25 deals with a surety bond posted by



1 RDI/Caesars. Is that something that you would
2 address?

3 MR. THAR: Yes.

4 Caesars has a surety bond I believe of
5 \$35M. \$8.2M of that was specifically earmarked
6 for the construction of 100 additional hotel
7 rooms and 400 parking spots that were called
8 for in the economic development agreement
9 between Caesars and Harrison County in the
10 event that Caesars was unable to implement the
11 building and operation of the gondolas,
12 popularly known as Caesars Chariots, as a part
13 of their development.

14 The gondola never came off, so they
15 represented to this Commission during the
16 course of the renewals of their Certificates of
17 Suitability that they would add the 100 rooms
18 and the 400 parking places to what was already
19 a commitment of 500 rooms at the time of the
20 original building of the hotel.

21 Prior to issuing the license to Caesars on
22 November 16th, Caesars in Harrison County had a
23 discussion about possibly not building those
24 rooms immediately but rather deferring them. I
25 participated in those discussions to a certain



1 degree, and it ended up in an amended economic
2 development agreement which was approved by
3 this Commission on November 16th.

4 What that basic economic development --
5 amendment said was that they would not build
6 100 hotel rooms now nor would they build the
7 400 additional parking places but instead they
8 would pay to Harrison County \$1M. Then upon
9 that payment it would be agreed -- and that it
10 would be further agreed that, after the hotel
11 was -- the original hotel of 500 rooms and all
12 the other stuff was built, about 18 months
13 after that there would be a review as to
14 whether or not more hotel rooms should be
15 added. Caesars subsequently -- that was
16 approved by this Commission. Caesars
17 subsequently paid \$1M to Harrison County.

18 Now, I had agreed as a part of my
19 discussions down there that I would recommend
20 to the Commission that the bond of 8.2M
21 designated specifically for those hotel rooms
22 and parking spots be reduced 50 cents on the
23 dollar to 4. -- by \$4.1M leaving 4.1M to secure
24 the hotel rooms and the parking lot.

25 Caesars and Harrison County in the



1 meantime have entered into part of an agreement
2 where Harrison County and Caesars are going to
3 request the Commission that the bond be reduced
4 by the full 8.2M. So that is the issue before
5 the Commission on this resolution is that there
6 was a request to have the bond reduction. The
7 reduction would be anywhere 0 to \$8.2M. I'm
8 recommending 4.1.

9 And I believe -- Ms. Mumford, are you here
10 to urge the Commission to go to 8.2?

11 MS. MUMFORD: Yes. Mr. Thar did tell me a
12 lot was riding on my presentation today.

13 Mr. Thar has accurately described the
14 negotiations that were entered into and the
15 agreement that was reached. I think one of the
16 points though to highlight is that, as in
17 exchange for the payment of the million dollars
18 by Caesars which has occurred, the County has
19 agreed that at the end of 18 months after the
20 hotel is completed as currently planned, there
21 will be a consideration of whether or not
22 rooms -- additional rooms or additional parking
23 spaces will be constructed. It has not been
24 determined that those will be constructed, so I
25 guess my view is at this point the amount of



1 the bond or the cost of that project would be
2 impossible to determine.

3 So what we would like is the full \$8.2M
4 reduction at this point with, of course, the
5 awareness that at any time in the future the
6 Commission could come back to us when the
7 actual project that we agreed to build with the
8 County is determined.

9 (Mr. Darko left the room at 11:51 a.m.)

10 CHAIRMAN VOWELS: Are there any questions
11 of Ms. Mumford?

12 MS. MUMFORD: And if I could just make an
13 addition. One of the reasons that the County
14 was willing to let us go with this approach was
15 that we were able to demonstrate to them that
16 we have improved the project by at least the
17 amount of the \$8.2M over what was originally
18 anticipated. So it is not the case that an
19 \$8.2M commitment has just been taken off of the
20 table for -- in exchange for a million dollars.

21 DR. ROSS: Well, since you don't -- you
22 don't know how much -- what it's going to cost
23 and all that, why do you want to take all of it
24 off the table?

25 MS. MUMFORD: Because -- just because at



1 this point it's not clear that we will be asked
2 by the County to build anything in addition at
3 that -- at that time because we are looking
4 pretty far out in the future. So I think at
5 this point it would be just unknown what the
6 amount of our commitment will be.

7 DR. ROSS: So the commitment is based upon
8 the County telling you you have -- that you
9 should do it?

10 MS. MUMFORD: What we're going to do at
11 the end of 18 months is enter into negotiations
12 as to what is reasonably required for the
13 project whether or not the additional rooms and
14 the additional parking would benefit the
15 project. One of the things that the County has
16 said is that they do not want to have rooms for
17 rooms sake. They would only want to have the
18 additional rooms if they, in fact, enhance the
19 project at that time.

20 CHAIRMAN VOWELS: Anyone else?

21 MR. THAR: It would be fair to say it's
22 not a unilateral decision, I mean it's not up
23 to the County to say whether or not the rooms
24 are necessary and then they'll be built?

25 MS. MUMFORD: That's true.



1 MR. THAR: It's a discussion point between
2 Caesars and the County which we would be
3 mutually agreed to or not?

4 MS. MUMFORD: Yes.

5 (Mr. Darko returned at 11:53 a.m.)

6 MR. SWAN: Well, I recall the presentation
7 that we had in Harrison County and when we
8 talked about the gondolas, and a lot of the
9 glitz and the hype on the project including the
10 statement that, "If we couldn't do the
11 gondolas, then we wouldn't have 8M more into
12 the project somewhere." And not that it really
13 matters, I'm kind of disappointed in the
14 project at this point. I'd be inclined to go
15 with Mr. Thar's recommendation that we reduce
16 this bond requirement by half.

17 CHAIRMAN VOWELS: Anyone else have any
18 thoughts?

19 Mr. -- Commissioner Darko, I understand
20 you abstained from this discussion?

21 MR. DARKO: That's correct.

22 CHAIRMAN VOWELS: All right. We have in
23 front of us then Resolution 1999-7 which
24 concerns the surety bond posted by RDI/Caesars
25 Riverboat Casino, L.L.C., and it allows us to



1 approve -- or puts forward for us to approve
2 the reduction of the surety bond in an amount
3 to be determined by us and that that amount if
4 less than 8.2M would be reduced from the 8.2M.

5 My inclination is to go with Mr. Thar to
6 support him in his determination here. Is
7 there, number one, any motion in reference to
8 this resolution which would set the amount of
9 the reduction?

10 MR. SWAN: Yeah, I move for a 4.1M
11 reduction.

12 CHAIRMAN VOWELS: All right.

13 MR. MILCAREK: I would second that.

14 CHAIRMAN VOWELS: Okay. Is there any
15 further discussion then?

16 All right. All those in favor of
17 approving the reduction of the surety bond in
18 the amount of 4.1M resulting in the total
19 amount of the surety bond to be posted by RDI
20 at 4.1M, all those in favor of that motion say
21 aye.

22 THE PANEL: Aye.

23 CHAIRMAN VOWELS: All right. We'll show
24 that that is so approved.

25 The next matter on the agenda then is the



1 application for transfer of ownership regarding
2 the Showboat Marina Casino Partnership and
3 Harrah's Entertainment, and, Mr. Thar, we turn
4 to you?

5 MR. THAR: Yeah.

6 Mr. Chairman, I might, Addison Simpson
7 from the Governor's office has been patiently
8 waiting in the back.

9 Addison, how long will your presentation
10 be? It would be under other business.

11 MR. SIMPSON: Yeah, ten minutes, if that.

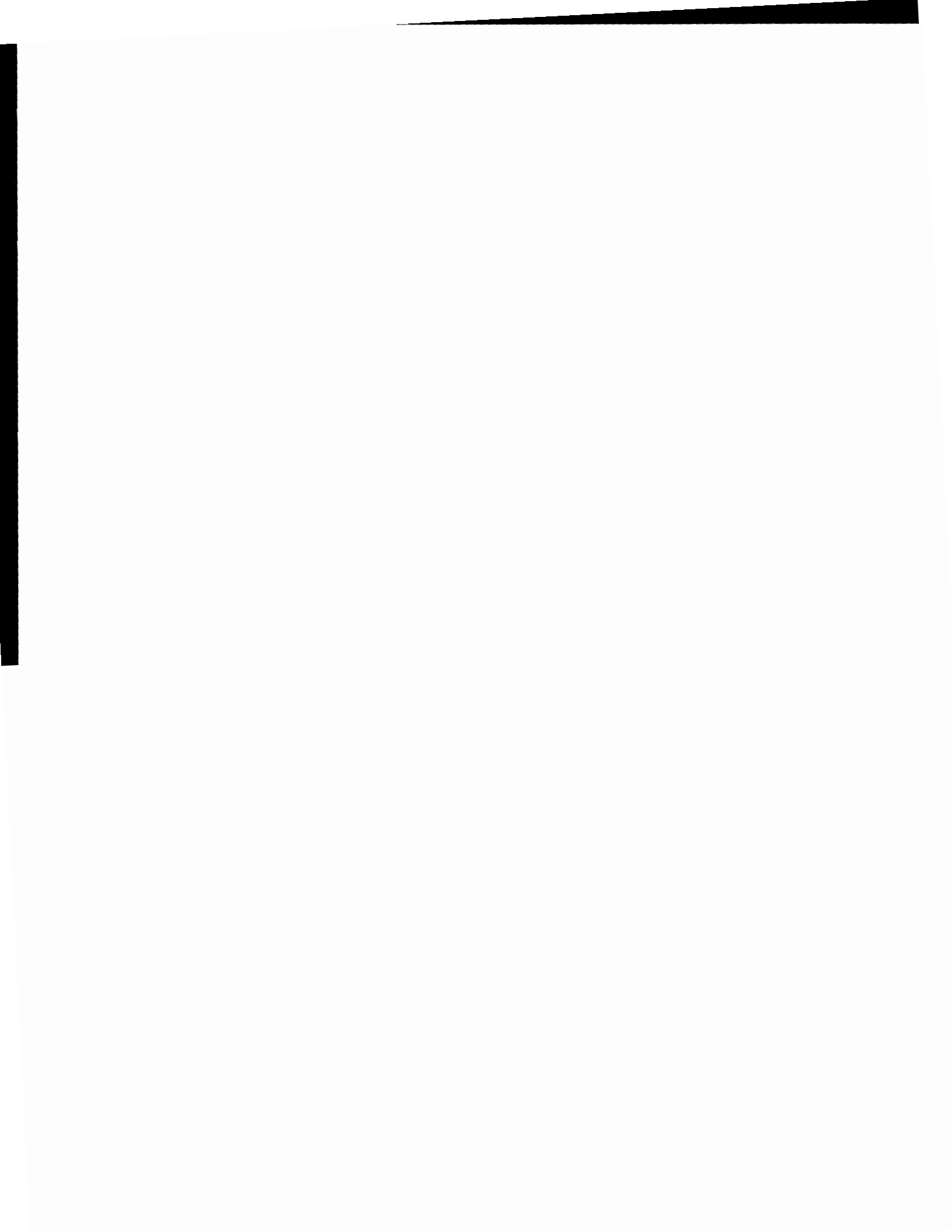
12 MR. THAR: I think that the Harrah's issue
13 will go longer than ten minutes although not
14 significantly. But I think if we -- if you
15 gentlemen don't mind, we would extend Addison,
16 if you'd like, the opportunity to address the
17 Commission at this point in time, take you out
18 of order if that's all right?

19 CHAIRMAN VOWELS: That's fine with me.
20 Let's do that. And this is Addison Simpson?

21 MR. SIMPSON: Yes.

22 CHAIRMAN VOWELS: Sir, you're with the
23 Minority Business Development Commission?

24 MR. SIMPSON: I'm the executive assistant
25 for Governor Frank O'Bannon.



1 CHAIRMAN VOWELS: Oh, I'm sorry. Okay.

2 MR. SIMPSON: And I'm presently
3 chairperson of the Minority Business Commission
4 for the State of Indiana. I've been asked by
5 the Governor, the Indiana Black Legislative
6 Caucus and the Governor's Commission on
7 Minority Business to address the Commission
8 about a concern that we have in terms of
9 looking at the percentage of minority
10 participation business-wise throughout --
11 throughout the industry.

12 One of the things that has happened, I
13 would like to say that Mr. Thar and his staff
14 have been excellent in terms of working with us
15 and allowing us to have an opportunity to work
16 with the riverboats in terms of putting
17 together some procedures and mechanisms for
18 attempting to get the goals for the minority
19 participation. I think the only disagreement
20 that Mr. Thar and I have is, because my son is
21 A.T. Simpson and he plays for Purdue, he
22 thought he should have been somewhere else.
23 Other than that, we work well together.

24 But it is a delicate matter. It is a
25 matter that is one that's in statute that there



1 are goals for woman -- woman-owned and
2 minority-owned businesses, and that we --
3 there's the impression from some individual
4 business owners that nothing is going to happen
5 unless this Commission addresses the issue with
6 the general managers of those riverboats
7 throughout the State of Indiana.

8 Mr. Krause has so graciously allowed us an
9 opportunity to meet with the general managers
10 and the purchasing agents. On March 9th we
11 will be meeting with Lake Michigan area boats,
12 and on March 10th we will be meeting with the
13 Ohio riverboats to address our concerns in
14 terms of just how can we ensure that the goal
15 for minority participation is met throughout
16 the State of Indiana.

17 I do want to say that this is not the
18 only -- the only Commission that I am attending
19 and making this request. It has been done with
20 the Lottery Commission. As the executive
21 assistant for the Lottery, we've got to ensure
22 that we do that. We're also doing it within
23 state government to ensure that the Public
24 Law 34 which was inaugurated by Senator Moseby
25 from Gary in '83 does come into full effect and



1 we reach those goals.

2 So I guess that we just want -- the
3 Governor and the Commission and the Caucus just
4 want to inform -- thank you for the
5 opportunity, but we do -- would like to work in
6 cooperation in informing various boats that
7 this is a very serious matter and this is good
8 business for the State of Indiana.

9 And so those are my concerns. Those are
10 my issues. I'm open for any questions. I have
11 numbers if you'd like in terms of the past two
12 years of what the percentages are, and those
13 percentages were given to us by the boats
14 themselves.

