

1  
2  
3 BUSINESS MEETING  
4 INDIANA GAMING COMMISSION  
5 November 8, 1999  
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9 Transcript of the Business Meeting of the  
10 Indiana Gaming Commission held on November 8, 1999,  
11 morning session at the Indiana Government Center,  
12 South Auditorium, 402 E. Washington Street,  
13 Indianapolis, Indiana, commencing at 9:30 a.m.;  
14 afternoon session at the offices of the Indiana  
15 Gaming Commission, 115 West Washington Street,  
16 South Tower, Suite 950, Indianapolis, Indiana,  
17 commencing at 1:28 p.m.  
18

19 Reported by: Carol S. Loewen  
20  
21  
22

**ORIGINAL**

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## APPEARANCES:

Donald R. Vowels, Chair, IGC

Ann Marie Bochnowski, Vice-Chair

Thomas F. Milcarek, Secretary, IGC

John J. Thar, Executive Director of the IGC

Robert W. Swan, Commissioner, IGC

David E. Ross, Jr., M.D., Commissioner, IGC

Richard J. Darko, Commissioner, IGC

Cynthia Dean, Chief Legal Counsel for the IGC

Rhonda Dalton

Members of the Public

1 (The meeting begins at 9:30 a.m.)

2 MR. MILCAREK: We've been given copies  
3 of correspondence back and forth between Boyd  
4 and the City. Obviously there has been no  
5 agreement yet. I would feel much more  
6 comfortable voting either to approve or to  
7 deny the sale after there is an agreement by  
8 the City -- by the parties, excuse me. And I  
9 assume that Blue Chip may also be part of that  
10 negotiation because the purchase price  
11 obviously depends upon on how much the  
12 development agreement is changed, if at all.  
13 So I think a delay in our decision until 1:00  
14 or 1:30 this afternoon makes sense, and I  
15 would encourage the parties to spend that time  
16 in trying to come to some agreement.

17 MS. BOCHNOWSKI: Anybody else have a  
18 comment?

19 MR. THAR: As a housekeeping matter, I  
20 would just simply add that as a result there  
21 will be an adjournment of this meeting to then  
22 be reconvened at the offices of the Indiana  
23 Gaming Commission, 115 West Washington Street,  
24 South Tower, Suite 950. And the reason for  
25 that is we have to be out of this room by

1 12:30, so we will handle that which we hope at  
2 that point in time would be the final agenda  
3 item, the transfer of ownership from Blue Chip  
4 to Boyd at 1:30 at the Gaming Commission  
5 offices.

6 MR. MILCAREK: And I think it's  
7 probably also fair to say to the  
8 representatives of Blue Chip, Boyd and the  
9 City that during the meeting here this morning  
10 we'll take no action, no discussion on that  
11 subject so that if they wish to excuse  
12 themselves for purpose of the bargaining  
13 table, they won't miss anything here. Is that  
14 fair to say?

15 MS. BOCHNOWSKI: That's right. That's  
16 exactly right. So I would suggest you do that  
17 in everybody's interest.

18 Then do you want to wait for John then  
19 to complete the meeting? Okay.

20 MR. THAR: No, to start the --

21 MS. BOCHNOWSKI: To start the regular  
22 agenda?

23 MR. THAR: Yeah.

24 MS. BOCHNOWSKI: Okay.

25 MR. THAR: But I didn't see why since

1 we're going to send them out --

2 MS. BOCHNOWSKI: Absolutely, right,  
3 they might as well go.

4 MR. THAR: They might as well go.

5 (A recess is taken.)

6 CHAIRMAN VOWELS: All right. We'll  
7 call the meeting to order. We have -- all six  
8 of the present commissioners are present. The  
9 first item on the agenda is approval of the  
10 minutes from the September 14, 1999 telephonic  
11 business meeting. We've all had an  
12 opportunity to review those I assume. Is  
13 there a motion in reference to approving those  
14 minutes?

15 MR. MILCAREK: Move to approve.

16 CHAIRMAN VOWELS: Is there a second?

17 MS. BOCHNOWSKI: Second.

18 CHAIRMAN VOWELS: Any further  
19 discussion?

20 All those in favor say aye.

21 THE PANEL: Aye.

22 CHAIRMAN VOWELS: Show they're  
23 approved.

24 Next matter on the agenda is the report  
25 of the executive director, and, Mr. Thar?

1 MR. THAR: Thank you, Mr. Chairman.  
2 I'm going to -- because we have an extensive  
3 agenda today, I'll keep my report relatively  
4 short, probably limited to personnel matters.

5 We've had some internal changes within  
6 the Commission. First is Scott Whittenburg,  
7 who was an Auditor 2 with our office in the  
8 audit department, has now accepted the  
9 position of being controller taking the place  
10 of Phil Beck who left to go to Columbus,  
11 Indiana.

12 Lisa Slack -- Lisa, stand up, please.  
13 Lisa Slack was our receptionist, and she  
14 successfully avoided being introduced at two  
15 prior meetings. She was our receptionist, and  
16 she's now today being introduced as a  
17 secretary because she's been promoted. So  
18 congratulations, Lisa, and thank you for  
19 coming to one of our meetings.

20 And the reason for Lisa's promotion  
21 is -- Tracy? Tracy Sanders has been with us  
22 for quite awhile. She is the secretary that  
23 Lisa is replacing. Tracy has been promoted to  
24 promotions coordinator which is a new position  
25 that deals with the promotional activities of

1 the riverboat casinos. And Tracy has been one  
2 of our longest and one of our hardest-working  
3 employees. We would not be where we are  
4 without her.

5 So thank you, Tracy.

6 Ann Burgess is a new employee, so she's  
7 got to give us a little speech today.

8 MS. BURGESS: No.

9 DR. ROSS: She resigns.

10 MR. THAR: Ann has joined the Gaming  
11 Commission staff as a field auditor. Ann was  
12 a field auditor for six years in private  
13 industry before becoming a state employee  
14 approximately five years ago. Of those five  
15 years she spent two with the Indiana  
16 Department of Environmental Management and  
17 remained near to the Department of Work Force  
18 Development. And we welcome you to our staff  
19 and to our family so to speak.

20 MS. BURGESS: Thank you.

21 MR. THAR: And also joining the field  
22 audit staff is Ted Boyd. Ted? Ted is a Ball  
23 State graduate and very proud of that fact.  
24 He began his employment with the State this  
25 past January with the Indiana Department of

1 Transportation. Prior to that he was an  
2 auditor in private industry for the previous  
3 15 years.

4 Charlie, are you Ball State fan?

5 MR. HUFF: Yes.

6 MR. THAR: I think that's why Ted uses  
7 it on his resume so much because he knew  
8 Charlie was on the hiring committee for the  
9 audit.

10 Anyway, Ted, we welcome you also, and  
11 welcome aboard to the Gaming Commission  
12 staff.

13 Most of the other things I report on are  
14 agenda items including what we've been  
15 spending our time on which has been things  
16 that are on the agenda, so with that I'm  
17 concluded with my report.

18 Are there any questions?

19 CHAIRMAN VOWELS: Doesn't appear to be  
20 any questions.

21 Anything under old business?

22 MR. THAR: No.

23 CHAIRMAN VOWELS: All right. Under new  
24 business then the first matter my  
25 understanding is Resolution 1999-39, a

1 resolution adopting a final rule.

2 And, Ms. Chelf?

3 MS. CHELF: Thank you. Mr. Chairman  
4 and members of the Commission, you have before  
5 you Resolution 1999-39. This resolution would  
6 adopt as final Rule Document 99-18. This  
7 document contains one amendment that will  
8 conform the minimum-play-level hand for the  
9 dealer in the game of Caribbean Draw Poker to  
10 the patented rules of the game. This game  
11 was -- this rule was published as a proposed  
12 rule in the Indiana Register on October 1,  
13 1999. We held a public hearing to consider  
14 this amendment on October 27, 1999. We  
15 received no public comment regarding this  
16 amendment.

17 If the Commission adopts this  
18 resolution, the rule will be forwarded to the  
19 Attorney General's office and the Governor's  
20 office for review and signature.

21 Are there any questions?

22 CHAIRMAN VOWELS: Any questions?

23 All right. In front of us then is  
24 Resolution 1999-39.

25 Thank you, Ms. Chelf.

1                   It's a resolution adopting as a final  
2 rule 68 IAC 10-8-1. Is there a motion in  
3 reference to this rule?