15 CHAIRMAN VOWELS: Okay. Are there --

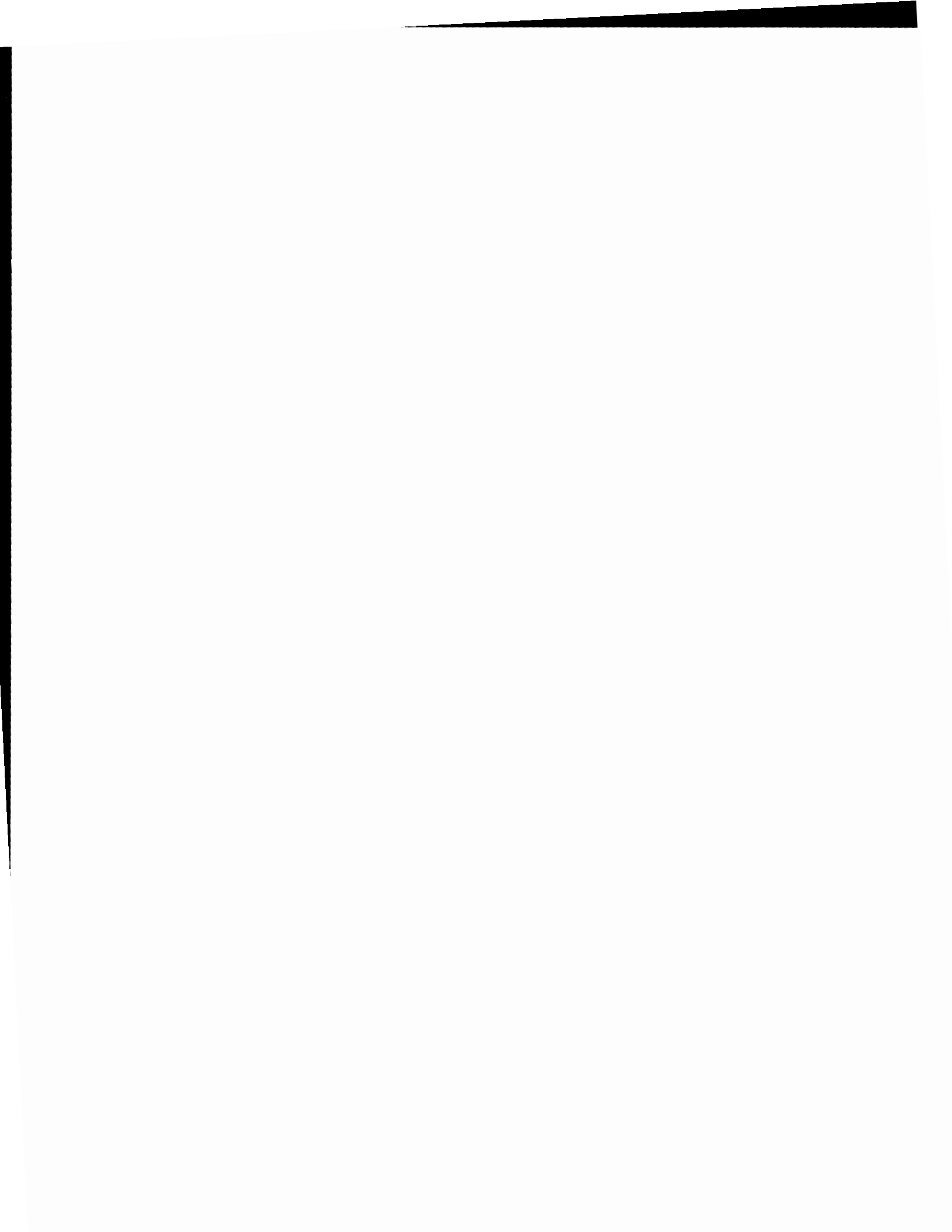
16 MR. DARKO: I'd like to review the
17 numbers. In the future, perhaps you could make
18 them available to Mr. Thar. And, Jack, could
19 you send them out?

20 MR. THAR: We have the numbers and we will
21 get them out.

22 MR. DARKO: Good. Thank you.

23 CHAIRMAN VOWELS: And you're going to meet
24 March 9th with the Lake Michigan boat?

25 MR. SIMPSON: Yes.



1 CHAIRMAN VOWELS: And March 10th with
2 Ohio?

3 MR. SIMPSON: Ohio, yes.

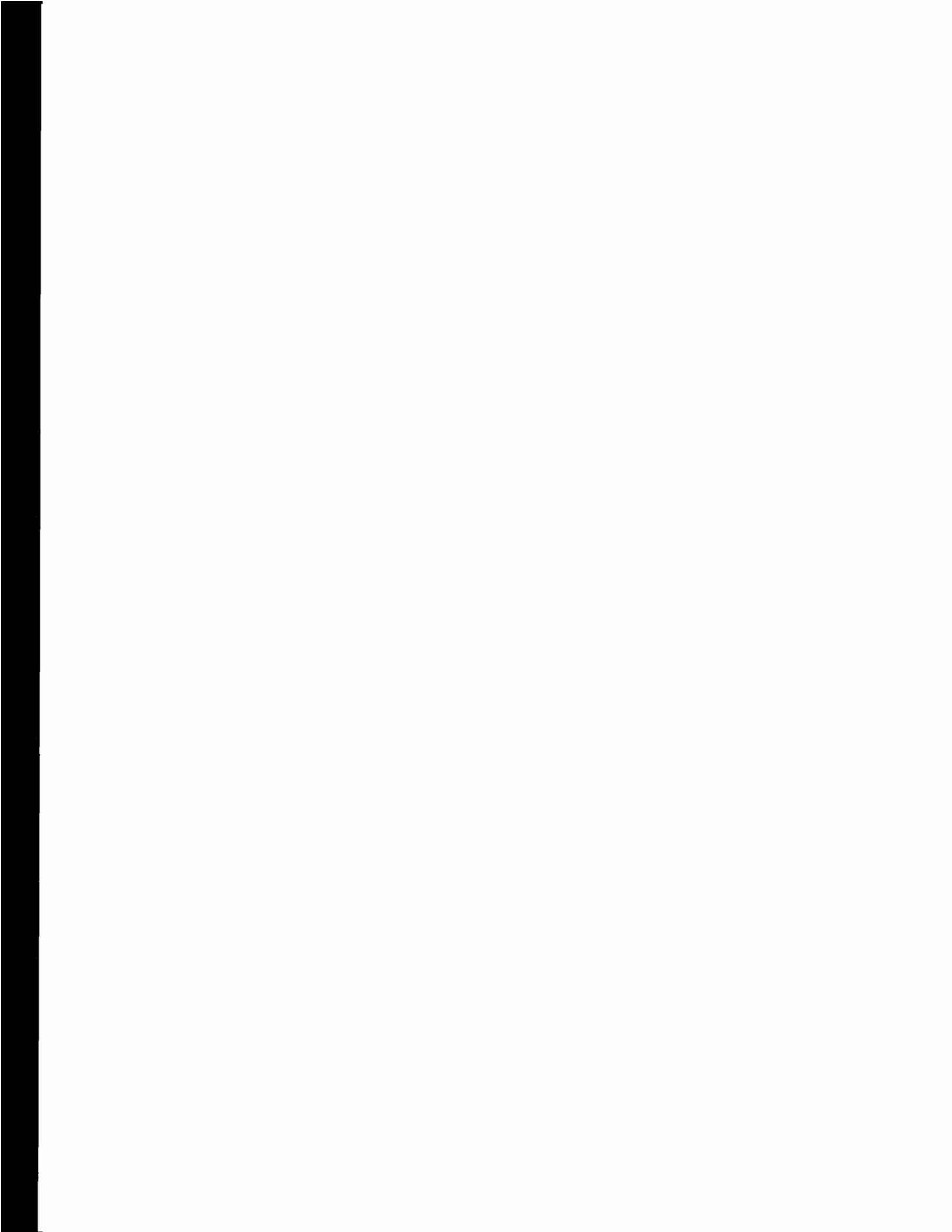
4 CHAIRMAN VOWELS: Okay. And is that
5 taking place up here in Indianapolis?

6 MR. SIMPSON: Yes, it's taking place here
7 I think in this room where we're speaking right
8 now. But I think the concern was we have to
9 work in a partnership, and the boats must hear
10 it from you guys to take a look at. It is a
11 serious matter for us.

12 CHAIRMAN VOWELS: So you move that -- you
13 were going to say something?

14 MR. THAR: No. Addison just addressed
15 it. It was that Kay had been watching this,
16 and John has taken over in Kay's absence, in
17 coordinating with Minority Business Development
18 the concept that we'll bring the general
19 managers and the purchasing managers in here so
20 that both the Commission staff and Minority
21 Business Development staff can discuss with the
22 boats the seriousness of the statutory goals --
23 statutory incentives as well as disparity
24 studies that have been going on.

25 I think part of Addison's purpose in being



1 here, I don't want to speak for him, is to
2 impress upon this Commission that the Minority
3 Business Development Commission is looking for
4 full support from this Commission with regard
5 to the percentages set forth in our statute for
6 minority women businesses, that they're looking
7 for us to assure them that they have 100
8 percent of this Commission's backing; is that
9 about --

10 MR. SIMPSON: Yes, that is correct.

11 MR. THAR: And that such backing is
12 probably necessary to attain the figures,
13 because presently one would say they have not
14 yet been attained.

15 MR. SIMPSON: Right. And you will have an
16 opportunity to see the new figures. I think
17 Mr. Krause has them.

18 MR. THAR: I think, if this Commission in
19 some way could indicate at least for the
20 Minutes, that it is in full support of what
21 Mr. Simpson has brought forward and the
22 percentages set forth in the statute.

23 MR. SWAN: I would take off my shoes and
24 pound it on the table if that would help, but
25 absolutely we're 100 percent behind you.



1 CHAIRMAN VOWELS: We've held tight to all
2 other portions of the Indiana Code that told us
3 what to do over the last few years.

4 MR. SIMPSON: I understand that. I
5 understand that.

6 CHAIRMAN VOWELS: And we certainly
7 emphasize that this part is just as valuable as
8 anything else that we have, and the gaming
9 companies need to understand that, as we hold
10 them accountable all other portions, that this
11 certainly is something that we're looking at
12 and we're glad for your assistance.

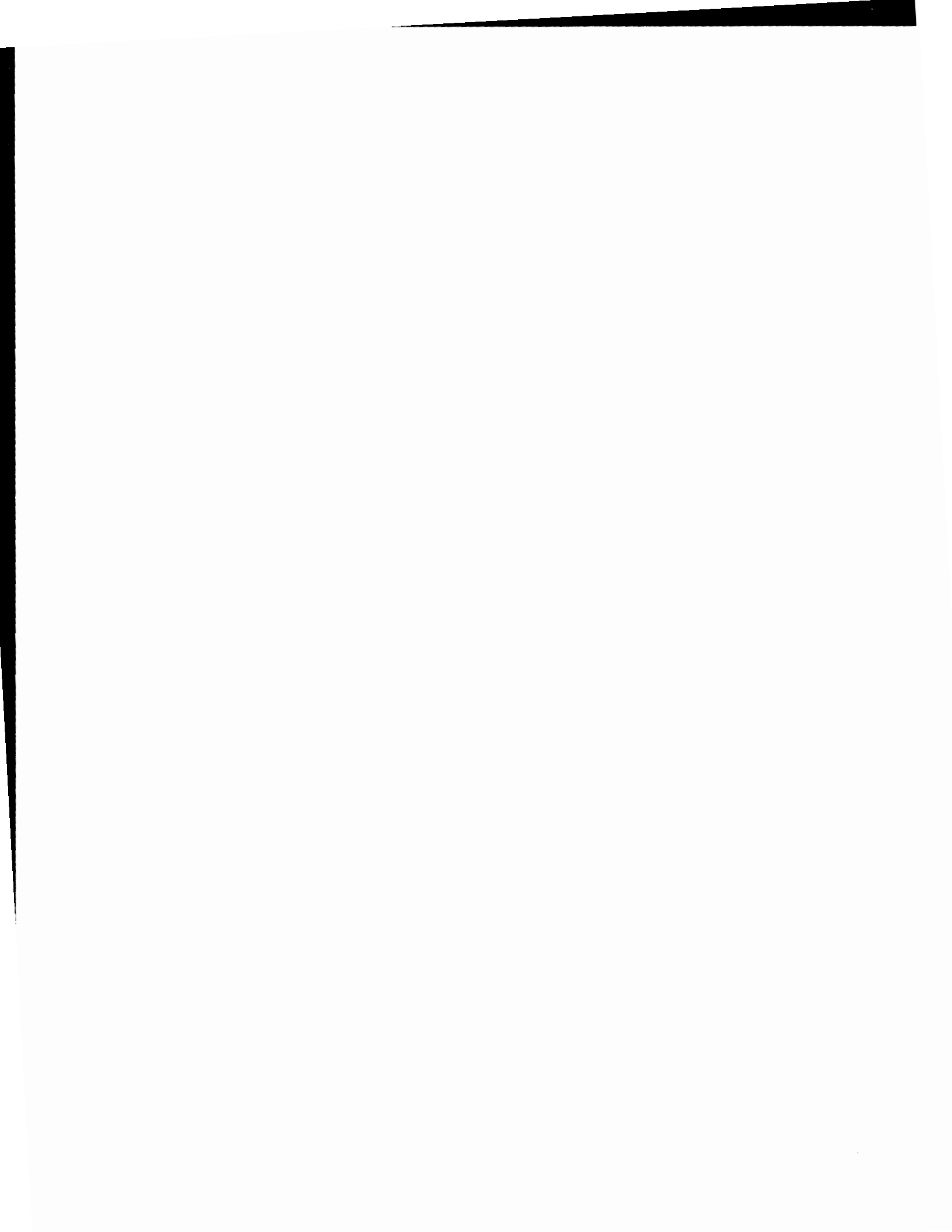
13 MR. SIMPSON: Appreciate it.

14 CHAIRMAN VOWELS: And I think I can speak
15 for the other Commissioners that you do have
16 100 percent of our support. And I think it's
17 important that that meeting is taking place in
18 this room in the Gaming Commission offices so
19 they understand that we're right behind you.

20 MR. SIMPSON: Okay.

21 CHAIRMAN VOWELS: And we look forward to
22 receiving the figures that you have, and we'll
23 hold them accountable to what the statute
24 requires.

25 Okay. Is there anything else that you



1 need to tell us here today?

2 MR. SIMPSON: I have no other business in
3 front of the Commission. I will relate this to
4 the Governor that the Commission is in full
5 support.

6 MR. DARKO: Thank you.

7 MR. THAR: Okay. Thank you.

8 CHAIRMAN VOWELS: And Mrs. Fleming will be
9 back on Monday. All right. Thank you.

10 DR. ROSS: I've got a recommendation with
11 that because early on we had the problem with I
12 think Empress Casino. We asked them to -- at
13 each meeting to sort of give us an update. Why
14 don't we do that for all the boats?

15 CHAIRMAN VOWELS: Thoughts on that?

16 MR. THAR: I think we presently do have a
17 requirement that they are to file with us as
18 well as Minority Business Development. Is it
19 on a quarterly or an annual basis?

20 MR. KRAUSE: It is quarterly with them,
21 annually with us. They have an agreement with
22 them they file quarterly, but we get copies of
23 the --

24 MR. THAR: We file with Minority Business
25 Development quarterly what their figures show,



1 and then we get copies from Minority Business.
2 We get an annual statement because our statute
3 talks about an annual basis. Minority Business
4 Development --

5 DR. ROSS: Could we have it as part of
6 the -- of our agenda each meeting of each
7 quarter?

8 MR. THAR: No, we do not.

9 DR. ROSS: I say could we?

10 MR. THAR: Could we? Yes, we could. We
11 could require that -- in our discussions with
12 Minority Business we will ask that those
13 figures be put in a format that they can be
14 presented to this Commission on a quarterly
15 basis also.

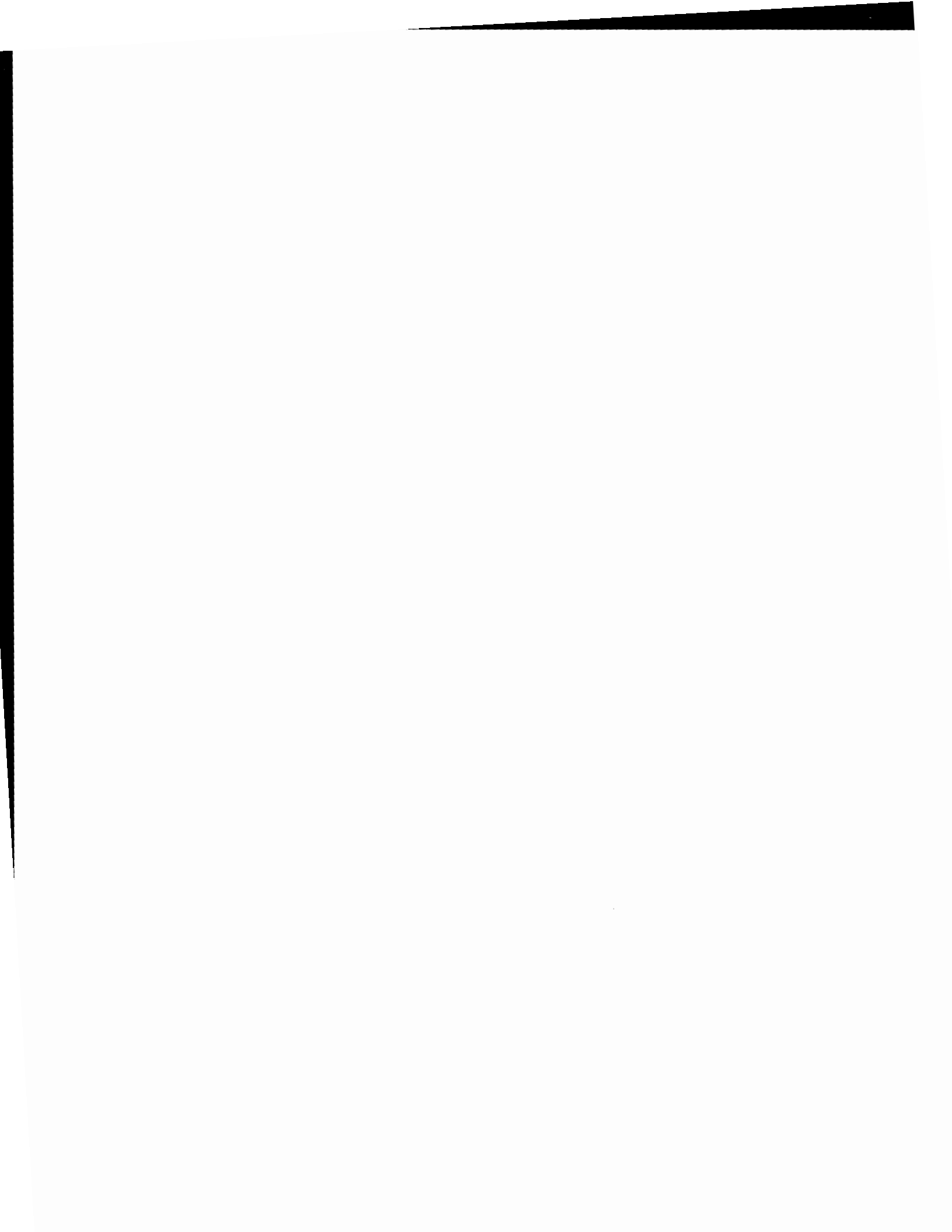
16 CHAIRMAN VOWELS: Any further discussion
17 on that issue?

18 All right then. Back on the agenda then,
19 the application for transfer of ownership, we
20 think this may take some time in reference to
21 this. Do we want to take a few-minute break?

22 MR. THAR: It's up to the Commission
23 members. Do you want to take five minutes?

24 Take five minutes.

25 The Harrah's thing is one resolution



1 broken down to three components, and I think
2 now it should have been broken into four. So
3 we want to hear from the Waterfront group
4 regarding their change of ownership. We're
5 going to want to hear from Harrah's with regard
6 to the acquisition of the shares of both
7 Showboat and the Waterfront group. As a part
8 of that we're going to want to hear very
9 briefly from Harrah's with regard to their
10 refinancing of the partnership debt.

11 And then finally, which is not included in
12 the resolutions, I don't know if it should be
13 or not, is the issue of Second Century which
14 was one of the incentive plans put forth by
15 Showboat Marina Casino Partnership when they
16 were applying for the license which is a City
17 program. And I see that John is here on behalf
18 of East Chicago, and they may want to address
19 that, and then we'll have to evaluate whether
20 or not that remains a Commission issue
21 anymore.

22 So if we could ask maybe if you could get
23 ready to take positions up here in around the
24 order we just gave, take five minutes to do
25 that, and then whoever needs -- the rest rooms



1 are out that way, water.

2 CHAIRMAN VOWELS: We'll start again at ten
3 after.

4 MR. THAR: We'll shoot to be done by
5 12:30.

6 (A recess is taken at 12:05 p.m.)

7 (Meeting resumes at 12:15 p.m.)

8 CHAIRMAN VOWELS: We'll call the meeting
9 if you're all ready.

10 MR. THAR: With regard to the upcoming
11 portion, we're going to have different people
12 addressing the Commission. For the sake of
13 clarity for the record, if you could remember
14 to tell the young lady reporting our hearing
15 what your name is and the correct spelling,
16 some of them are not as easy as Thar.

17 All right. I think I see Mr. Pannos.
18 And, Mr. Pannos, are you here as a
19 representative of Waterfront Entertainment
20 Development, Inc.?

21 MR. PANNOS: I am. It's Mike Pannos,
22 P-a-n-n-o-s.

23 Executive Director Thar and Commission,
24 the purpose of my testimony is to advise you
25 that what we have done is transfer our interest



1 to the same individuals but in the trust and
2 request that those be granted. Mr. Cappas is
3 into a Grantor Trust. Mrs. Cappas, my wife and
4 I and I think the two Cappas sons are in the
5 Revocable Trust.

6 On the second note, the Waterfront entity
7 and all but two of the shareholders within that
8 are selling their interest to our partner
9 Harrah's, Inc. The two individuals that have
10 not to date taken action on that are George
11 Pabey and John Flores. Harrah's has had
12 discussions with both of them. They're
13 represented by individuals. Whether something
14 is consummated with that, I just don't know at
15 this -- at this point.

16 What we did with each of the shareholders
17 within our group is advise them that they were
18 free to do whatever they like in dealing with
19 Harrah's. We were all comfortable with
20 Harrah's as our partner and felt that both on a
21 personal level and for the good of the project
22 that this is probably the best thing to do at
23 this time. Harrah's is a substantial company,
24 and we believe, given their actions so far,
25 that the health of the project is in very good



1 hands with that. I think that led us to
2 believe that this was a good thing to do at the
3 time.

4 CHAIRMAN VOWELS: Any questions then of
5 Mr. Pannos?

6 MR. SWAN: Did you say your trust or
7 irrevocable or --

8 MR. PANNOS: Revocable. Everybody's is
9 revocable with the exception of Tom Cappas
10 which is a Grantor Trust.

11 CHAIRMAN VOWELS: Okay. Mr. Thar, I guess
12 first thing that we do here is address the
13 transfer of these interests to the trust; is
14 that correct?

15 MR. THAR: We can handle it in that
16 fashion if you would like. The way the
17 resolution is set up, Section 3 discusses the
18 request of Waterfront to approve the transfer
19 shares to the trusts by Margaret Louise Pannos,
20 Michael A. Pannos, Samuel L. Cappas, Elizabeth
21 Cappas and Thomas S. Cappas. We can vote on
22 that section solo and can vote on that section
23 now if it would make it simpler for the
24 Commission. It would be to either grant or
25 deny that request to transfer those interests.



1 But we need to vote on that before we decide
2 whether or not Harrah's can acquire those
3 interests.

4 MR. SWAN: I'd move to approve the
5 transfer.

6 DR. ROSS: Second.

7 CHAIRMAN VOWELS: Any further discussion?

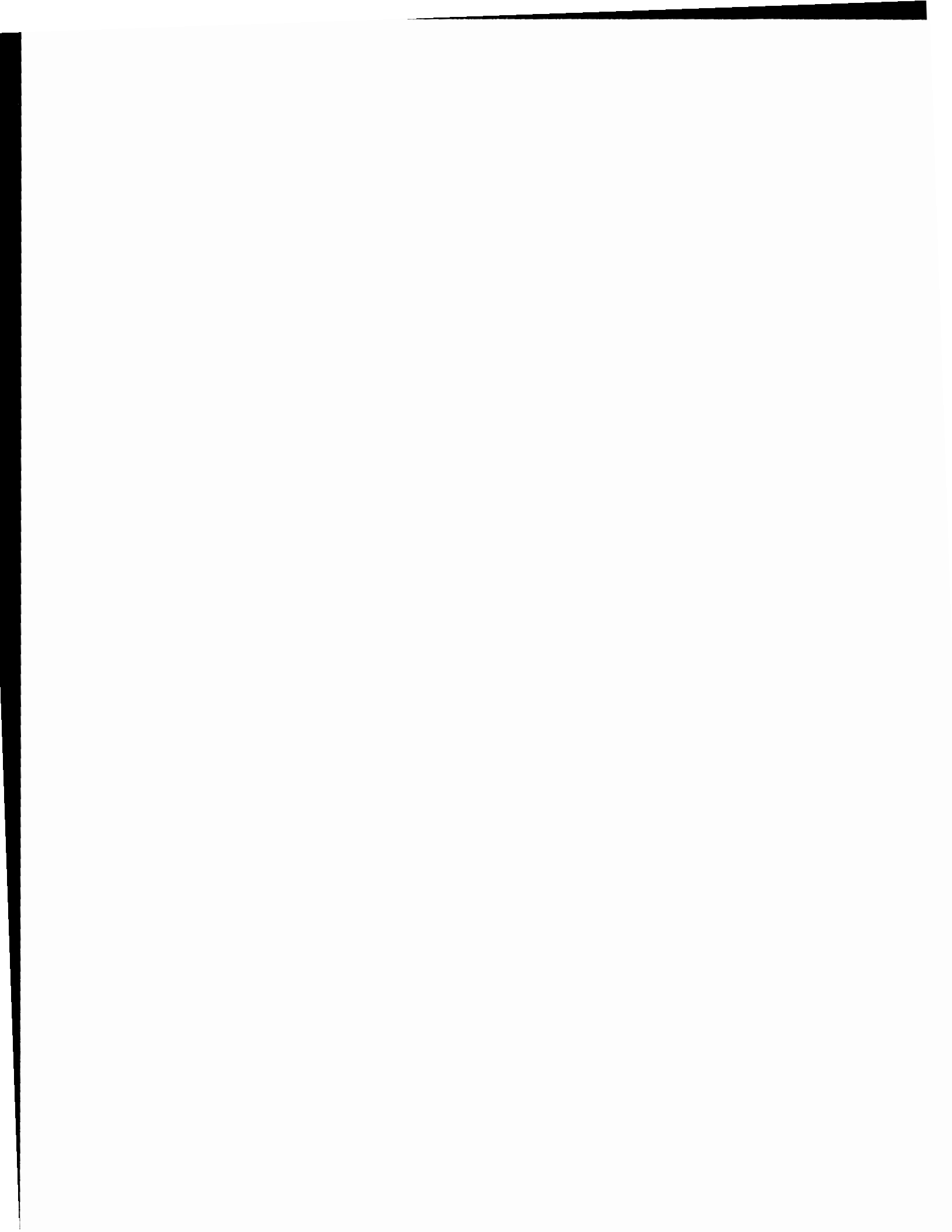
8 All those in favor of approving the
9 transfer say aye.

10 THE PANEL: Aye.

11 CHAIRMAN VOWELS: All right. And then,
12 Mr. Thar, where does that leave us right now
13 then?

14 MR. THAR: That leaves us going now to
15 Section 4, and that is the request of
16 Harrah's -- the application of Harrah's for
17 transfer of ownership of the Waterfront
18 interest which Mr. Pannos has described also
19 during his statement up here as being sold to
20 Harrah's, as well as Harrah's acquisition of
21 55 percent of the license interest through the
22 acquisition of Showboat.

23 And I think we have Mr. Wilmott,
24 Mr. Loveland and Mr. Domenico here to represent
25 Harrah's with regard to that request.



1 CHAIRMAN VOWELS: Come on forward. Just
2 remember for the reporter's sake, state your
3 name.

4 DR. ROSS: Let me ask one question. Is
5 this -- to the trust, is this the shares are
6 put into the trust?

7 MR. PANNOS: Yes. It is --

8 DR. ROSS: And if they are purchased, they
9 will be purchased from the trust?

10 MR. PANNOS: That's correct. And it's the
11 same people to the same people.

12 CHAIRMAN VOWELS: And this so to clarify
13 the -- other Waterfront shareholders that are
14 not involved in this make up what portion?

15 MR. PANNOS: As far as the trust --

16 CHAIRMAN VOWELS: No, I'm talking about
17 Mr. Pabey and Mr. Flores.

18 MR. PANNOS: They own -- they each own
19 half a share of Waterfront.

20 CHAIRMAN VOWELS: All right. All right.
21 Okay. That's why it comes out to 99.55 because
22 it's half a share.

23 MR. PANNOS: Right.

24 CHAIRMAN VOWELS: Okay, I got you.

25 All right. And then the gentlemen from



1 Harrah's who we have in front of us; is that
2 correct?

3 MR. LOVELAND: Good morning, Mr. Vowels,
4 members of the Commission staff, my name is
5 George Loveland, Vice President, Associate
6 General Counsel and Compliance Officer,
7 Harrah's Entertainment. With me this morning
8 are to my left Tim Wilmott, Eastern Division
9 President, responsible for the East Chicago
10 property, and Joe Domenico, Senior Vice
11 President and General Manager of the property,
12 wishes to extend on behalf of Messrs. Phil
13 Satchery (phonetic), Collin Reed and Gary
14 Loveman (phonetic), their apologies for not
15 being able to be here this morning; however, we
16 are in the middle of -- we're having a board
17 meeting right now and that's where they are.
18 We pulled Mr. Wilmott out of there to come this
19 morning hopefully to get your approval.

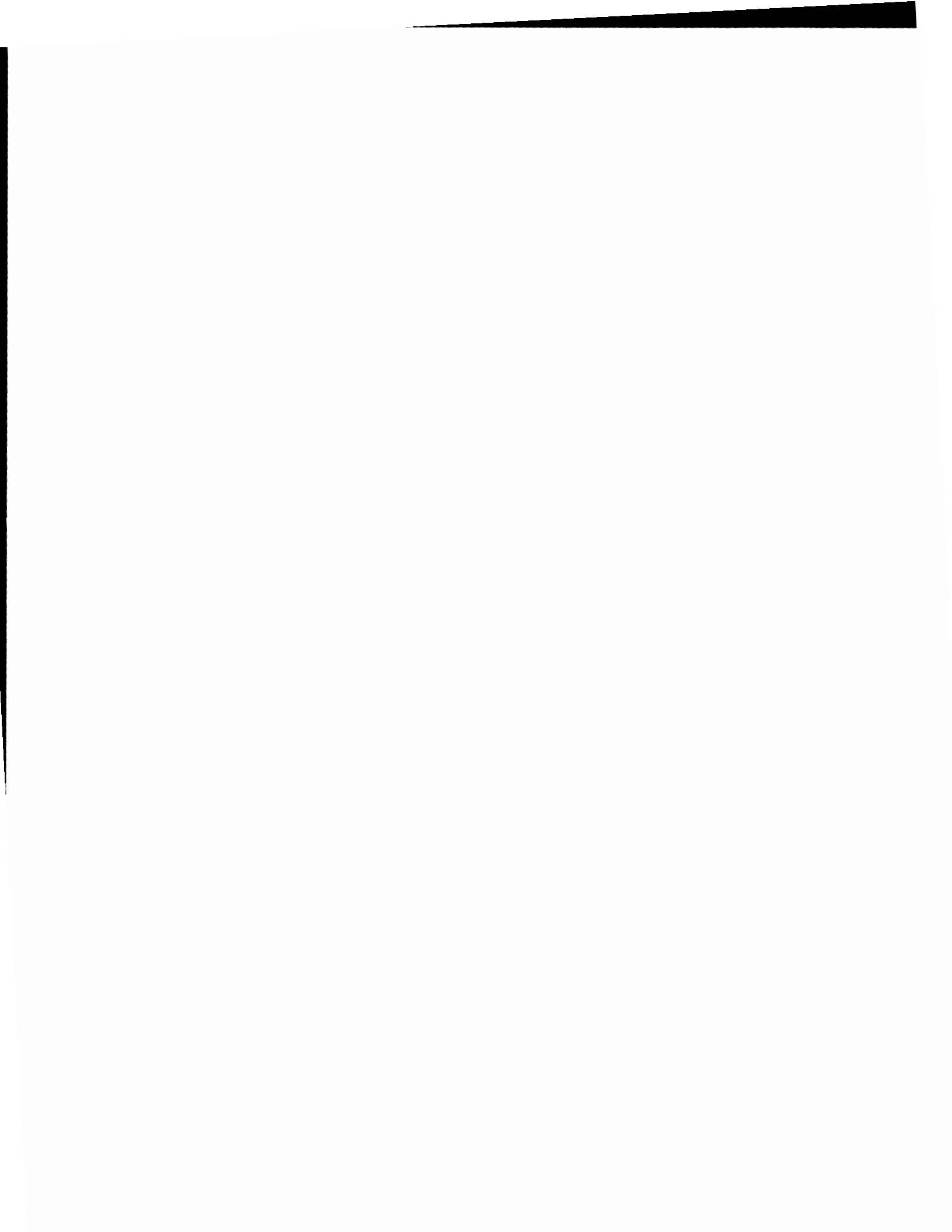
20 On behalf of Harrah's, I just want to say
21 that we're quite pleased to be here, I guess
22 the third time is a charm, and so happy to be
23 in Indiana. And frankly wouldn't be here but
24 for the fine work of Mr. Thar and his staff and
25 the State Police who have helped us, not only



1 through the background investigation, but as
2 Mr. Thar earlier mentioned, approval of a lot
3 of computer and information technology changes
4 that we have made since we took over the
5 operation of the property last June.