4                   MR. SWAN: Move to approve.

5                   CHAIRMAN VOWELS: Is there a second?

6                   MS. BOCHNOWSKI: I'll second it.

7                   CHAIRMAN VOWELS: Is there any further  
8 discussion?

9                   All those in favor of  
10 Resolution 1999-39 say aye.

11                   THE PANEL: Aye.

12                   CHAIRMAN VOWELS: Show it's approved.

13                   And then the next matter on the agenda  
14 are occupational license matters. Mr. Thar,  
15 my notes show it's you and Ms. Dean. I'm not  
16 sure who's first.

17                   MR. THAR: Thank you. I'll go first.

18                   The first matter with regard to  
19 occupational license issues is the matter of  
20 Arnold Fleischman. This matter has been  
21 pending for some time. Mr. Fleischman was the  
22 original general manager at the Trump Casino.  
23 During the course of the background  
24 investigation, certain issues arose. He  
25 requested to withdraw his application. That

1 was initially denied pending a completion of  
2 the investigation. Subsequently this has gone  
3 on for well over a year and-a-half. Witnesses  
4 have disappeared, and as a result there no  
5 longer is a reason to withhold an approval of  
6 his withdrawal of his license application.

7 So we have entered into an agreement  
8 with Mr. Fleischman through his lawyers which  
9 basically indicates that he has requested  
10 permission to withdraw his application for a  
11 level 1 license, and having considered the  
12 request, he's allowed to do so. And upon  
13 approval of this agreement, the Commission  
14 will close Mr. Fleischman's file.

15 CHAIRMAN VOWELS: Any questions of  
16 Mr. Thar?

17 We have in front of us the Commission  
18 action on application for an occupational  
19 license of Arnold Fleischman. We either deny  
20 or approve the stipulation of withdrawal. Is  
21 there a motion to deny or approve that  
22 stipulation?

23 MR. MILCAREK: Motion to approve.

24 CHAIRMAN VOWELS: Is there a second?

25 MR. SWAN: Second.

1                   CHAIRMAN VOWELS: Any further  
2 discussion?

3                   All right. The motion is to approve  
4 the stipulation of withdrawal submitted by  
5 Arnold Fleischman. All those in favor say  
6 aye.

7                   THE PANEL: Aye.

8                   CHAIRMAN VOWELS: Show that that is  
9 granted.

10                  And then, Ms. Dean, you have the  
11 other?

12                  MS. DEAN: Yes. Thank you.

13                  We're asking Commission action on a  
14 revocation of a temporary license and denial  
15 of application of Jamiel Jo Morris. Ms.  
16 Morris was a cage cashier for Casino Aztar  
17 beginning August 5, 1999. In late August it  
18 was discovered that Ms. Morris had stolen  
19 approximately \$4,000 from Casino Aztar by  
20 palming the chips while she was performing her  
21 duties as a cage cashier. Ms. Morris'  
22 employment was terminated.

23                  Commission staff revoked Ms. Morris'  
24 temporary occupational license and denied her  
25 application for a permanent license.

1 Commission staff recommends that the  
2 Commission uphold the revocation of  
3 Ms. Morris' temporary license and a denial of  
4 her application for a permanent license. If  
5 the Commission upholds the staff's action,  
6 Ms. Morris will have an opportunity to appeal  
7 to an administrative law judge.

8 CHAIRMAN VOWELS: Are there any  
9 questions of Ms. Dean?

10 All right. Then in front of us we have  
11 the Commission action on the revocation of the  
12 temporary license and the application for an  
13 occupational license. Our job is to deny or  
14 approve that application. Is there a motion  
15 to deny or approve the application for an  
16 occupational license.

17 MR. DARKO: Deny the application.

18 CHAIRMAN VOWELS: Is there a second?

19 MR. SWAN: Second.

20 MS. BOCHNOWSKI: I'll second it.

21 CHAIRMAN VOWELS: Any further  
22 questions?

23 All those in favor of denying the  
24 application for an occupational license of  
25 Jamiel Morris say aye.

1 THE PANEL: Aye.

2 CHAIRMAN VOWELS: Show that it is a  
3 denied.

4 And that's all under occupational  
5 license matters.

6 I believe the next matter on the agenda  
7 are disciplinary matters. In reference to  
8 Empress, Mr. Thar, is something you want to do  
9 now?

10 MR. THAR: Yes. Thank you. I'm being  
11 organized down here.

12 CHAIRMAN VOWELS: I thought if I moved  
13 you away from me you'd have to go out on your  
14 own.

15 MR. THAR: I am. It's amazing how --

16 CHAIRMAN VOWELS: Dependent you've  
17 become upon me; is that what you're going to  
18 say?

19 MR. THAR: Thank you. You're even  
20 finishing my sentences for me. Are we  
21 married?

22 As a matter of background, on May 5th  
23 of 1999 the Indiana Gaming Commission  
24 initiated a disciplinary action against  
25 Empress in Complaint No. 99-EM-1. The

1 complaint was focused upon a practice that's  
2 known in the industry as "forced balancing."  
3 As a result of that complaint, the audit staff  
4 conducted an audit of the practices of Empress  
5 as it relates to the operations of their main  
6 bank, their cage and their soft and hard  
7 count. The results of the investigation by  
8 the audit staff resulted in finding major and  
9 what might be called systemic problems in  
10 the -- those operations as well as the  
11 interrelationship between those operations.

12 When the Commission approved the  
13 acquisition -- conditionally approved the  
14 acquisition of Empress by Horseshoe Casino on  
15 August 20th of this year, the Commission  
16 specifically attached nine conditions, the  
17 sixth condition of which basically provided  
18 that all the staff requirements concerning the  
19 operation of Empress Hammond's main bank,  
20 cage, hard-count and soft-count operations and  
21 their interrelationships must be completed by  
22 September 24, 1999 or the Commission's ruling  
23 would become void.

24 We did meet with Empress, and as a  
25 result they have hired new personnel to

1           oversee these areas. They have submitted new  
2           action plans as to how they will implement  
3           changes within their present practices that  
4           will bring them within the confines of our  
5           rules and their own internal controls. And  
6           they have agreed to pay a fine and have, in  
7           fact, paid a fine of \$400,000. And that is  
8           what the settlement agreement sets forth  
9           before you.

10                       I would like to point out that Frank  
11           Brady, a regional auditor-administrator, is  
12           the person that oversees our audit division  
13           and is responsible for this audit along with  
14           his staff who is here. If people want any  
15           more details of what the audit staff was able  
16           to come up with and what they did find,  
17           Mr. Brady would be able to provide those.

18                       Are there any questions?

19                       CHAIRMAN VOWELS: Anyone have any  
20           questions of Mr. Thar or Mr. Brady?

21                       Doesn't appear to be.

22                       MS. BOCHNOWSKI: Do you intend to  
23           conduct a similar review now that you've seen  
24           this here of the other casinos?

25                       MR. BRADY: Yes.

1 MR. THAR: We're in the process as a  
2 matter of fact. I think there's some auditors  
3 as Trump today as we speak.

4 MEMBER OF THE PUBLIC: Just left.

5 MR. THAR: Okay. So I think that is  
6 the next casino that we have turned our  
7 attention to; is that right?

8 MEMBER OF THE PUBLIC: Yes, Trump  
9 Casino involving similar investigation.

10 MS. BOCHNOWSKI: Okay.

11 MR. THAR: Anyway, from a staff point  
12 of view and particularly an audit point of  
13 view, the Empress operations were considered  
14 to be serious, and we consider the fine that  
15 was not only negotiated but has been paid to  
16 be a very serious fine.

17 CHAIRMAN VOWELS: That was the  
18 \$400,000; is that right?

19 MR. THAR: That's correct.

20 CHAIRMAN VOWELS: Any other questions?

21 Then, Mr. Thar, our job here is to look  
22 at this settlement agreement and see if it's  
23 something that we would approve; is that where  
24 we are now?

25 MR. THAR: That's correct.

1                   CHAIRMAN VOWELS: All right. Then in  
2 front of us there's a complaint for  
3 disciplinary action. At the back of that is  
4 an addendum which is the settlement agreement  
5 which has been executed by the president of  
6 Empress. Is there a motion in reference to  
7 approving or disapproving that settlement  
8 agreement?

9                   DR. ROSS: Vote to approve.

10                  CHAIRMAN VOWELS: Is there a second?

11                  MS. BOCHNOWSKI: Second.

12                  CHAIRMAN VOWELS: Is there any further  
13 discussion?

14                  All those in favor of approving the  
15 settlement agreement say aye.

16                  THE PANEL: Aye.

17                  CHAIRMAN VOWELS: It is approved.

18                  The next matter on the agenda deals  
19 with the Majestic Star Casino in a  
20 disciplinary action.