6 So there really -- there are three things,
7 little items I guess, that we're seeking your
8 approval of this morning. The first is the
9 approval for our acquisition of the interest in
10 the Showboat Marina Casino Partnership
11 previously held by a subsidiary of Showboat,
12 Inc. That transaction pursuant to which
13 Harrah's operating company acquired all the
14 stock of Showboat, Inc. closed in June of last
15 year. That transaction was an all-cash
16 transaction, and it was financed by a bank
17 facility which was in place at the time.

18 The second item that we're seeking
19 approval of from you is, as Mr. Pannos
20 previously described, the acquisition -- the
21 Showboat piece of the licensee was 55-percent
22 partnership. The second piece of that
23 partnership is a 45-percent ownership position
24 which Waterfront Entertainment and Development
25 owns.



1 We announced back in December an agreement
2 with Waterfront to purchase virtually the
3 entirety of the Waterfront Development stock
4 which is 99 percent, and as Mr. Pannos
5 described, their 45-percent interest, which if
6 you approve that when added to the 55 percent
7 that we acquired from Showboat, would give us a
8 total of 99.55 percent of the partnership. The
9 partnership structure with all its subsidiaries
10 would remain in place, the only difference
11 being that Harrah's Operating Company, Inc.
12 will be the ultimate owner of all the entities
13 save the one percent that's still outstanding.

14 Again, this transaction with the
15 shareholders of Waterfront is to the extent a
16 cash transaction as being financed by a line of
17 credit which we have, and the transaction is a
18 combination of cash and Harrah's Entertainment
19 stock.

20 The third item for which we're seeking
21 your approval to the extent we need to do so is
22 the refinancing of approximately \$140M worth of
23 debt that is on the partnership's books,
24 13-and-a-half percent first mortgage debt.
25 Harrah's Operating Company commenced a tender



1 offer for that debt on the 12th of February.
2 That includes both a consent to strip out some
3 of the covenants and bonds plus the tender.
4 The consent period closes today. The tender
5 offer concludes for all intents and purposes
6 March 12th, 12:01 a.m., actually on March the
7 13th. The deal will close on March the 17th
8 assuming we get the requisite number of tenders
9 which right now appears to be -- we have over
10 50 percent now of consents. And so that
11 appears that that will happen.

12 This transaction also is being financed by
13 our available lines of credit and those -- I
14 have Mr. Domenico and Mr. Wilmott here to
15 answer any questions you may have about what's
16 going on with the property.

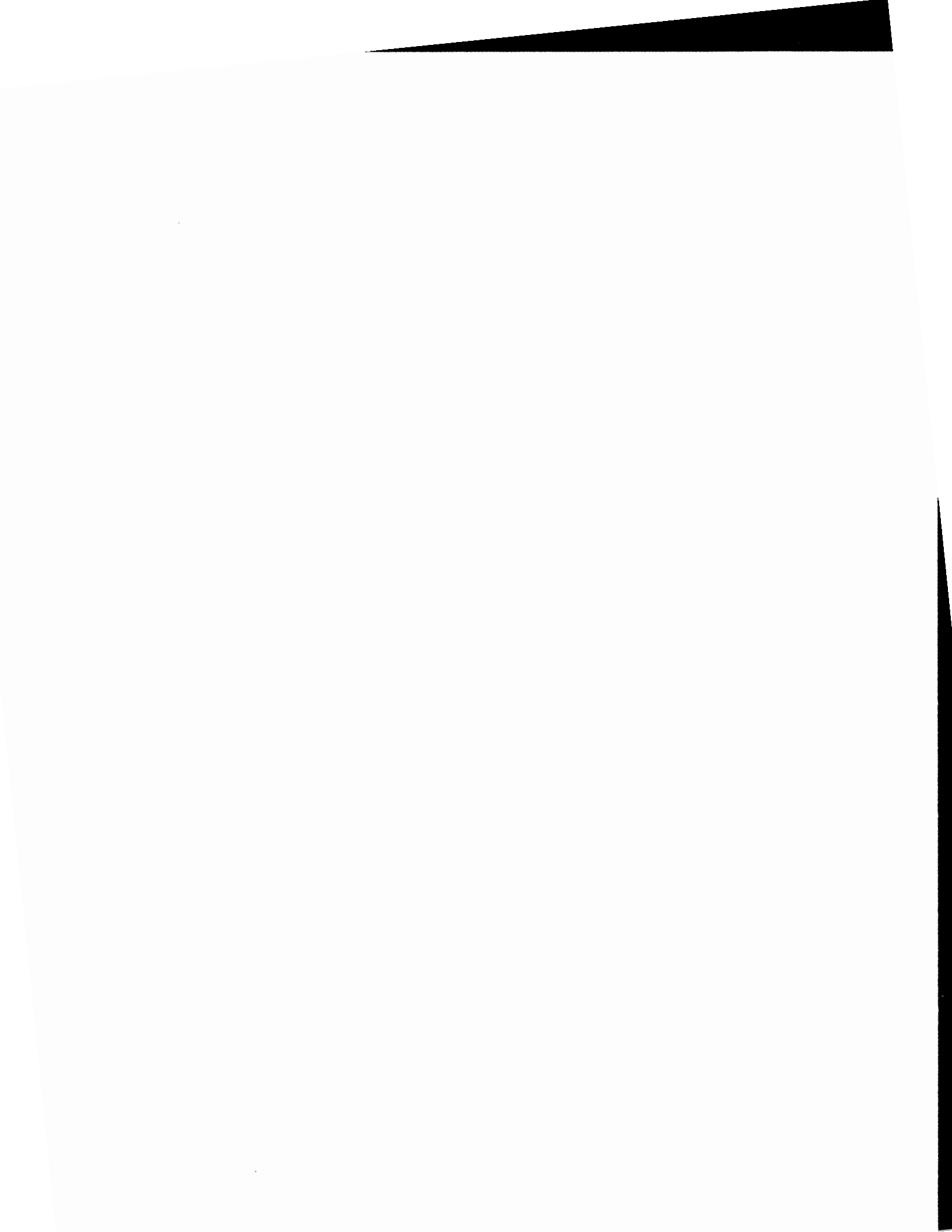
17 With that, that concludes our
18 presentation. I thank you for time and
19 attention and ask for your approval.

20 CHAIRMAN VOWELS: Thank you.

21 Are there any questions of the parties?

22 MR. SWAN: We have done all the background
23 investigation on Harrah's?

24 MR. THAR: Yes, we have. The reports have
25 been sent to each of the Commissioners, both



1 the portion that will become public as well as
2 that portion which remains confidential. From
3 a staff point of view, there is no reason from
4 a suitable point of view that this request for
5 change of ownership should not be granted.
6 Harrah's is a prime company in the gaming
7 world. This may very well make them, if not
8 the largest, one of the largest gambling
9 companies as well. I think when you add in
10 their management aspects within the casinos,
11 they are biggest.

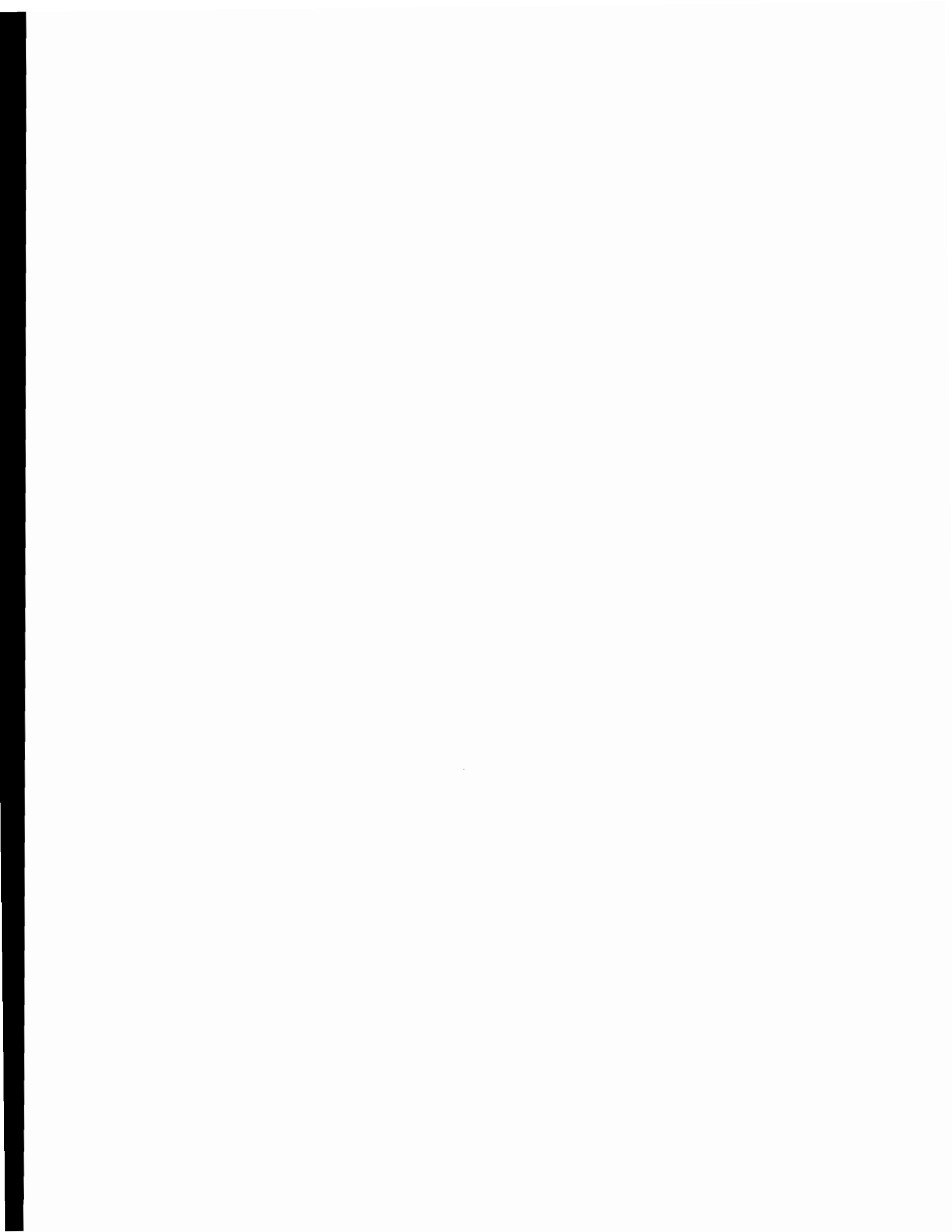
12 There is nothing that came up in the
13 background investigation that I'm aware of
14 which would cause any problems with welcoming
15 Harrah's to Indiana to do business.

16 Floyd, did you --

17 MR. HANNON: No outstanding issues.

18 CHAIRMAN VOWELS: Anyone have anything
19 else?

20 MR. THAR: One other thing that needs to
21 be clarified that obviously, when we do part of
22 the background investigation, certain
23 representations and guarantees or
24 participations in community items by funding
25 were set forth by Showboat at the time that



1 they got the license. Harrah's has agreed to
2 step into Showboat's shoes 100 percent with
3 regard to backing up those other incentives
4 that will be on the statute to the City of East
5 Chicago.

6 The one thing that needs to be discussed
7 with regard -- which does not need to be fully
8 explained with regard to whether or not
9 Harrah's petition to acquire this ownership can
10 be granted or denied is, for instance, East
11 Chicago Second Century, which we'll talk about
12 after, unless the Commission decides to hear
13 about that first, we can hear about that after
14 we vote as to whether or not Harrah's should be
15 allowed to acquire 55-percent interest as well
16 as the 44.55-percent interest in the Showboat
17 Marina Casino Partnership.

18 CHAIRMAN VOWELS: This Section 4 deals
19 with the acquisition of the Showboat Marina
20 Casino Partnership through the acquisition of
21 Waterfront, and the acquisition of Showboat
22 Inc., and then the tender offer for the
23 13-and-a-half-percent first mortgage bonds?

24 MR. THAR: Yes.

25 CHAIRMAN VOWELS: So we've got all of that



1 in this one section here? I guess we could
2 deal with all of it together?

3 MR. THAR: Yes. It's all part of the --
4 if we approve the change in ownership to
5 Harrah's, these things will all take place as a
6 result.

7 CHAIRMAN VOWELS: All right. Is there any
8 other question or discussion at this point?

9 MR. SWAN: Move to approve the change of
10 ownership.

11 CHAIRMAN VOWELS: All right. Then that
12 Section 4, that action on the request for
13 approval of the transfer, Commissioner Swan has
14 moved to grant that. Is there a second?

15 DR. ROSS: Second.

16 CHAIRMAN VOWELS: Is there any further
17 discussion?

18 All right. All those in favor of granting
19 this request say aye.

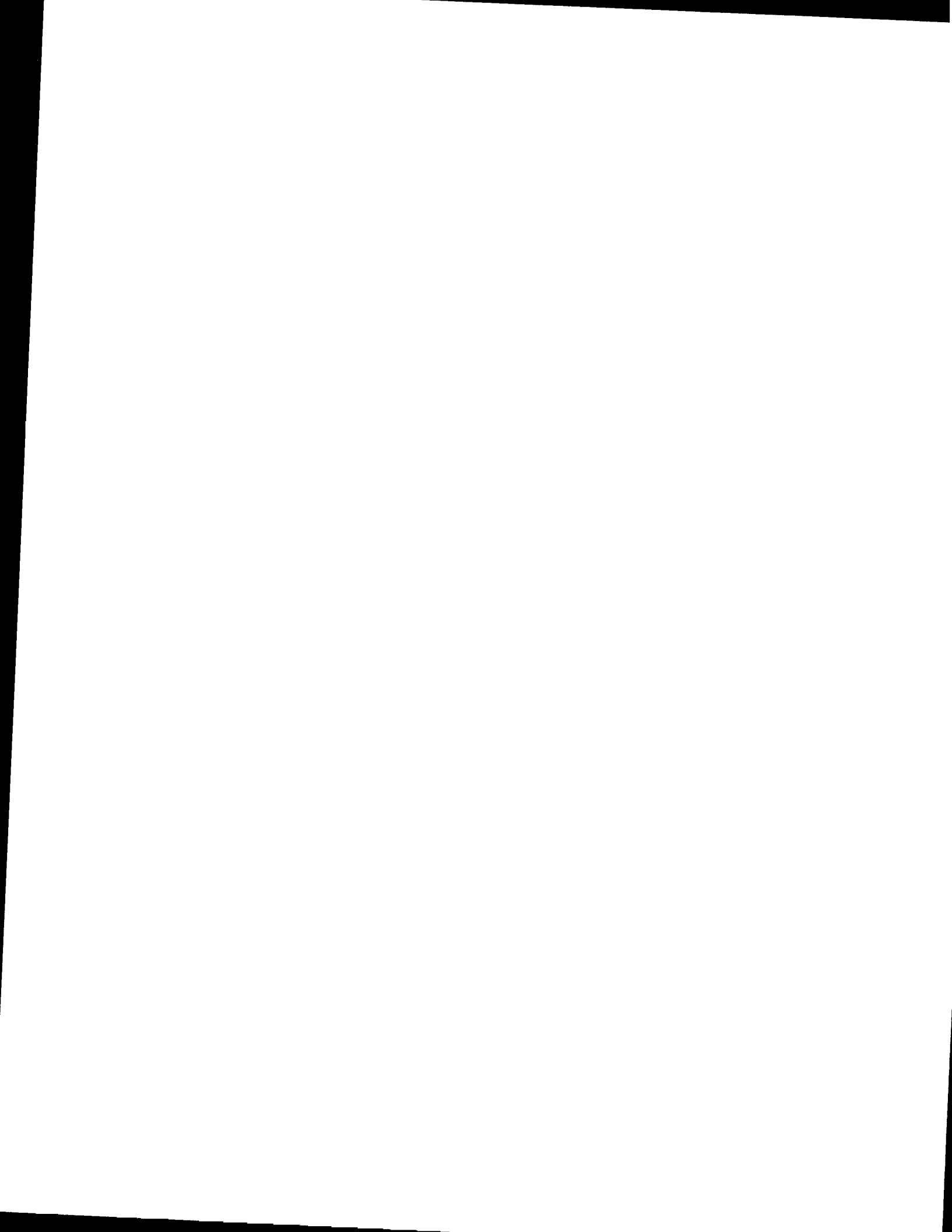
20 THE PANEL: Aye.