21                  And, Ms. Dean, is that to you?

22                  MS. DEAN: Yes, it is. Thank you.

23                  On September 30, 1999 the Indiana  
24 Gaming Commission staff initiated a  
25 disciplinary action against the Majestic Star

1 Casino. The disciplinary action against  
2 Majestic consisted of two counts. Count 1 of  
3 the complaint stated that on August 18th of  
4 '99 Majestic Star's emergency medical  
5 technician scheduled for work at 8 a.m. was  
6 unaware of the scheduling and, therefore, did  
7 not appear for work. The Majestic Star Casino  
8 admitted patrons onto the riverboat without  
9 the presence of the scheduled EMT which  
10 violated 68 IAC 8-2-2 which states: A  
11 riverboat licensee shall have at least one  
12 employee who is certified as an EMT under  
13 IC 16-31-3 at all times when patrons are  
14 present on the riverboat.

15 Count 2 of the complaint concerned the  
16 daily excursion report for August 18, 1999  
17 from Majestic Star Casino. The Majestic Star  
18 did not cruise during the first excursion of  
19 the day with the reason for cancelation listed  
20 as: No paramedic on board. No paramedic is  
21 not a statutory reason to cancel or disrupt an  
22 excursion pursuant to IC 4-33-9-2(b). The  
23 actions of Majestic Star Casino constituted a  
24 violation of the Riverboat Gaming Act and  
25 Rules.

1 Commission staff recommends the  
2 Majestic Star receive the monetary fine of  
3 \$2,500 due to the fact that the Majestic Star  
4 Casino staff acted promptly to locate the  
5 scheduled EMT. And the staff also located the  
6 EMT scheduled for Trump who filled in until  
7 the EMT scheduled for Majestic Star could be  
8 present. Trump's first cruise did not start  
9 until 9 a.m., and the EMT scheduled for  
10 Majestic Star was present by 9 a.m.

11 Therefore, the Majestic Star staff  
12 successfully ensured the safety of the patrons  
13 present on the riverboat; however, the failure  
14 to cruise due to the scheduling difficulty is  
15 still a violation of IC 4-33-9-2(b).

16 The Commission staff recommends the  
17 Commission approve the settlement agreement  
18 executed by Michael Kelly from the Majestic  
19 Star and Jack Thar. And I believe Michael  
20 Kelly is here today if there's any questions  
21 of him.

22 CHAIRMAN VOWELS: Are there any  
23 questions of Ms. Dean or Mr. Kelly?

24 Thank you, Ms. Dean.

25 In front of us is an order of the

1 Gaming Commission approving the settlement  
2 agreement in this disciplinary action. It  
3 requires a motion to approve or disapprove the  
4 proposed terms of the settlement agreement.  
5 Is there a motion to approve or disapprove?

6 MR. DARKO: Move to approve.

7 CHAIRMAN VOWELS: Is there a second?

8 MS. BOCHNOWSKI: Second.

9 MR. SWAN: Second.

10 CHAIRMAN VOWELS: Any further  
11 discussion?

12 All those in favor say aye.

13 THE PANEL: Aye.

14 CHAIRMAN VOWELS: Show that the  
15 settlement agreement is approved.

16 The next matter on the agenda deals  
17 with Alliance; is that correct?

18 MS. DEAN: Alliance Bally, yes.

19 CHAIRMAN VOWELS: All right.

20 MS. DEAN: On December 8, 1998 the  
21 Indiana Gaming Commission staff initiated a  
22 disciplinary action against Alliance Gaming  
23 Corporation. The disciplinary action stated  
24 that on December 8, 1997 Alliance shipped two  
25 EPROMS that were not approved for use in

1 Indiana to an Indiana riverboat. The shipment  
2 of the two unapproved EPROMS violated  
3 68 IAC 17-1-2. The Commission initiated the  
4 complaint against Alliance rather than Bally  
5 Gaming, Inc. because much of the  
6 correspondence regarding Bally came from and  
7 through Alliance. Legal counsel for the  
8 entity requested Commission amend the  
9 complaint and the settlement agreement to  
10 reflect that Bally rather than the parent  
11 company Alliance committed the violations  
12 referenced in the complaint.

13 The Commission staff recommends Bally  
14 receive a written reprimand with no monetary  
15 fine imposed due to the staff's belief that  
16 the above action was an error and not an  
17 intentional deception or attempt to circumvent  
18 the Indiana Administrative Rules. The error  
19 occurred because of confusion surrounding a  
20 large shipment of 678 machines, and only 25  
21 machines were affected by the unapproved  
22 EPROMS. The EPROMS were subsequently approved  
23 for use in Indiana.

24 The staff further recommends that no  
25 monetary fine be imposed upon Bally due to the

1 fact that Bally added an additional employee  
2 in order to review all shipments coming to  
3 Indiana.

4 The Commission staff recommends the  
5 Commission approve the settlement agreement  
6 executed by David Johnson and Jack Thar.

7 CHAIRMAN VOWELS: Any questions of  
8 Ms. Dean?

9 What we have is the order of the Gaming  
10 Commission approving the settlement agreement  
11 as proposed. Is there a motion to approve or  
12 disapprove the proposed terms?

13 MR. MILCAREK: Motion to approve.

14 CHAIRMAN VOWELS: Is there a second?

15 MR. DARKO: Second.

16 CHAIRMAN VOWELS: Is there any further  
17 discussion?

18 All those in favor of approving the  
19 settlement agreement say aye.

20 THE PANEL: Aye.

21 CHAIRMAN VOWELS: Show it is approved.

22 And thank you again, Ms. Dean.

23 The next matter on the agenda, new game  
24 approval.

25 John Krause?

1 MR. KRAUSE: Thank you, Mr. Chairman,  
2 members of the Commission. We have two new  
3 game approval requests which take the form of  
4 Resolutions 1999-34 and 35. The two games  
5 have -- both have the following factors in  
6 common. First, they are both versions of  
7 Poker which is authorized in IC 4-33 and  
8 68 IAC. Secondly, they both -- both games  
9 were submitted by their developers to  
10 Commission staff and to Gaming Laboratories  
11 International which has forwarded reports to  
12 Commission staff indicating their opinion that  
13 the games are variations of the traditional  
14 game of Poker. And lastly, in both cases the  
15 Indiana Riverboat Licensee Trump Casino has  
16 advised the Commission in writing that it  
17 supports the game, and the licensee has  
18 submitted proposed rules which will be  
19 utilized if the game is conditionally  
20 approved.

21 Turning to the specific  
22 Resolution 1999-34, concerns the conditional  
23 approval of the game of Wild Aruba Stud which  
24 is developed by Mikohn Gaming Corporation.  
25 This game is similar to the game of Caribbean

1 Stud, although it is played with deuces wild.  
2 The player receives five cards and plays  
3 against the dealer's five cards. Also as a  
4 difference to Caribbean Stud, the dealer must  
5 have a minimum hand of two eights for the hand  
6 to play. The game also like Caribbean Stud  
7 has a progressive feature which is paid off  
8 whether the dealer plays or not. GLI has  
9 calculated the payback as 95.52 percent for  
10 the main game and 69.5 percent for the  
11 progressive feature.

12 Passing this resolution will approve  
13 Wild Aruba Stud for a six-months trial  
14 period. During the trial period, each  
15 licensee offering the game must report the  
16 amount of play, the revenue generated, all  
17 customer complaints and other matters as  
18 directed by the executive director.

19 CHAIRMAN VOWELS: All right. Thank  
20 you.

21 In front of us then is  
22 Resolution 1999-34 which is the conditional  
23 approval of a game of Wild Aruba Stud. Are  
24 there any questions of Mr. Krause at this  
25 time?

1                   Is there a motion in reference to this  
2 resolution?

3                   MR. SWAN: Move to approve.

4                   CHAIRMAN VOWELS: Is there a second?

5                   MR. DARKO: Second.

6                   CHAIRMAN VOWELS: Is there any further  
7 discussion?

8                   All those in favor of approving  
9 Resolution 1999-34 say aye.

10                  THE PANEL: Aye.

11                  CHAIRMAN VOWELS: Show it is approved.

12                  Then, Mr. Krause, you have the other  
13 resolution?

14                  MR. KRAUSE: Yes. This would take the  
15 form of Resolution 1999-35, and it concerns  
16 the conditional approval of Bonus 6 Stud Poker  
17 which was developed by Tom Perkins. If I can  
18 briefly summarize the rules of the game, the  
19 players have an opportunity to anti and then  
20 take an insurance bet. Then each player is --  
21 there's a community card that is dealt, and  
22 each player receives two cards and then can  
23 either make a bet equal to its anti or fold.  
24 Then the player receives a third card. Again,  
25 he can make a bet or fold. And then the

1 player receives a fourth card making their  
2 total hand with the community card five  
3 cards. If the player does not have a winner  
4 and has taken the insurance, that they are  
5 allowed a sixth card. GLI has -- again, the  
6 player's payoff is based upon their hand  
7 only. There's no dealer hand in this game.  
8 GLI has calculated payoff percentage of 89.58  
9 percent.

10 Passing this resolution will approve  
11 Bonus 6 Stud Poker for a trial period of six  
12 months. During the trial period, each  
13 licensee offering the game must report the  
14 amount of play, the revenue generated and all  
15 customer complaints and other matters directed  
16 by the executive director.

17 CHAIRMAN VOWELS: Thank you.

18 Any questions then for Mr. Krause?

19 Resolution 1999-35, the conditional  
20 approval of the game of Bonus 6 Stud Poker,  
21 any motion in reference to that resolution?

22 DR. ROSS: Move for approval.

23 CHAIRMAN VOWELS: Is there a second?

24 MS. BOCHNOWSKI: I'll second it.

25 CHAIRMAN VOWELS: Is there any further

1 discussion?

2 All those in favor of  
3 Resolution 1999-35 say aye.

4 THE PANEL: Aye.

5 CHAIRMAN VOWELS: Show that it is  
6 approved.

7 Next matter on the agenda, bond  
8 reductions, and I believe, Mr. Krause, that's  
9 also with you?

10 MR. KRAUSE: Yes. Thank you,  
11 Mr. Chairman.

12 We have three separate requests for a  
13 bond reduction. The first one is presented to  
14 us from Grand Victoria Casino and Resort.  
15 Pursuant to the surety bond posted by Grand  
16 Victoria, the amount of \$1,000,000 was posted  
17 to secure the performance by Grand Victoria of  
18 in its obligation to expend \$6,500,000 on  
19 highway improvements. Grand Victoria and the  
20 city of Rising Sun have submitted documents  
21 which reflect that this amount has been  
22 expended; therefore, the surety bond is  
23 eligible for a reduction of \$1,000,000.

24 Additionally, pursuant to the surety  
25 bond posted by Grand Victoria, the amount of

1           \$1,200,000 was posted to secure the  
2           performance by Grand Victoria of constructing  
3           a golf course. As of October 20, 1999, the  
4           golf course in Rising Sun, Indiana is  
5           complete; therefore, the amount of the surety  
6           bond posted by Grand Victoria that is  
7           allocated to the construction and completion  
8           of the golf course may reduce -- may be  
9           reduced by 1,200,000.

10                   And as a result of these two  
11           performances, Grand Victoria is requesting  
12           that Indiana Gaming Commission authorize the  
13           reduction of the surety bond posted by Grand  
14           Victoria in a total amount of \$2,200,000.

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

17                   We have in front of us the action on  
18           the request to reduce the surety bond by  
19           \$2,200,000 for Grand Victoria. Is there a  
20           motion in reference to that?

21                   MR. SWAN: Move to approve.

22                   CHAIRMAN VOWELS: Is there a second?

23                   MR. MILCAREK: Second.

24                   CHAIRMAN VOWELS: Is there any further  
25           discussion?

1 All those in favor of the motion say  
2 aye?

3 THE PANEL: Aye.

4 CHAIRMAN VOWELS: Show that that is  
5 approved.

6 And then, Mr. Krause?

7 MR. KRAUSE: Yes. Thank you.

8 The next request comes to us from Blue  
9 Chip Casino. On October 22, 1999, Blue Chip  
10 Casino paid \$100,000 under a promissory note  
11 which is secured by a mortgage on what is  
12 known as the Smith Brothers property in  
13 Michigan City. The payment of the mortgage  
14 was made a condition of the surety bond that  
15 was posted by Blue Chip Casino. As a result  
16 of this payment, Blue Chip is requesting that  
17 the Indiana Gaming Commission authorize a  
18 reduction in surety bond posted by Blue Chip  
19 in the total amount of \$100,000.

20 CHAIRMAN VOWELS: Any questions of  
21 Mr. Krause?

22 Is there a motion in reference to this  
23 action to reduce --

24 MR. THAR: One discussion point if I  
25 may, Mr. Chairman, in your absence when Chair

1           Bochnowski advised both Blue Chip and Michigan  
2           City that the Commission preferred to see them  
3           attempt to work out an economic development  
4           agreement, we indicated to them we weren't  
5           going to take up any matters.

6                   CHAIRMAN VOWELS: All right.

7                   MR. THAR: So my recommendation might  
8           be that we'll talk --

9                   CHAIRMAN VOWELS: We'll stay this.

10                  MR. THAR: -- get all the information  
11           we need from Mr. Krause and defer a vote on  
12           this until we reconvene for this afternoon.

13                  CHAIRMAN VOWELS: All right. Let's do  
14           that. Okay. Thank you, Mr. Thar.

15                  Then the next matter that you have is  
16           the Casino Aztar bond reduction?

17                  MR. KRAUSE: Yes. Thank you,  
18           Mr. Chairman.

19                  On August 2nd, September 7th and  
20           October 1st of 1999 Casino Aztar made  
21           identical payments pursuant to their  
22           development agreement with the City of  
23           Evansville of \$104,166.67. As a result of  
24           these payments, the Indiana -- or the Casino  
25           Aztar requests that the Indiana Gaming

1 Commission authorize a reduction of letter of  
2 credit posted by Casino Aztar in the total  
3 amount of \$312,500.01.

4 CHAIRMAN VOWELS: Any questions of  
5 Mr. Krause?

6 MR. SWAN: Move to approve.

7 CHAIRMAN VOWELS: Any second?

8 MR. MILCAREK: Second.

9 CHAIRMAN VOWELS: Any further  
10 discussion?

11 All those in favor of the approval say  
12 aye.

13 THE PANEL: Aye.

14 CHAIRMAN VOWELS: And I think that  
15 takes care of it, Mr. Krause. Thank you.

16 MR. KRAUSE: Thank you.

17 CHAIRMAN VOWELS: Next matter on the  
18 agenda is the organizational restructuring.  
19 First under that, Mr. Thar, was Blue Chip  
20 Casino, and I assume we're deferring that  
21 until this afternoon?

22 MR. THAR: Yes. And the practical  
23 reason is is if the Commission was to decide  
24 to not approve the transfer of ownership, I  
25 believe there might be no reason to approve

1 the restructuring.

2 CHAIRMAN VOWELS: All right. Then the  
3 other matter is Pinnacle Gaming?

4 MR. THAR: Yes. On behalf of Pinnacle  
5 Gaming, I see that Jay Boyd is here.

6 Jay, would you like to address the  
7 Commission with regard to this?

8 MR. BOYD: I do.

9 MR. THAR: I believe the Commission has  
10 been provided with the information submitted  
11 which showed the corporate chart -- the  
12 organizational chart the way it is today and  
13 the way it would be in the event that the  
14 Commission approve the request.

15 MR. BOYD: This is a matter of making  
16 the -- a certificate holder and future license  
17 holder for Switzerland County, to make that  
18 entity a first-tier subsidiary of Hollywood  
19 Park, Inc. Presently it is I believe a  
20 fifth-tier subsidiary. There's a series of  
21 intermediate corporation limited gainful  
22 liability companies that have resulted from a  
23 series of ownership changes over the years and  
24 merger activity pursuant to what's called --  
25 Hollywood Park acquired Boomtown, Inc. which

1 was the principal sponsoring organization of  
2 this entity through the years.

3 We have proposed to make Indiana  
4 Ventures, LLC which will be renamed Belterra  
5 Resort (Indiana) LLC, which is the name that  
6 Hollywood Park has chosen for the Switzerland  
7 County resort casino location. As the  
8 certificate holder, these entities will be  
9 compressed together and really eliminated.  
10 They have no assets, no real particular  
11 purpose in business today, so this will  
12 streamline and rationalize the corporate  
13 structure. So we've asked the approval on  
14 that basis.