21 CHAIRMAN VOWELS: All right. Then that is
22 granted.

23 In reference to Second Century?

24 MR. LOVELAND: Thank you very much.

25 MR. THAR: Showboat Marina Casino



1 Partnership obligation to Second Century East
2 Chicago was to fund that organization with .75
3 percent --

4 MR. LOVELAND: Yes.

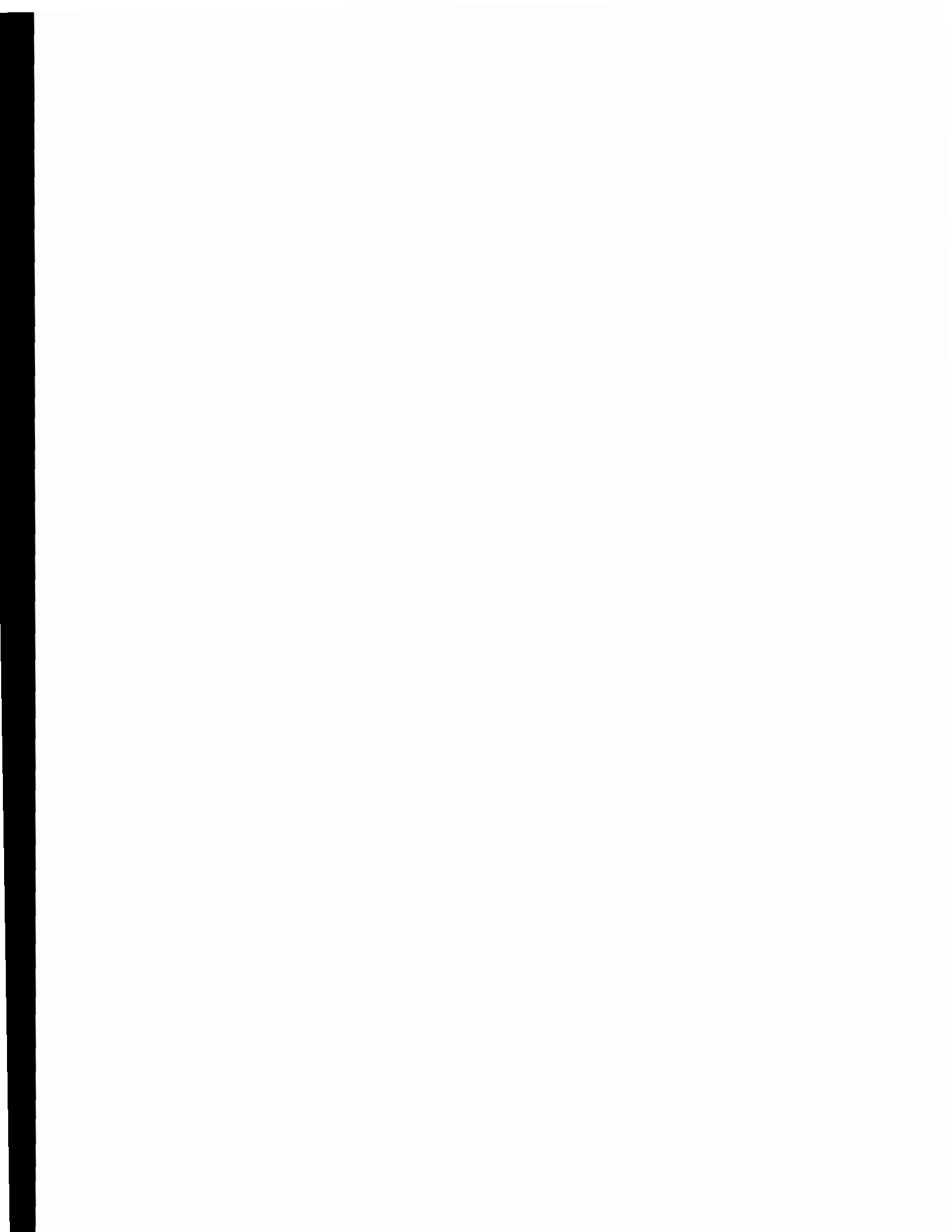
5 MR. THAR: -- of gaming win. Harrah's has
6 agreed to fund that with .75 of their win.

7 MR. LOVELAND: Yes.

8 MR. THAR: Harrah's does not want and has
9 no obligation to participate with regard to
10 East Chicago Second Century and anything beyond
11 funding it to the extent just stated they've
12 agreed to do that. What now has happened is,
13 if you remember, East Chicago Second Century I
14 think was kind of the brain child of the
15 Waterfront group in connection with John Artis.

16 And is that Mike with you, Mike Higby ?

17 And they made the presentation to the
18 Commission at the time to get the license, that
19 this would be either a for-profit or a
20 not-for-profit organization set up to bring
21 economic development in the form of residential
22 and potentially commercial development to the
23 City of East Chicago, and that it would be
24 funded through the .75 percent Showboat was to
25 pay and that is now going to be taken over by

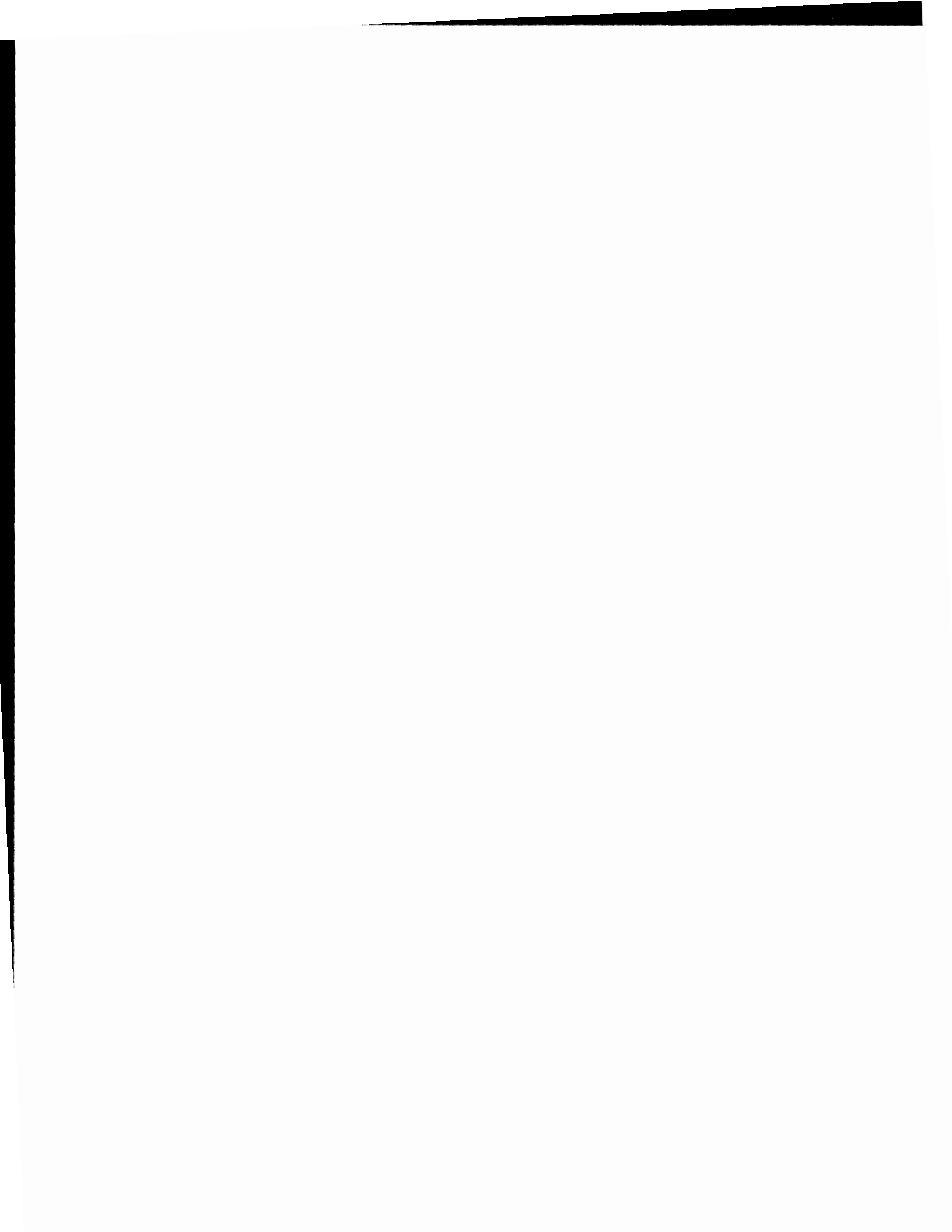


1 Harrah's.

2 The Commission had some concern as to
3 whether or not, since the people that were
4 involved with Waterfront would also be involved
5 with East Chicago Second Century, that they
6 were not to profit in any way from it. But the
7 Commission did allow two members of Waterfront
8 to be involved in the administration. Both
9 those gentlemen subsequently declined, decided
10 they did not want to participate in that group
11 anymore.

12 This Commission later then allowed
13 Mr. Pannos and Mr. Cappas to participate in the
14 administration of the organization of Second
15 Century under the caveat that they were to
16 receive no money, they were going to do it on a
17 charitable basis.

18 The question has now come, and we have
19 received a letter from East Chicago which I
20 think John Artis is here to address, that since
21 the Waterfront group no longer holds any
22 ownership in the casino, that the City of East
23 Chicago would like to oversee development of
24 Second Century on their own since it's set up
25 for them, and that the Gaming Commission's role



1 from today forward would be to just ensure that
2 it's funded by .75 percent as has been
3 represented.

4 But that statement may not have captured
5 all that I think John wants to present. So,
6 John, if I might ask if you and Mike to the
7 extent both need to be up here, could come up
8 and address what the City's position is with
9 regard to Second Century, it would help us.

10 MR. ARTIS: Good afternoon first of all.
11 I appreciate the opportunity this afternoon.

12 On behalf of --

13 MR. THAR: John, could you give the
14 correct spelling of your last name to the
15 reporter?

16 MR. ARTIS: Sure. John Artis, A-r-t-i-s.

17 MR. THAR: And your position with City of
18 East Chicago?

19 MR. ARTIS: The Director of Redevelopment
20 for the City of East Chicago.

21 And as it relates to the question of
22 Second Century, on behalf of Mayor Pastrick and
23 the City, it's my charge this afternoon to
24 indicate to you that we still view Second
25 Century as a vital and most integral part of



1 our revitalization efforts in the City of East
2 Chicago.

3 The original concept that we proposed to
4 the Commission called for Second Century to be
5 a for-profit entity that would operate as a
6 typical development company with several
7 caveats, one of which would have been that it
8 would have been a captive development company
9 for the City of East Chicago. It could not do
10 development outside the community. We continue
11 to want that element enforced, and Mr. Cappas
12 and Mr. Pannos coincided with that attitude.

13 Additionally, we wanted to see that those
14 funds that were set aside for Second Century
15 were leveraged to an appreciable degree. And
16 initially we talked about an 8-to-1 leverage.
17 We're looking at a range of leveraging at this
18 particular point.

19 Lastly, we wanted to make sure that the
20 firm did, in fact, generate some income so that
21 there would, in fact, be one incentive; and
22 secondly, that there would be an opportunity to
23 have additional funds for development purposes
24 in the City of East Chicago.

25 One other key element: We thought it



1 would be vital to have local ownership of this
2 Capital Development Company. With local owners
3 there would be the -- the ability to
4 communicate in our estimation much better and
5 to have a private ownership, if you will, in
6 each of the projects that the City of East
7 Chicago would, in fact, identify as potential
8 developments for involvement on the part of
9 Second Century.

10 Also, the current control which pretty
11 much identifies the City through its Planning
12 Department and its comprehensive plan, which
13 would identify projects Second Century would be
14 engaged in, is the controlling interest or
15 entity rather the City would use to ensure that
16 projects undertaken do, in fact, meet some sort
17 of a plan and long-range opportunity and goals
18 set by the community in general.

19 So again, we welcome the opportunity to go
20 back to the original concept which is that of a
21 for-profit entity without the limitations other
22 than those I've just identified for the benefit
23 of Second Century.

24 We are currently working on a number of
25 projects that were previously identified to the



1 Commission as priority projects in the City of
2 East Chicago, not the least of which is the
3 Washington Place project, a 64-home unit
4 development that will break ground hopefully
5 here in the next 30 to 45 days. It's a project
6 we've been working on closely with the
7 principals, Mr. Cappas and Mr. Pannos, and it
8 looks like it's going to come to pass. And
9 it's a very exciting time in the City of East
10 Chicago as it relates to market housing
11 development in the City of East Chicago.

12 There are two other projects that are
13 economic development in nature that, without
14 the existence of Second Century and the
15 constraints, if you will, that are placed on
16 this particular development company, these
17 projects probably would not be moving forward
18 the way they are in the City of East Chicago.
19 So I'm just here to say that the concept is one
20 that we continue to support and look forward to
21 great things as a result of this particular
22 concept in the City of East Chicago.

23 CHAIRMAN VOWELS: Questions or thoughts?

24 MR. SWAN: What's our responsibility
25 here? We had an agreement that said that

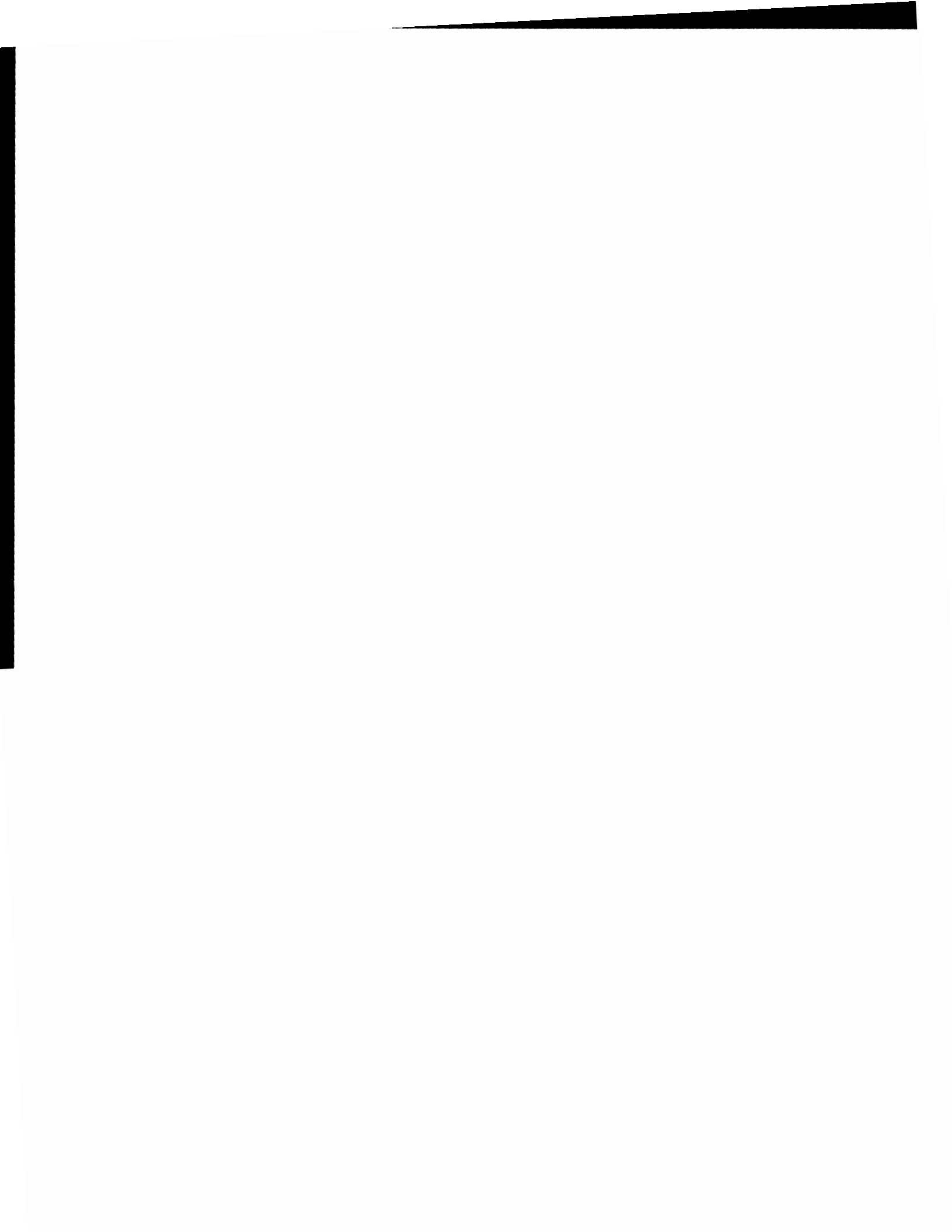


1 Second Century would receive whatever this
2 percentage is.

3 MR. THAR: That was part of the licensing
4 commitment made by Showboat.

5 MR. SWAN: Right.

6 MR. THAR: Harrah's has agreed to fund
7 that. So from a funding aspect, that's no --
8 that's not an issue. We had put some
9 conditions on participation in Second Century
10 and whether or not participation in Second
11 Century could generate any income for people
12 that participated in it because of their
13 ownership in Showboat Marina Casino
14 Partnership. That ownership as of five minutes
15 ago no longer exists. The question is: Beyond
16 what Mr. -- what John Artis -- what Mr. Artis
17 has said about how they would like to operate
18 East Chicago Second Century with the three
19 limitations, are there any -- is there any
20 reason for the Commission to maintain any more
21 limitations over East Chicago Second Century
22 or, in fact, to allow the City to set up such
23 conditions and operate it as they choose?
24 That's what I, in essence, understand is being
25 asked. Is there something more or less than



1 that?