15 At the same time we'd like to update  
16 the Commission on activities in Switzerland  
17 County to let you know where we are with  
18 regard to the targeted August 2000 opening of  
19 the facility. Everything appears to be on  
20 track and on target for meeting that schedule  
21 at this point. The steel girders at the  
22 facility now rise up to eight stories over the  
23 Ohio River. That's an additional two stories  
24 from when I was down there two weeks ago.  
25 They continue to make great progress in the

1 facility.

2 The organization received its Army  
3 Corps of Engineers Section 404 Permit on  
4 October the 18th this year, and a week later  
5 on October the 25th the Indiana Department of  
6 Natural Resources granted -- granted us a  
7 Channel's Act Permit to permit dredging in the  
8 inlet facility where the riverboat will be  
9 docked.

10 John Spina was hired as general manager  
11 of the Hollywood Park -- the Belterra  
12 facility. He began his work for us at the  
13 beginning of this month.

14 Additional real estate has been  
15 acquired which will leave 350 acres altogether  
16 at this point for development of the entire  
17 complex including the golf -- including the  
18 Fazio (phonetic) Associates designed golf  
19 course. The routing for that golf course has  
20 now been completed. Agreements have been  
21 reached with the former owners, Century and  
22 Cimmarron, to advance their payment, sort of  
23 contingent payment, so that this will clear  
24 out any kind of contingencies for  
25 royalty-based rights relating to the future

1 revenue of this facility.

2 Finally, an affiliate of Hollywood Park  
3 at the end October this year acquired the Ogle  
4 Haus Hotel down in Beebee, Indiana so that  
5 that will be an additional overflow facility  
6 for the anticipated success of this resort.

7 As a result of this, we've requested  
8 and all -- for these reasons we've requested  
9 that the Commission grant us approval subject  
10 to the conditions that the executive director  
11 has outlined to approve the realignment and  
12 restructuring of Hollywood Park's corporate  
13 facility and to provide a bit more closeness  
14 between this Commission and the ultimate owner  
15 of the facility, Hollywood Park, Inc.

16 If there any questions about this  
17 request or about the progress on the facility,  
18 I would be happy to entertain those.

19 CHAIRMAN VOWELS: Any questions of  
20 Mr. Boyd?

21 Thank you, Mr. Boyd.

22 Mr. Thar, anything further before we  
23 refer to the resolution?

24 MR. THAR: No, there is not.

25 CHAIRMAN VOWELS: All right. Then in

1 front of us then is the Resolution 1999-37  
2 which concerns a request of Pinnacle Gaming to  
3 amend its ownership structure and transfer the  
4 certificate to the new entity, Belterra  
5 Resort. Is there a motion in reference to the  
6 resolution to either approve or deny that  
7 request?

8 MR. DARKO: Move to approve.

9 CHAIRMAN VOWELS: Is there a second?

10 MS. BOCHNOWSKI: Second.

11 CHAIRMAN VOWELS: Is there any further  
12 discussion?

13 All right. All those in favor of  
14 approving the request say aye.

15 THE PANEL: Aye.

16 CHAIRMAN VOWELS: Show that  
17 Resolution 1999-37 is approved.

18 And the next matter on the agenda would  
19 have been the transfer of Blue Chip. But then  
20 Y2K compliance report of Pat Wright.

21 MR. THAR: Pat's staff of Tom Stuper is  
22 going to present that report.

23 Is that correct, Tom?

24 MR. STUPER: That's correct.

25 Thank you, Mr. Chairman, Commission

1 members. The Commission's MIS staff has sent  
2 letters to the casinos on a couple different  
3 occasions through the year asking them for  
4 where they are at on their preparedness for  
5 the Y2K issue with their computer software  
6 primarily, and the last one we sent out was on  
7 August the 26th. And the responses -- I'll  
8 just briefly go over the responses from each  
9 of the casinos.

10 (Mr. Darko leaves the room at  
11 10:11 a.m.)

12 Harrah's has identified that they're  
13 100 percent Y2K compliant. In most cases  
14 since a lot of these casinos utilize the same  
15 software, same vendors, whether it's IGT or  
16 LSI or whatever, they're developing kind of in  
17 the same boat waiting for their vendors to  
18 supply them with the appropriate software to  
19 become Y2K compliant. I think for the most  
20 part all those companies have provided the  
21 casino entities the appropriate software, and  
22 so it's just a matter of getting on their  
23 schedules, upgrading hardware if need be and  
24 upgrading software.

25 Harrah's identifies that they're

1 100 percent compliant now. They've performed  
2 all the upgrades that were required.

3 Grand Victoria identified that they  
4 were 75 percent complete, but by this time  
5 they will have already performed the upgrades  
6 needed to probably make themselves 100 percent  
7 compliant.

8 Empress was similar. They identified  
9 at the time of this last questionnaire they  
10 were 75 percent compliant, but as of the time  
11 of this meeting they should be ready to go.

12 And Trump is the same situation.

13 Aztar identified that they were already  
14 95 percent complete. As of this mailing there  
15 was just one other small computer upgrade to  
16 be performed.

17 Caesars identified they were 99 percent  
18 compliant and there was just a couple small  
19 minor couple items that they would need to  
20 resolve.

21 Majestic Star identified they were 100  
22 percent compliant.

23 Argosy identified they were 100 percent  
24 compliant.

25 And Blue Chip identified that they were

1 75 percent compliant with similar response as  
2 of probably now they should be 100 percent  
3 compliant.

4 Also in the last -- the mailing I think  
5 we asked them to provide some additional  
6 information with regards to not only the  
7 systems that deal with tracking their slot  
8 systems or table games or whatever or  
9 admissions that deal with the actual receipt  
10 of revenue, but we also asked them to provide  
11 some information -- information in regards to  
12 contingency plans for power, their heat,  
13 electric and all that. So most of them have  
14 submitted or resubmitted copies of documents  
15 that we already have on file that deal with  
16 those same subjects, you know, what happens if  
17 they lose power. So they already have in  
18 their emergency response plans ways of dealing  
19 with.

20 CHAIRMAN VOWELS: How often do they  
21 report to you or when do you expect the next  
22 report?

23 MR. STUPER: This was identified as  
24 being the final report. I think what we'll do  
25 for the casinos that identified there are

1 still a few upgrades to take place, we'll get  
2 back with them within a few weeks to find out  
3 if those upgrades have been completed.  
4 Unfortunately, I think some of the casinos had  
5 to get on like a queue with some of these  
6 companies to have them come on site to perform  
7 these upgrades. I'm sure their folks are  
8 spread pretty thin. But I think their payoff  
9 should be in proper place in regards to their  
10 software as of probably right now.

11 MS. BOCHNOWSKI: Do you have any plans  
12 for New Year's Eve to be on call?

13 CHAIRMAN VOWELS: Do you need a date?

14 MS. BOCHNOWSKI: No. For example --  
15 no, that's not what I'm saying. Like the  
16 banks, they aren't letting anybody go on  
17 vacation. Do you have those kinds of plans so  
18 that --

19 (Mr. Darko returns at 10:15 a.m.)

20 MR. STUPER: I think the state of  
21 Indiana has come out with a statement  
22 identifying that their MIS folks not take  
23 vacation or whatever on that time frame.  
24 Speaking for the actual software, the computer  
25 hardware and software that we utilize in the

1 Gaming Commission were 100 percent compliant.  
2 We've performed the appropriate upgrades that  
3 have been identified by our software vendors,  
4 and the hardware we have is all compliant.

5 The other systems that we are  
6 responsible for that actually operate at the  
7 casino locations would be the fingerprinting  
8 systems and the color-generation systems, and  
9 within the last three months we've had those  
10 vendors visit each of the casino locations and  
11 upgrade those software packages and identify  
12 those packages to be Y2K compliant.

13 MS. BOCHNOWSKI: The reason I ask, I  
14 mean that's going to be a big night I would  
15 think.

16 MR. STUPER: Right.

17 MS. BOCHNOWSKI: And if there's  
18 problems, it seems like somebody ought to  
19 be --

20 MR. STUPER: I can speak for myself.  
21 I'll be available to deal with any issues that  
22 might arise with our own equipment, our  
23 software that we have in the Gaming  
24 Commission.

25 DR. ROSS: What happens if they don't

1           become compliant?