2 MR. ARTIS: That's the gist of it.

3 DR. ROSS: Did you say you were changing
4 from a nonprofit to a for-profit?

5 MR. ARTIS: No. The original contract was
6 for profit.

7 DR. ROSS: Now you're going to nonprofit
8 or are you going to stay --

9 MR. ARTIS: We want to maintain for-profit
10 status.

11 MR. THAR: My understanding is -- who
12 would -- what other agencies would -- would
13 another State agency have oversight over that?

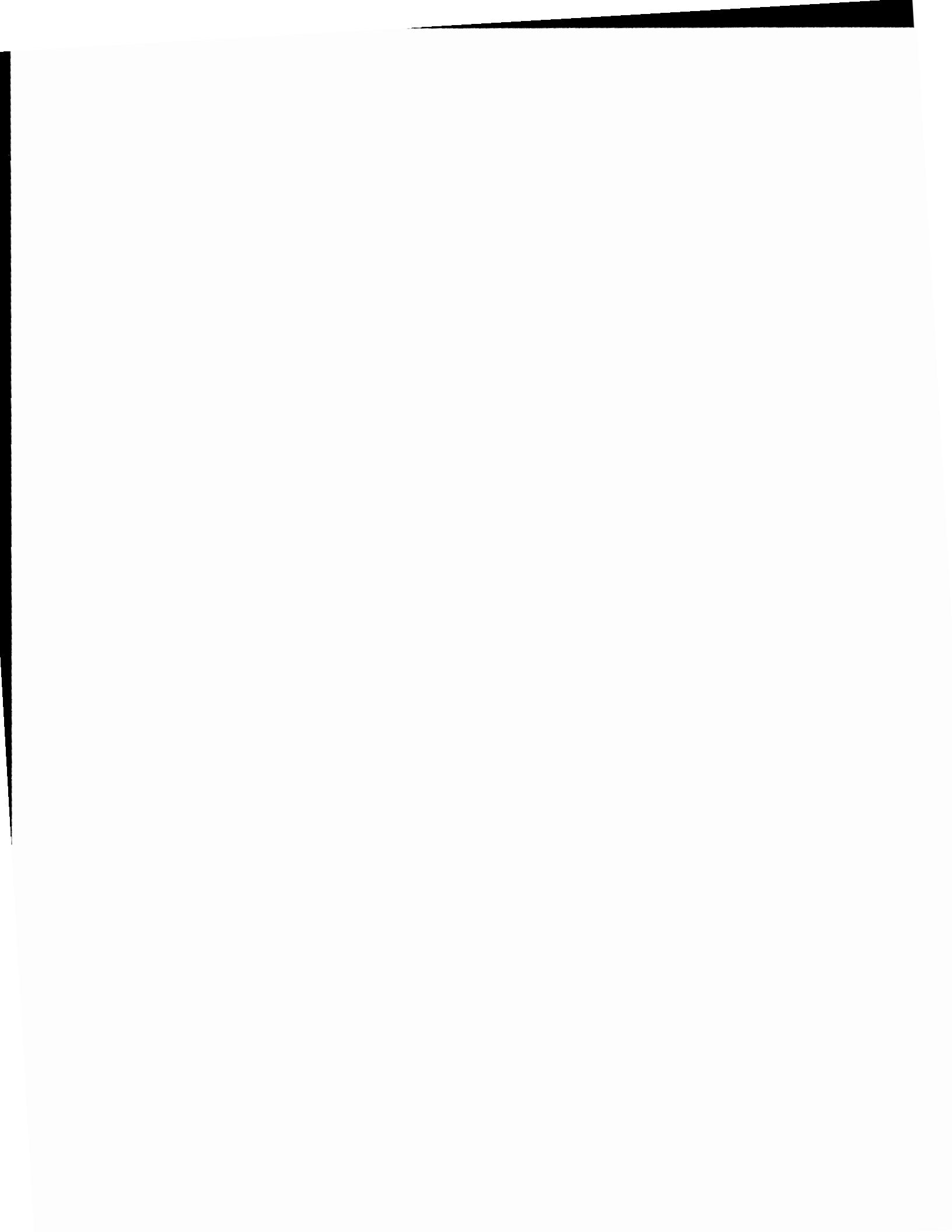
14 MR. ARTIS: State agency?

15 MR. THAR: Yeah. Would Second Century,
16 for instance, be subject to review by the State
17 Board of Accounts?

18 MR. ARTIS: No, it would not be.

19 MR. THAR: No? So who would be
20 responsible then?

21 MR. ARTIS: It would become the City's
22 responsibility to ensure that the .75 set aside
23 is, in fact, being used -- not only used but
24 also used for projects that are, in fact,
25 approved by the City itself.



1 MR. THAR: Okay. Does the setup of Second
2 Century then contain within it that the City
3 has input into where the projects are to be and
4 what types of projects are to be?

5 MR. ARTIS: Absolutely. They cannot do a
6 project unless the City approves the project.
7 And again, it only can operate in the City of
8 East Chicago.

9 CHAIRMAN VOWELS: When you say the City,
10 is there a certain commission or --

11 MR. ARTIS: Planning Commission.

12 CHAIRMAN VOWELS: Planning Commission?

13 MR. ARTIS: Well, in all likelihood there
14 will probably be at least three commissions:
15 the Planning Commission, the Redevelopment
16 Commission and the Board of Public Works.

17 CHAIRMAN VOWELS: All right.

18 DR. ROSS: It seems kind of strange that
19 this is a for-profit group that is now governed
20 by a governmental -- I mean by the City that
21 says what they can do.

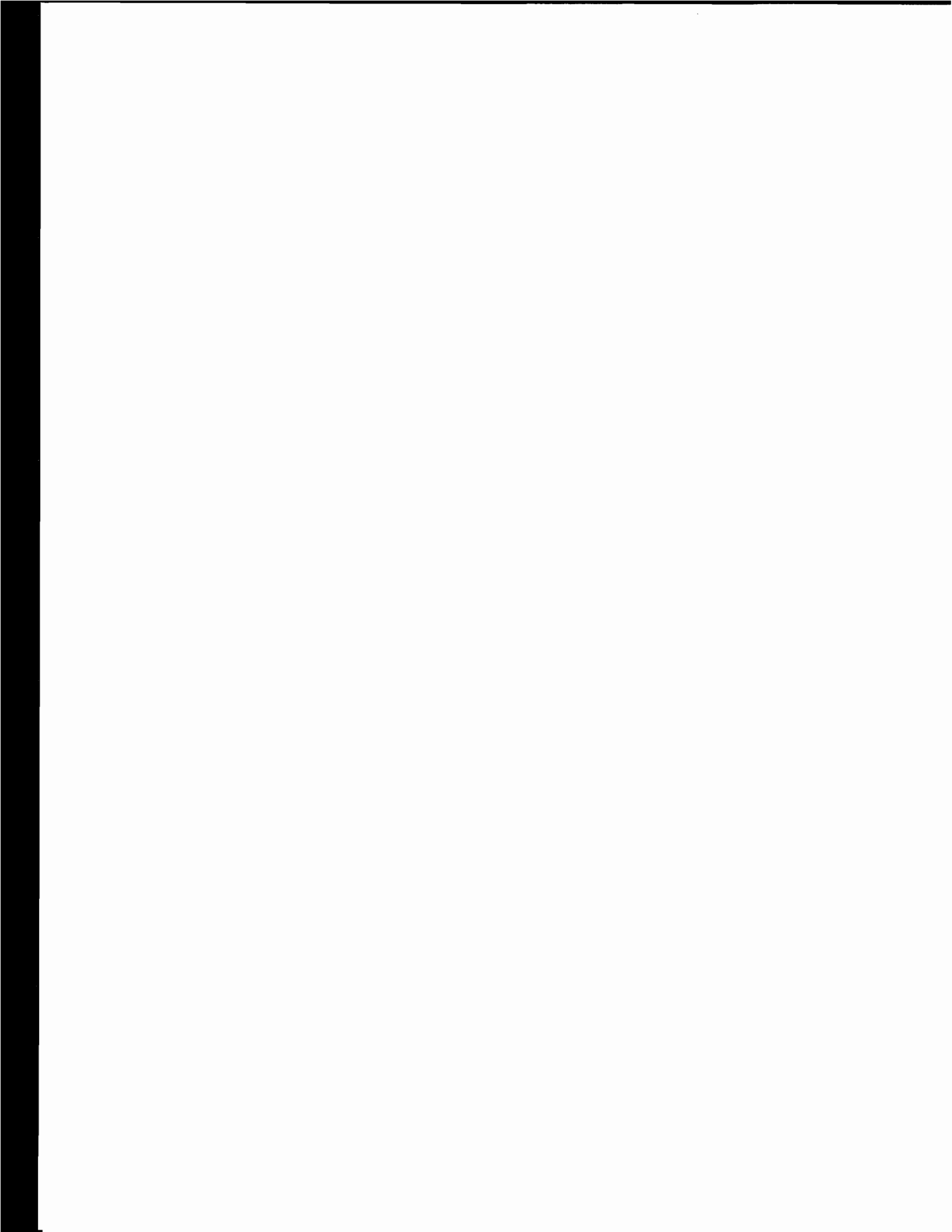
22 MR. ARTIS: That was the original concept
23 presented to the Commission sometime ago. Our
24 intent was to -- economic and other
25 redevelopment in the City of East Chicago has



1 not occurred in any great degree -- to any
2 great degree in the last 10, 15 years. One of
3 the reasons that has not occurred is because of
4 the difficulty in getting developers to see the
5 light, if you would, of the benefits in the
6 City of East Chicago.

7 We thought if, in fact, we had a captive
8 development corporation, one that would operate
9 as a typical development corporation with one
10 difference; that is, it would -- it would not
11 look at each project as a typical developer,
12 the profit margin, if you would, might be a bit
13 less than a typical developer would want to see
14 in a development of a housing -- 64-housing
15 (phonetic) unit development, but nonetheless it
16 would provide an opportunity for that developer
17 to make income and also complete the project in
18 a timely fashion.

19 So we thought if we had a captive
20 development corporation which generates income
21 and is a for-profit entity, it would also be
22 able to attract other for-profit organizations,
23 be it banking institutions or other developers,
24 that it would, in fact, co-venture with some of
25 these developments in the City of East Chicago



1 and foster or make easy -- easier the
2 revitalization of the City of East Chicago. So
3 that was our intent.

4 DR. ROSS: Who gets the profit now? If
5 you make a profit, who gets --

6 MR. ARTIS: Second Century gets the
7 profit. The City has no --

8 DR. ROSS: No, I understand that. But I'm
9 trying to determine who Second Century is.

10 MR. ARTIS: Well, Second Century is --
11 would, in fact, be Mr. Pannos and Mr. Cappas
12 and others.

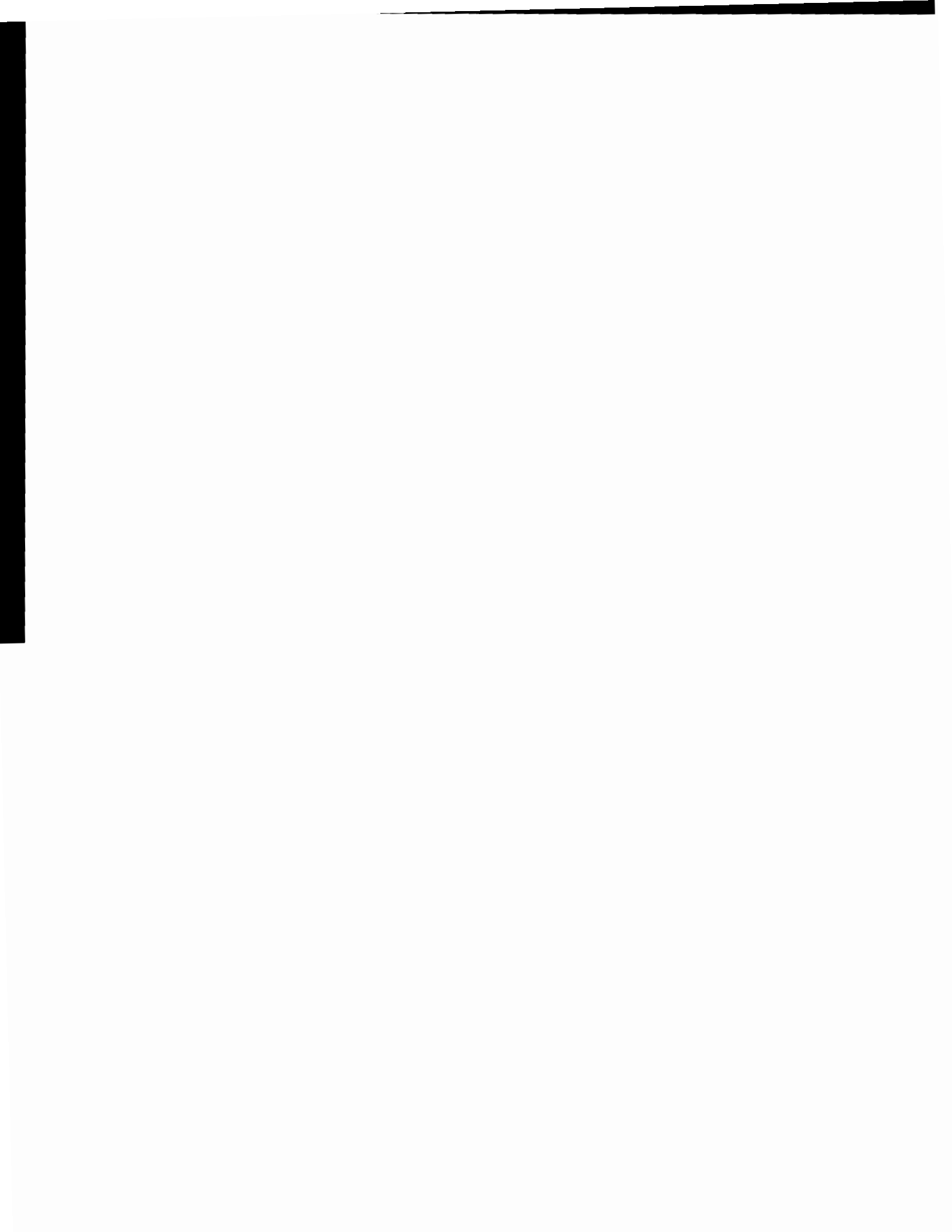
13 DR. ROSS: This deal there?