2                   MR. STUPER:   It would be I guess a  
3           matter to bring up with Mr. Thar, but  
4           realistically it would only be cutting their  
5           own throats if they don't upgrade that  
6           software knowing that there needs to be this  
7           upgrade to that software or it may fail as of  
8           January 1.  I'm sure their MIS folks are  
9           working vigorously to make those --

10                   DR. ROSS:   Would they be closed down?

11                   MR. STUPER:   Well --

12                   MR. THAR:   Yes.  When we take a look at  
13           the Y2K issue as it looks at computers, the  
14           types of things that -- well, if the computers  
15           did not function satisfactorily in terms of  
16           the slot tracking systems, any of the safety  
17           issues with regard to the boat, navigational,  
18           any of the surveillance issues, any of the  
19           lighting issues, those are all issues which,  
20           if they failed anyway, we would close the  
21           casino down and have when these things did not  
22           function.  So should any type if there not be  
23           Y2K compliance in any of those computerized  
24           systems, they would probably go down for two  
25           reasons.  It would be more likely that the

1 length of time would be longer if they're not  
2 Y2K compliant than it would be if they just  
3 had a temporary glitch in the system.

4 If they come up with a problem such as  
5 booking, I mean reservations or player  
6 tracking that does not affect the overall  
7 operations of the casino or the payment of an  
8 accurate tax, security or the surveillance of  
9 the casino, a computer failure in that area  
10 may not result in a shutdown. But in anything  
11 that's operational or safety should it fail we  
12 would close them down, and we will close them  
13 down for this. And they've been forewarned on  
14 that issue now for over a year that our MIS  
15 department's been talking with their MIS  
16 department.

17 MS. BOCHNOWSKI: You brought up  
18 something. You may even -- if something's  
19 going to go wrong, you may find out before  
20 January 1st because some of these reservations  
21 and so on might take place prior to then and  
22 then they'll see if there's any problems I  
23 would think.

24 MR. STUPER: Are there any questions?

25 CHAIRMAN VOWELS: Anything else for

1 Mr. Stuper?

2 Thank you.

3 MR. STUPER: Thank you.

4 CHAIRMAN VOWELS: Then the next matter  
5 on the agenda is the minority and women  
6 business enterprise issues, Mr. Thar?

7 MR. THAR: Yes. That issue will focus  
8 today upon Caesars, RDI Caesars in Indiana. I  
9 see that Mr. Walsh, the general manager and  
10 vice president in charge of the facility, is  
11 done there.

12 And, Mike, if you want to come up and  
13 take a seat, that would be fine with the  
14 people that are with you.

15 We've had a request, and is it Reverend  
16 Coleman, who's with the -- an organization  
17 called the Justice Resource Center, Global  
18 Black Chamber of Commerce, presented me with a  
19 position paper with regard to Caesars as we  
20 were organizing up here and has asked if the  
21 Commission would give him a couple of minutes  
22 to address the Commission on the Caesars  
23 issue; is that correct?

24 Mr. Chairman, what would be your  
25 pleasure?

1                   CHAIRMAN VOWELS: That would be fine  
2 with me. Does he want to come talk to us  
3 now?

4                   MR. THAR: Yes. He originally  
5 indicated he might have to leave by 10, but I  
6 see he adjusted his schedule.

7                   REVEREND COLEMAN: Thank you for the  
8 opportunity. My name is Louis Coleman with  
9 the Justice Resource Center in Louisville,  
10 Black Chamber of Commerce out of Louisville,  
11 Kentucky which is right across the river from  
12 where a lot of Caesars construction is being  
13 done. When we received report on the past  
14 construction with 0.05 percent minority  
15 participation, we were very alarmed, very  
16 concerned because our agency for the past 30  
17 years have been working on minority  
18 participation of women, African-Americans,  
19 other minorities in the construction trade.  
20 And I left the position paper with Mr. Thar.  
21 Hopefully all of you can read this.

22                   We are very, very concerned. We  
23 operate minority participation programs with  
24 the state of Kentucky, the Governor's office,  
25 with UPS doing the second largest construction

1 project in the world, and what we have seen  
2 over at Caesars is a terrible, terrible  
3 travesty. It's a disgrace. We went over  
4 there last Saturday looking at the  
5 participation, and it was zero participation  
6 of women, African-Americans and minorities.

7 And our agency would like to -- we're  
8 going to plan weekly demonstrations over there  
9 because it is terrible, you know. In one hand  
10 when you look at the consumers who come to  
11 participate in the game, participate in that  
12 game activities, you see women, you see  
13 minorities, you see African-Americans as  
14 consumers, but at the other end results when  
15 it come to awarding contracts you see zero  
16 participation.

17 In our paper we have that we would hope  
18 that this year and this Commission could do  
19 the following. Number one, we would hope that  
20 all -- stop all current construction until a  
21 process is put in place that will not exclude  
22 women, minority companies and workers who are  
23 qualified to do the work. Number two, we  
24 would hope that an establishment of a minority  
25 recruitment staff who will recruit and monitor

1 throughout the construction participation and  
2 business of this casino would be implemented.

3 Right now we're working with the PGA  
4 professional golf tournament that will be  
5 coming to Louisville, Kentucky. That's the  
6 next meeting I have to attend in Louisville.  
7 If the prestigious PGA says we can have 25  
8 percent minority participation when we come to  
9 Louisville in the year 2000. Surely Caesars  
10 can, too. We would hope that fines and  
11 sanctions can be levied against Caesars or any  
12 other firm that shows no effort of minority  
13 recruitment and inclusion.

14 And the fourth one is that many times  
15 we have seen firms like Caesars who will give  
16 you a list of minorities that they're going to  
17 work with, and many times these individuals  
18 are fronts. They're individuals that are --  
19 will have maybe a minority certification, but  
20 all their workers are white. And I think  
21 that's what you're going to get on the update  
22 here. And we have seen it going on and on and  
23 on. And I hope that this Gaming -- I'm a  
24 minister and I'm against gambling, number one,  
25 but number two, to starve people from

1 construction work is absolutely terrible, and  
2 this is what is exactly happening.

3 And from the update information I've  
4 heard that you're going to get today, the two  
5 companies that they're going to say that they  
6 are working with now have a minority  
7 certification, but 99 percent of their workers  
8 are white and not minorities. And I think  
9 that the staff of the policy body needs to  
10 look very closely at Caesars or any other  
11 gambling casino that has these type of  
12 practices, and our agency will be more than  
13 willing to help and assist you in the process.

14 I left my position with Mr. Thar. I  
15 hope he shares it with the rest of you because  
16 this is a very critical issue to us. As you  
17 stated if the folks don't come in compliance  
18 with Y2K you're going to close them down, I  
19 hope you'll do the same with Caesars or any  
20 other gambling casino that does not -- and  
21 continues to ignore minorities, women and  
22 African-Americans in the construction trade.

23 I appreciate your time and opportunity  
24 to speak to you, and as I mentioned, if there  
25 is anything our agency can do to assist in

1 this process, we'll be glad to do it.

2 CHAIRMAN VOWELS: Reverend, is your  
3 agency in Louisville a conduit for companies  
4 to be able to come to to direct towards these  
5 particular type of businesses; is that right?

6 REVEREND COLEMAN: That's exactly what  
7 we do.

8 CHAIRMAN VOWELS: And I don't know how  
9 Kentucky law is, but I would that they would  
10 have to be certified by the State, too?

11 REVEREND COLEMAN: That's right.

12 CHAIRMAN VOWELS: And is that  
13 certification -- are there companies in your  
14 area that you're aware of that's not only  
15 certified in Kentucky but also certified in  
16 Indiana?

17 REVEREND COLEMAN: Well, see, you have  
18 to look at the certification agencies. As you  
19 saw last week, the National Minority Supplier  
20 Council stated that we want minority-  
21 credentialed agencies that have minority  
22 business credentials to be reduced to 31  
23 percent instead of being 51 percent  
24 ownership. Some of these certification  
25 agencies want to maintain the status quo.

1 They do not want to improve the conditions of  
2 women and minorities.

3 And I think what you have -- we're  
4 terribly displeased with our certification  
5 agency in Kentucky. One example is a company  
6 called Taylor Brothers (phonetic) which is out  
7 of Columbus, Indiana. They have been  
8 certified in Kentucky by the Kentucky Minority  
9 Council, but in Indianapolis you would not  
10 certify them because they had a minority --  
11 so-called minority owner, but there were not  
12 any -- very few, if any, African-American  
13 minority or women employees. So really the  
14 certification agencies, many of them are  
15 suspect because they want to really maintain  
16 the status quo. And we've seen that. We've  
17 seen that.

18 Indianapolis does from -- well, I can't  
19 really state how Indianapolis does, but I do  
20 know they did do a rejection of a company  
21 that's working on our baseball stadium right  
22 now in Louisville which we've been  
23 demonstrating for the past year to get this  
24 company off this project. It's called Taylor  
25 Brothers.