14 MR. ARTIS: Yes.

15 MR. PANNOS: In Second Century.

16 DR. ROSS: In Second Century.

17 MR. HIGBY: Yeah, I might add, if I
18 can -- Mike Higby, who has worked with all the
19 parties mentioned here -- a good example why
20 this entity is required or necessary in East
21 Chicago, if they're going to enjoy any level of
22 market rate development that's desired by the
23 City, we've probably lost six months in
24 implementing the Washington Place project
25 because I think Second Century to its credit



1 and the partners wanted to go out and make sure
2 that the first development was as successful as
3 possible.

4 So they recruited a very well-known
5 reputable housing developer that's doing a
6 great deal of urban development up in Michigan
7 and basically said, "You serve as our developer
8 on this project so we can really raise our
9 opportunity for success on this project. We
10 want to make sure we have a home run the first
11 project."

12 The developer spent six months doing its
13 due diligence from Michigan unfortunately, not
14 in East Chicago, tried to make the numbers work
15 from their perspective, and they couldn't do
16 it. It was just such a unique market, one
17 where they couldn't get the risk that they felt
18 was there under control, and so they really
19 turned it back in even though Second Century
20 was willing to really leave more profit with
21 that developer than they would normally want to
22 do in a project of this type.

23 It's extremely difficult to get developers
24 to be able to make sense of a market rate
25 development in East Chicago. Since then,



1 Mr. Pannos and Mr. Cappas and Mr. Artis have
2 worked on that project about another six months
3 now, have worked with three contractors to
4 bring the numbers down to get the project to
5 work. And as John says, they're really within
6 30 to 45 days of implementing this project.

7 So it takes a great deal of hard work. It
8 has to be somebody that's committed to East
9 Chicago. And it most often is going to take
10 somebody that is very sensitive and understands
11 the local climate as opposed to a developer out
12 of Michigan that probably is not going to be as
13 committed and be able to put in the type of
14 time required to make these things work.

15 DR. ROSS: Suppose you don't get any --
16 you can't find anything that needs -- that can
17 be developed in East Chicago, what happens to
18 the money?

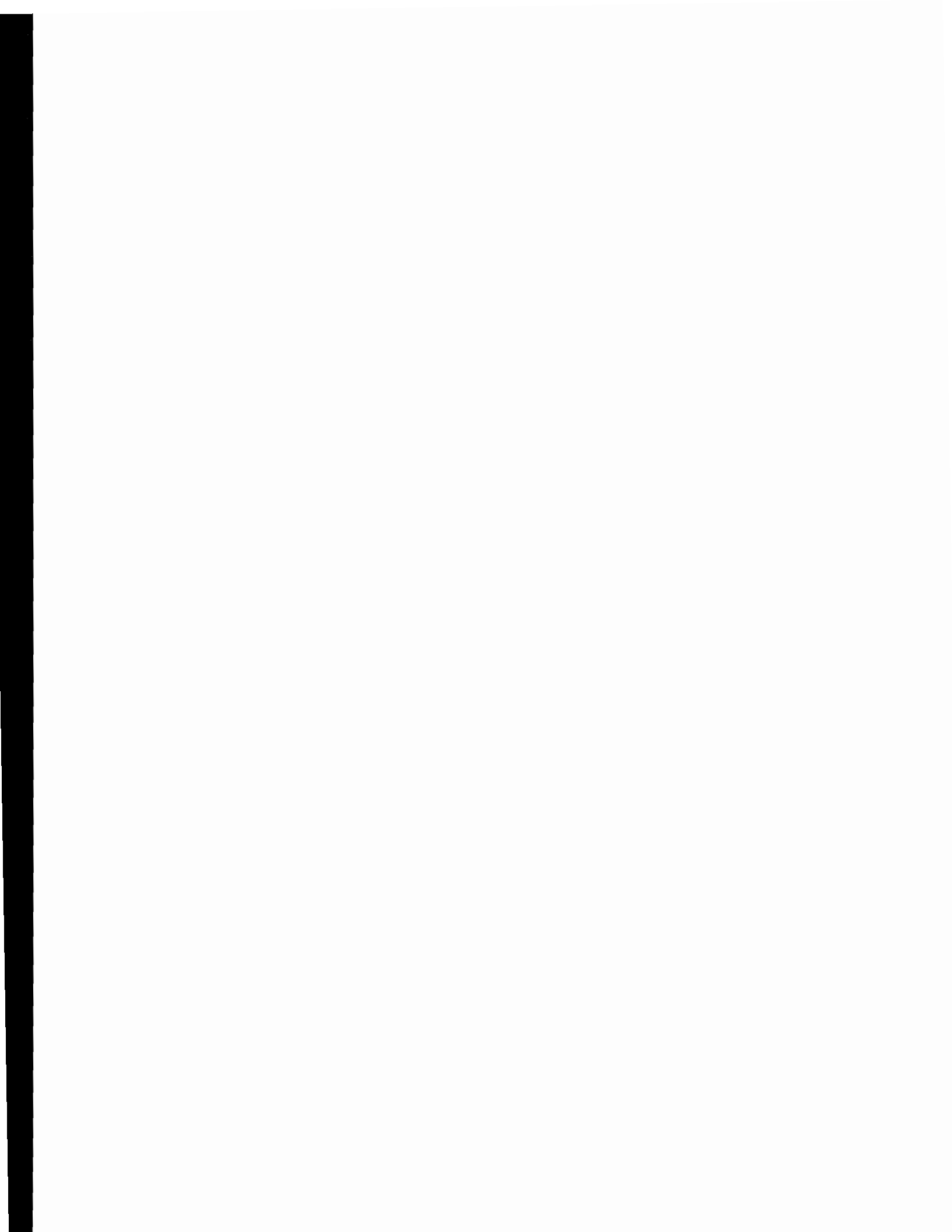
19 MR. ARTIS: Well, we don't think that's
20 going to be --

21 DR. ROSS: Well, I know you don't.

22 MR. ARTIS: -- a problem.

23 DR. ROSS: I'm just --

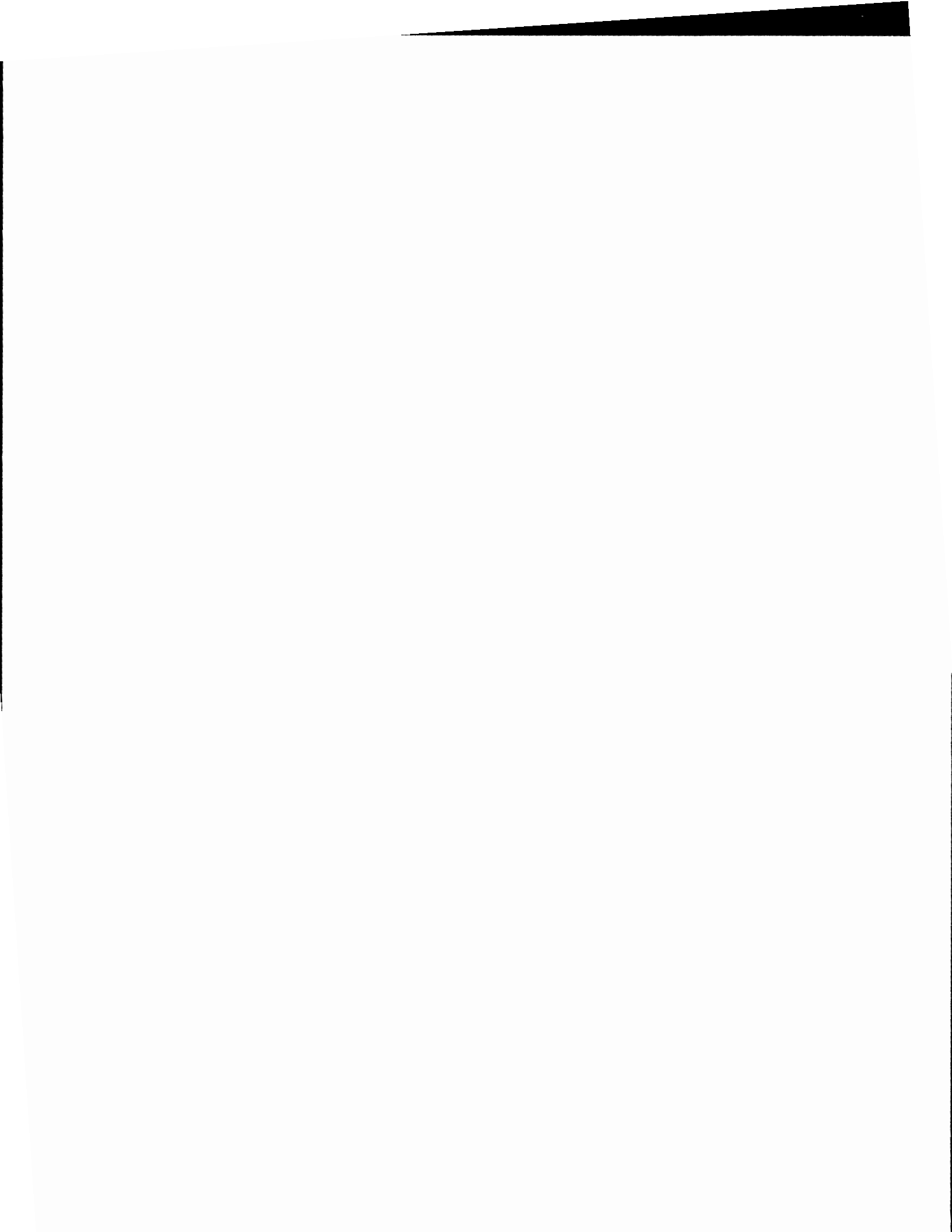
24 MR. ARTIS: Again, the money can only be
25 used for projects in the City of East Chicago.



1 So there's an incentive on the part of the City
2 to identify projects as well as for the owners
3 of the corporation itself to generate projects
4 that will, in fact, bring forth income for
5 them. But in terms of -- I've got a list of
6 things that we're waiting on yet to get
7 involved with locally, so there won't be a
8 shortage of projects.

9 MR. PANNOS: Washington Place is a good
10 example of that. Margins are very thin. It's
11 of higher risk than most outside developers
12 would take, and the amount of capital required
13 of Second Century on this project is higher
14 than -- than a normal urban development just
15 because of the nature of market rate housing in
16 urbanized settings.

17 It's a lot different than going in at --
18 with projects that are there for the purpose of
19 tax credits or there for, you know, subsidized
20 housing. This is a market rate development to
21 build a stable neighborhood right in the center
22 of the City. So Second Century has to pony up
23 a substantially greater amount given that one
24 developer decided against doing this even
25 though that developer has had great success in



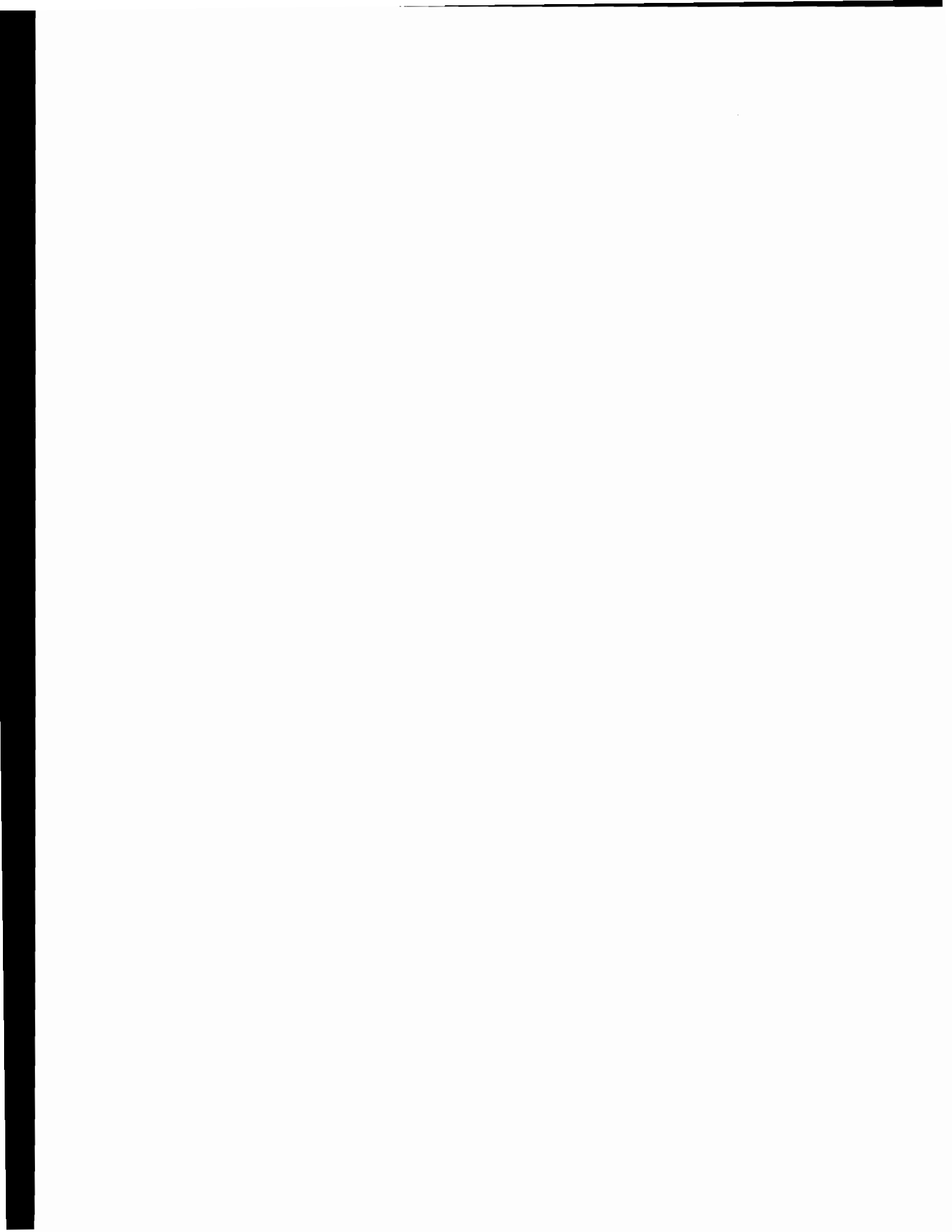
1 Detroit and some other urban areas. Just felt
2 this was tougher to do and manage from farther
3 away.

4 MR. THAR: Couple other points that have
5 been pointed out to me while we've been
6 listening to this discussion: Again, the
7 funding for Second Century is not out of any
8 tax. It's a voluntary contribution negotiated
9 by the City from the riverboat license-owned
10 subsidiaries.

11 DR. ROSS: John, it is kind of a tax
12 because it's being given by Harrah's now.

13 MR. THAR: It's given -- being given by
14 Harrah's as a part of their profit, not as a
15 part of any required tax. But secondly in
16 terms of -- so from a regulatory point of view,
17 depends upon to what extent do we want to
18 oversee what the City does.

19 It's my understanding that Second Century
20 has agreed with the Center for Urban Policy and
21 Environment on the annual reports through the
22 City to report for those annual reports the
23 disbursements made by Second Century in terms
24 of development. So there will be a certain
25 accountability with regard to the money as it's



1 being developed through actions of the
2 Commission in approving that aspect for
3 licensing -- for licensing.