1                   CHAIRMAN VOWELS: Okay. So you were in  
2 agreement with the Indianapolis decision; is  
3 that right?

4                   REVEREND COLEMAN: In rejecting Taylor  
5 Brothers, yes.

6                   CHAIRMAN VOWELS: I guess my question  
7 would be: Have you attempted to be a conduit  
8 for Caesars? Have you been in any contact  
9 with them to help line up --

10                  REVEREND COLEMAN: We have -- see, what  
11 these companies will do, they will use very --  
12 they will use civil rights agencies that are  
13 not going to crack an egg. They're not going  
14 to fight the fight. They're not going to  
15 stand up for people. They have had one civil  
16 rights agency to call our agency, the Urban  
17 League, and they called our agency and said,  
18 "Louis, we would like for you to meet with  
19 the Caesars people." That meeting never  
20 developed. It never developed. And I figured  
21 something was wrong when they called. And  
22 when we got the statistics the day after, it's  
23 the worst we've seen.

24                  CHAIRMAN VOWELS: How long ago was  
25 that?

1 REVEREND COLEMAN: That was about a  
2 week and-a-half ago.

3 CHAIRMAN VOWELS: Okay.

4 REVEREND COLEMAN: Maybe two weeks --  
5 two weeks ago.

6 CHAIRMAN VOWELS: All right.

7 MS. BOCHNOWSKI: Jack, I have a  
8 question regarding something that the Reverend  
9 said. In order to work at Caesars or in order  
10 to supply or be part of the Caesars  
11 construction, even though there's -- a  
12 minority company would be certified in  
13 Kentucky, they'd have to be certified in  
14 Indiana; is that correct, or would we just  
15 accept the Kentucky certification?

16 MR. THAR: No. Under our statutes and  
17 our laws, in order for a riverboat casino to  
18 get credit for a minority business or a woman  
19 business expenditure has to be certified by  
20 the Minority Business Development Commission  
21 here in Indiana. But we're sensitive, I  
22 think, as this meeting will develop to show to  
23 a lot of the concerns that you have expressed  
24 here today.

25 (Phone interruption)

1 CHAIRMAN VOWELS: That might be Caesars  
2 now.

3 MR. DARKO: It's Mr. Walsh on the other  
4 end.

5 REVEREND COLEMAN: I'm sorry.

6 MR. THAR: But we are -- we're in a bit  
7 of a quandary here, and the quandary has  
8 nothing to do with whether or not there should  
9 be minority or woman business participation  
10 but where it should come from. This is a  
11 statute passed by the state of Indiana to  
12 promote economic development --

13 (Phone interruption)

14 MR. THAR: You're a popular man.

15 REVEREND COLEMAN: I'm turning it off.

16 MR. THAR: -- to primarily benefit the  
17 citizens in the areas of Indiana. It's my  
18 understanding you're here representing  
19 Louisville.

20 REVEREND COLEMAN: Not really. Not  
21 really.

22 MR. THAR: Do you have a regional  
23 impact outside of the city of Louisville in  
24 the state of Kentucky?

25 REVEREND COLEMAN: Yes, we do. We're

1 getting ready to work on a project with  
2 Indiana University Southeast. They're doing  
3 new construction. We're in the process --  
4 we're in the negotiation process to work with  
5 them. They're doing a multi-million-dollar  
6 construction in New Albany, Indiana.

7 MR. THAR: And what do you do? What  
8 would you -- what do you do?

9 REVEREND COLEMAN: Basically what we  
10 do, we get with the construction owners, prime  
11 contractors, and get with the people who are  
12 going to do the project, the corporates, the  
13 institutional head, and we sit down with  
14 them. And they come up with a -- we come up  
15 with a plan and say, "Now, let's have this  
16 project impact everybody, African-Americans,  
17 Hispanics, Asians, women." And we supply them  
18 with a list of what availability of certified  
19 people they have in their particular area.  
20 And they work from the list for minority  
21 participation to make it -- to make it happen.

22 And what has happened in many instances  
23 is, when these contractor -- these  
24 construction -- these head of construction  
25 companies come on the job, they hire who looks

1           like them, they hire who they know, and the  
2           majority of time, 90 percent of the time, it's  
3           not women, it's not African-Americans, it's  
4           not minorities. So that's what we do. We  
5           give them a plan, we give them a process on  
6           how to do it.

7                       MR. THAR: When you put together the  
8           list of available companies and individuals,  
9           does that include Indiana companies and  
10          residents?

11                      REVEREND COLEMAN: Oh, we can do that.

12                      MR. THAR: My question is: Has it in  
13          the past?

14                      REVEREND COLEMAN: No. No, it hasn't,  
15          but it will be done with Indiana University  
16          Southeast.

17                      MR. THAR: Okay. So you are starting  
18          to put in place a process that would enable  
19          Indiana citizens and companies to work through  
20          your agency to go to Mr. Walsh?

21                      REVEREND COLEMAN: Mr. Walsh is the  
22          head of Caesars?

23                      MR. THAR: Yeah. Go to Caesars?

24                      REVEREND COLEMAN: Yes. We would be  
25          glad to do that. I think if you all -- I know

1           you're busy people, but if you come on the job  
2           site right now, it would blow your mind. And  
3           there are -- you just have to see it in order  
4           to just see this marvel. I mean the place  
5           looks great. It looks beautiful. But who's  
6           putting the place together is just unreal.  
7           It's just zero participation. And as I  
8           mentioned, these companies, when they come to  
9           you, when Caesars, these big corporates will  
10          come to you, they will give you some -- some  
11          company's name, "Yes, this is a minority.  
12          Here's a 1/25 -- 1/25 Asian or 1/25 Native  
13          American."

14                   And I know the two companies that  
15                   they're going to bring to you today that  
16                   they're going to say that they're working  
17                   with. And do you know, none of them -- both  
18                   of them that they're going to bring to you  
19                   today has almost zero participation of  
20                   minorities as workers and employees, not only  
21                   on -- on the job, but also in their offices.

22                   DR. ROSS: Question?

23                   CHAIRMAN VOWELS: Yes.

24                   DR. ROSS: We received a development  
25                   action plan from Caesars, and they indicate

1 that in 1999 year to date in September that  
2 their minority participation of 3.17 percent  
3 and women participation of 10.87 percent.  
4 Now, this is apparently this -- for this year  
5 has nothing to do with what you were saying,  
6 but it's really a variance of what you say,  
7 and basically what you say there's no  
8 participation?

9 REVEREND COLEMAN: What we saw and what  
10 we have seen in 1998, we have 1998 statistics,  
11 and it showed 0.05 percent minority  
12 participation. Your update probably will show  
13 Presnell which is an engineer/architectural  
14 firm, 1/16 Native American, no  
15 African-American staff.

16 DR. ROSS: Presnell HTA (phonetic)?

17 REVEREND COLEMAN: Presnell. I would  
18 encourage you to go to these places and look  
19 at their office staff to see what they have  
20 actually on the job. Your update may have a  
21 company out of Columbus, Indiana that was  
22 decertified by the Indianapolis certification  
23 agency. I think you need to monitor. They  
24 will give you information, but I think the  
25 policy body or the staff responsibility to

1 monitor actually what is -- what they're  
2 putting on paper. When companies see that  
3 there is a concern, they will do everything  
4 they can to give you a pretty picture, but  
5 it's not the real truth.

6 MS. BOCHNOWSKI: Now, I have a question  
7 for you. You say that, when you work with a  
8 company, you give them a list of certified  
9 minority companies, but you just said that the  
10 certification process is suspect.

11 REVEREND COLEMAN: It is.

12 MS. BOCHNOWSKI: So I mean how do you  
13 pick which companies you recommend?

14 REVEREND COLEMAN: Well, we know the  
15 companies. We've been doing this for 30  
16 years.

17 MS. BOCHNOWSKI: Okay.

18 REVEREND COLEMAN: We feel we're the  
19 experts. We know what companies are  
20 legitimate, and we know the ones that are not  
21 legitimate in Kentucky, and we know several in  
22 Indiana.

23 MS. BOCHNOWSKI: How are you -- I mean  
24 even working with IU, how are you planning to  
25 find out the Indiana companies?