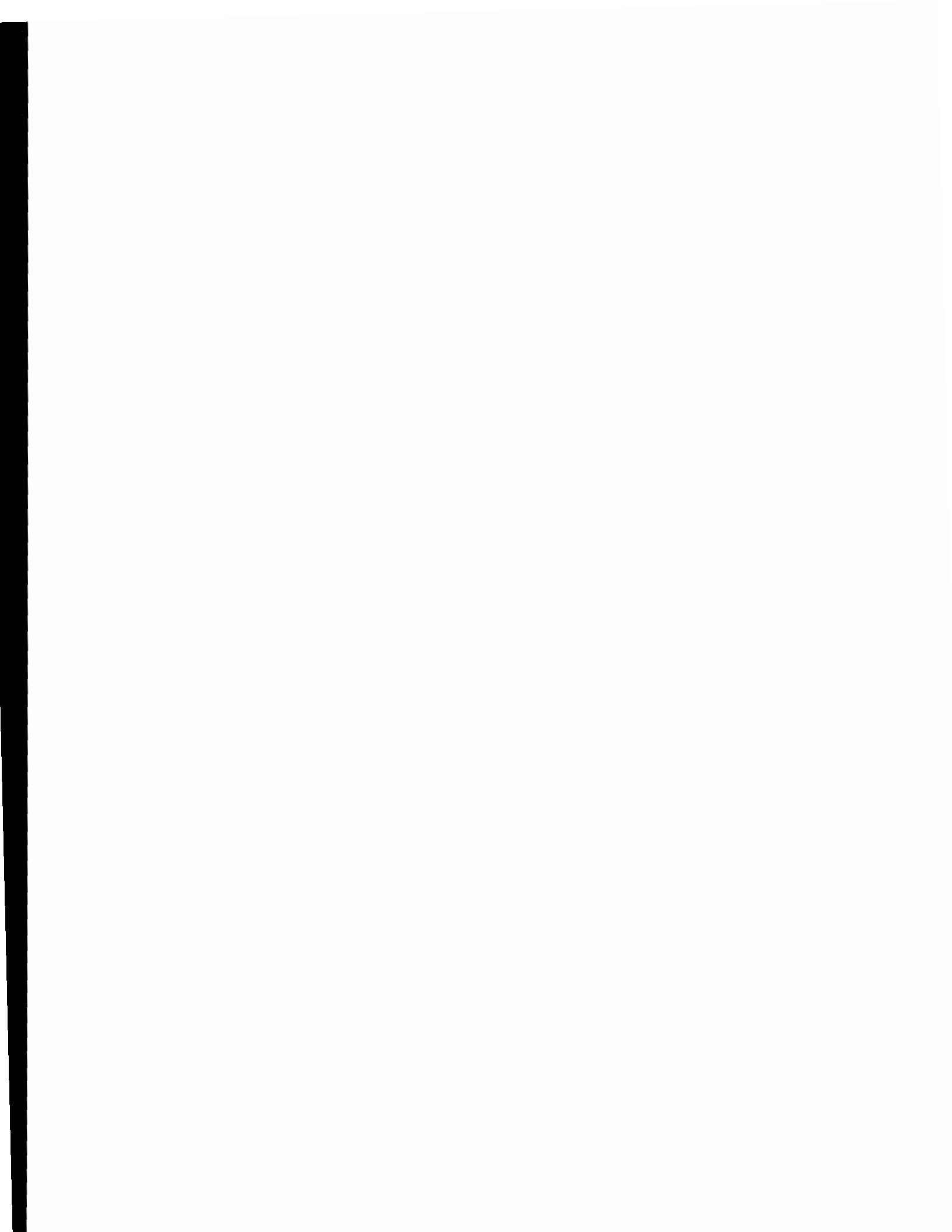
4 So the question is, I guess as I see it:
5 To what extent does the Commission still want
6 to oversee the operations and the involvements
7 in Second Century beyond what I've just kind of
8 outlined?

9 DR. ROSS: Well, because of all those
10 questions I asked, I don't think the Commission
11 should be involved in it. I don't see how we
12 could -- there's too much governance here that
13 we can't control, we have nothing to do with.
14 We have the City. We have the Second City
15 (sic). So the only somebody here that we
16 control is Harrah's, and they've agreed to
17 dispense with the money and that's their
18 only -- that's the only thing to do.

19 MR. THAR: I would agree with that.

20 DR. ROSS: I don't think it's Commission
21 business.

22 MR. THAR: I would agree at this point in
23 time that it's no longer a need for it to
24 remain Commission business beyond the fact that
25 the City is going to report the disbursements



1 as a result of revenue funds.

2 CHAIRMAN VOWELS: So, Dr. Ross, are you
3 satisfied with what's being presented here; is
4 that what I understand?

5 DR. ROSS: Yeah, I'm satisfied. Not that
6 I understand it. I just never understood it
7 before.

8 MR. THAR: I guess then the question
9 becomes: Do we need to put this resolution
10 form which we do not have but we can do and
11 send it, Rhonda have it signed, or do we need
12 to make a specific entry into the transcript
13 that the Commission has decided today that it
14 is -- that Second Century is going to report
15 certain things for the SPEA Report, but other
16 than that, it's a function between the City and
17 Second Century itself?

18 CHAIRMAN VOWELS: That would in my eyes
19 sum it up, don't you think?

20 MR. DARKO: Do you think we need a
21 resolution? I wouldn't think we would need a
22 resolution. I mean if we're going to resolve
23 things that are none of our business, we'll be
24 here all day.

25 MR. SWAN: I think part of what's happened



1 is though that we as a Commission had some
2 leverage on the Waterfront group I guess
3 before. We're really not going to have any
4 more on them because they're selling their
5 position now. We'll be really disappointed if
6 things aren't done the way they were said they
7 were going to, but I don't know that we have
8 any more authority to do anything about it.

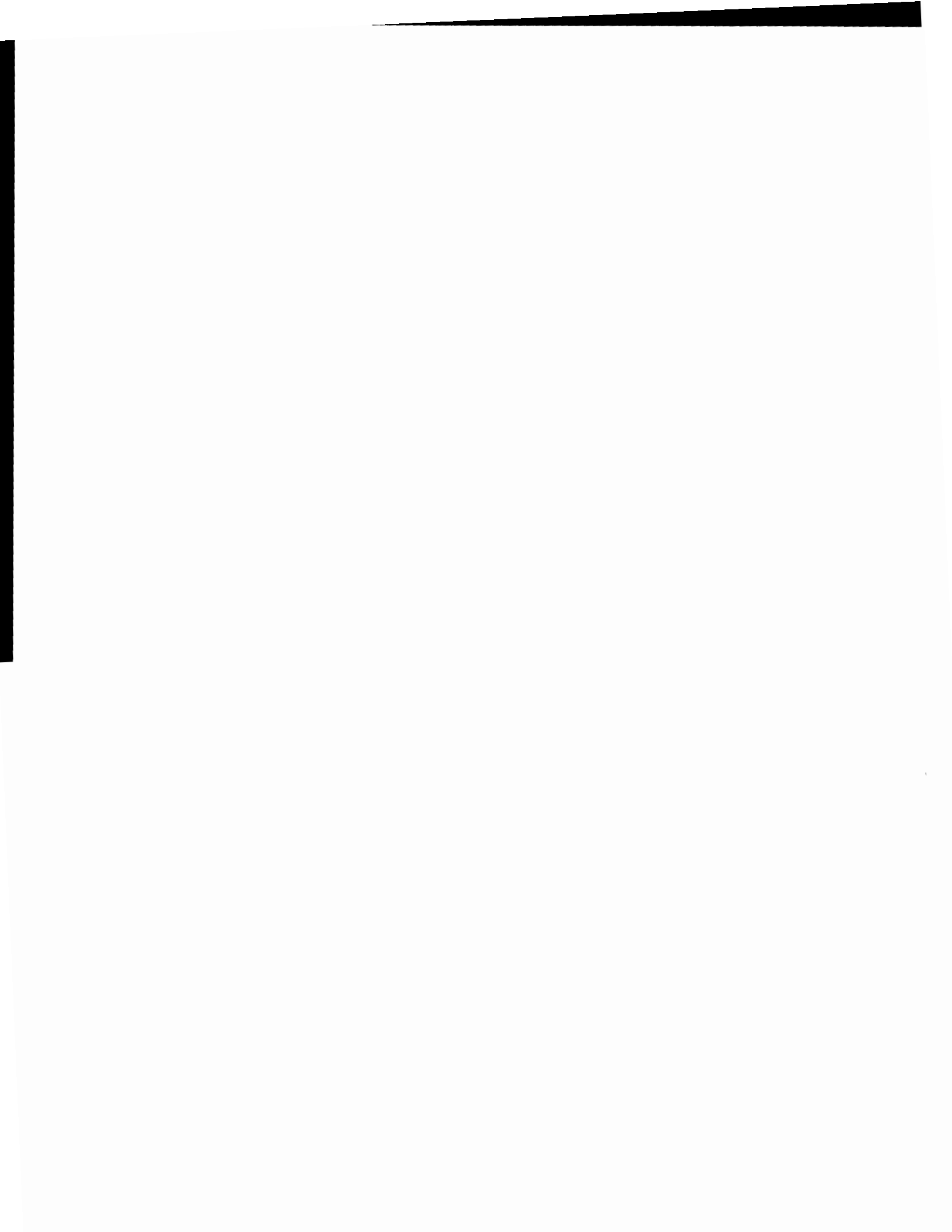
9 MR. DARKO: I'll take my shoe off again.

10 MR. SWAN: I agree.

11 CHAIRMAN VOWELS: Okay. Then I would --
12 then we could just enter into the record that
13 understanding. Do we need to clarify any more
14 or be any more specific than that?

15 MR. THAR: I think it's fairly much agreed
16 from the consensus of the discussion here that
17 the Commission has decided Second Century is a
18 negotiated item in the economic development
19 agreement between the City and the license
20 holder for East Chicago. The new owner has
21 agreed to fund it. The Gaming Commission feels
22 like it has no further need to oversee that in
23 view of the Waterfront no longer holding a
24 position in the licensing.

25 CHAIRMAN VOWELS: Okay.



1 MR. THAR: Or the individuals involved in
2 Waterfront no longer holding that position.

3 CHAIRMAN VOWELS: Mr. Artis, is that clear
4 for your purposes?

5 MR. ARTIS: Yes, absolutely.

6 CHAIRMAN VOWELS: Okay. We've already
7 handled the other business portion.

8 The Showboat transfer to Harrah's was sort
9 of lacking in the fanfare that we normally have
10 when we give out a license.

11 It's Mr. Loveland; is that correct?

12 MR. LOVELAND: Yes.

13 CHAIRMAN VOWELS: This isn't on the
14 agenda, but a few years ago my aunt died. And
15 this won't make any sense to you for just a
16 moment. But my cousins told me she died
17 childless. But her nieces and nephews called
18 me and asked me to come out to her house, look
19 around if there was anything I wanted. And
20 that was back in the days when I was a proud
21 smoker, which I'm not allowed to smoke anymore
22 for reasons that my seven-year-old daughter's
23 put forth to me.

24 But I took all the ashtrays that my aunt
25 had, and my aunt was a good Catholic, and she's



1 probably suffering somewhere in purgatory
2 because, at some point in time, she went to
3 Harrah's and she stole this ash tray
4 (indicating).

5 So what I would like to do to -- for you
6 to do is take this back on behalf of Harrah's
7 so my dear aunt can move from purgatory into
8 heaven and wipe away this stat. So since
9 there's not much more presentation than that, I
10 just ask you to take this ashtray back.

11 MR. LOVELAND: I'll do that.

12 CHAIRMAN VOWELS: And that will
13 conclude --

14 MR. DARKO: Who says lawyers aren't
15 honest?

16 MR. SWAN: I did.

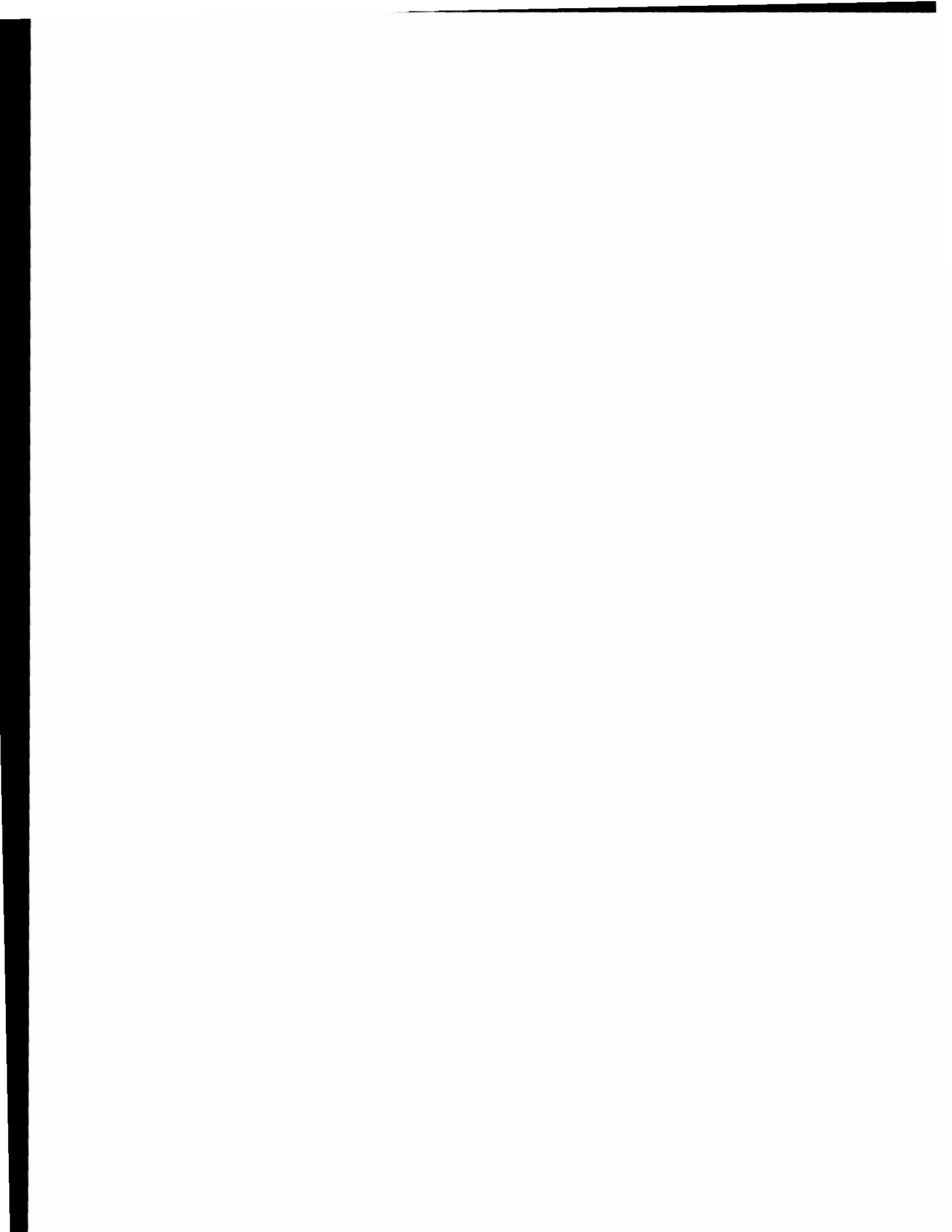
17 CHAIRMAN VOWELS: That and the fact that I
18 don't need it anymore.

19 MR. MILCAREK: And you're not from New
20 York.

21 CHAIRMAN VOWELS: Yeah, that's right.
22 So if you will take that.

23 MR. LOVELAND: We'll take it gladly.

24 CHAIRMAN VOWELS: You'll do with it as you
25 wish I'm sure.



1 Is there anything else then, Mr. Thar?

2 MR. THAR: No, there is not.

3 CHAIRMAN VOWELS: We don't have a next
4 meeting scheduled at this point?

5 MR. THAR: We do not.

6 CHAIRMAN VOWELS: Just need to meet once a
7 quarter, and we promise you that we will.

8 Is there a motion to adjourn?

9 MR. DARKO: So moved.

10 CHAIRMAN VOWELS: Second?

11 All those in favor of adjourning say aye.

12 THE PANEL: Aye.

13 CHAIRMAN VOWELS: Thank you.

14 (The Business Meeting adjourned at
15 12:53 p.m.)

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