1 REVEREND COLEMAN: Well, we will. We  
2 will. We work very closely with the National  
3 Black Chamber of Commerce which got its birth  
4 out of Indianapolis. We work very close with  
5 Harry Alters (phonetic) and his legal staff,  
6 the legal representation here today. We work  
7 very closely with Attorney Robert Webster out  
8 of Indianapolis, his office, and we know who  
9 has been very successful in legal action  
10 against some of these corporations here in the  
11 state of Indiana. We work very closely with  
12 these firms. I'm not being arrogant. When I  
13 say we the experts, we've been -- we've been  
14 at this a little while let me say that.

15 MS. BOCHNOWSKI: And you can understand  
16 how it's suspect when somebody wants to do --  
17 you know what I'm saying?

18 REVEREND COLEMAN: Yeah.

19 MS. BOCHNOWSKI: So that's why I'm  
20 asking these questions how do you know.

21 REVEREND COLEMAN: Right. Right.

22 MS. BOCHNOWSKI: Obviously we can be --  
23 I mean statistics can show one thing and the  
24 real life can show another thing.

25 REVEREND COLEMAN: Sure. That's

1 right. You can be fooled -- you can be  
2 fooled. You can be misled. As I mentioned,  
3 we've worked on the second largest  
4 construction project in the world, and that's  
5 UPS Goal 2000 (phonetic), and that's the way  
6 we operate. When the contractors come in, we  
7 give them a list of minority participations to  
8 work with, and we basically say, "This is  
9 the -- these are the companies that the owner  
10 would like for you to work with so you can  
11 have adequate women, minority,  
12 African-American participation on this  
13 project."

14 And we believe the same should be done  
15 with Caesars or any other gambling casinos  
16 that you have. We'd be glad to work with you,  
17 no charge.

18 CHAIRMAN VOWELS: Anything else?

19 MR. DARKO: May I ask a question? Do  
20 you share your information or your views with  
21 the Indiana agency when it's deciding who to  
22 certify, who not to certify?

23 REVEREND COLEMAN: Not really. Not  
24 really. We have been in Indiana probably --  
25 this is our -- about five months we've been in

1 Indiana.

2 MR. DARKO: Will you go as far as  
3 Switzerland County when their -- with their  
4 construction for the casino in Switzerland  
5 County?

6 REVEREND COLEMAN: We'll be glad to.  
7 We'll be glad to. We operate under the  
8 National -- Office of National Black Chamber  
9 of Commerce. We work very close.

10 MR. DARKO: What about the Kentucky  
11 agency that certifies enterprises -- minority  
12 enterprises, do you work with them?

13 REVEREND COLEMAN: Not too close 'cause  
14 they're very suspect. They're very suspect.  
15 Their leader is -- their director is an  
16 African-American who does not think very  
17 highly of inclusion of African-Americans and  
18 Hispanics and minorities in the construction  
19 arena.

20 MR. DARKO: Difficult situation.

21 REVEREND COLEMAN: Well, we look upon  
22 him as the enemy.

23 MR. DARKO: Thank you.

24 CHAIRMAN VOWELS: Okay. Anything else  
25 for Reverend Coleman?

1 Thank you, sir.

2 REVEREND COLEMAN: I do hope, Mr. Thar,  
3 you share this with the body. We appreciate  
4 it.

5 Thank you all so very much.

6 CHAIRMAN VOWELS: Thank you.

7 Yes, sir?

8 MR. LUCAS: Excuse me. Chairman  
9 Vowels, Neil Lucas with the firm of Bamberger  
10 & Feibleman. I'm legal counsel with Bob  
11 Webster for the National Black Chamber. And  
12 at some point in time if we could have just a  
13 few minutes to talk about the National Black  
14 Chamber, we work with Reverend Coleman, and we  
15 have some questions and issues we would like  
16 to share with you and you may have questions  
17 you may have for us.

18 CHAIRMAN VOWELS: Thank you.

19 MR. THAR: Well, Mr. Lucas is well  
20 familiar with our rules and the requests that  
21 need to come in to address the Commission, so  
22 anything you'd like I would recommend the  
23 Commission advise him to submit it in writing.

24 CHAIRMAN VOWELS: That would be  
25 helpful. If you could do that and forward

1 that to Mr. Thar, and he'll disseminate that  
2 to us.

3 Mr. Walsh is here right now.

4 Mr. Walsh, did you want to address the  
5 Commission?

6 MR. WALSH: Good morning. My name is  
7 Michael Walsh, executive vice president and  
8 chief operating officer for Caesars Indiana,  
9 and I'm here to present today Caesars  
10 Indiana's plan for MBE and WBE business  
11 commitments. But before I do, I would like  
12 to -- I understand everyone has a copy of the  
13 proposed plan that we have already sent to  
14 Mr. Thar and his staff. And I'd like to  
15 direct your attention if I may to Exhibit A.  
16 Exhibit A essentially is a revision of the  
17 numbers that have been originally submitted to  
18 the Gaming Commission staff with respect to  
19 our MBE and WBE commitments. These numbers  
20 have also been shared with the associates of  
21 Mr. Coleman as late as I think last Monday or  
22 so ago. And as you can see, the original  
23 numbers for MBE were \$78,000 and the revised  
24 numbers were 2.6 million dollars. From a WBE  
25 perspective, the original numbers were

1           \$494,000 and the revised numbers are about 1.1  
2 million dollars.

3                     Quite frankly, you know, with  
4 everything else with respect to this process  
5 at Caesars which we're very somewhat  
6 embarrassed by as well as disappointed in, the  
7 numbers that you have in front of you are the  
8 result essentially of implementing part of the  
9 plan that has been submitted to you. In other  
10 words, part of the concept of our plan, and I  
11 will get through some of the fundamental  
12 elements of that shortly, is an accounting and  
13 monitoring process, and prior to this  
14 submission to you, we did not have an adequate  
15 accounting and monitoring process.

16                     If I may take an opportunity, I wish to  
17 present to you some of the fundamental  
18 elements of our business development plan.  
19 First and foremost is the continuation of our  
20 business development committee. This is an  
21 MBE/WBE business development committee having  
22 as its representatives myself as a  
23 chairperson, three members of my senior  
24 management team as well as our director of  
25 facilities and our purchasing manager. All of

1 these individuals are charged with the  
2 collective as well as individual  
3 responsibility to ensure that this plan is  
4 implemented.

5 Another key element of this plan will  
6 be the hiring of an MBE/WBE business  
7 development coordinator. This individual will  
8 be the point person to ensure that this plan  
9 will be adhered to as well as having access  
10 and direct reporting relationships to myself.

11 MR. THAR: If I may interrupt you at  
12 this point, has that person been hired?

13 MR. WALSH: No, that person has not  
14 been hired.

15 That person, our coordinator, will be  
16 responsible for three elements to ensure that  
17 this plan essentially is achieved. The first  
18 element will be the creation of a strategic  
19 sourcing plan, essentially nothing more than a  
20 listing of all the goods and services that we  
21 at the casino have failed to purchase both  
22 from an operations perspective as well as from  
23 a construction perspective.

24 The second element will be the monthly  
25 monitoring and accountability reporting

1 throughout the entire organization of how well  
2 we have achieved our target goals relative to  
3 an ongoing month-by-month basis and having an  
4 opportunity at that point in time to identify  
5 obstacles that were hindering us to achieve  
6 those goals.

7 The third element is a participation  
8 plan, and here's where some of the teeth come  
9 into our plan. Each and every one of our  
10 contractors or from majority contractors that  
11 we will be doing business with on a  
12 drawing-board basis will have inserted in  
13 their contract a participation clause that  
14 will require them to have a minority and women  
15 business participation in their contract. And  
16 even before we execute that contract with that  
17 prospective contractor, that contractor will  
18 be responsible to demonstrate for us  
19 specifically how they're going to achieve the  
20 goals that they are putting -- that we are  
21 putting into their contract.

22 I think if you would turn to page 6 of  
23 7 in that same pack, I'd like to discuss what  
24 we believe to be further cornerstones to our  
25 plan and further cornerstones to the fact that

1 we believe and are extremely confident that,  
2 when we implement this plan, which we've  
3 already implemented certain sections of it  
4 already, we will be successful when the end of  
5 the day comes in meeting our full commitment  
6 for the minority business requirement that's  
7 in the statute and regulations and women  
8 business requirements for the statute and  
9 regulations.

10 And helping us with that will be these  
11 three unique innovative programs. The first  
12 one is supplier development. The MBE/WBE  
13 business development coordinator will help  
14 develop new suppliers and be empowered with  
15 broad and far-ranging authority to enable  
16 contractors as well as suppliers to do  
17 business with Caesars. Those far-ranging  
18 opportunities and authorities can range  
19 anywhere from flexible payment terms to  
20 potentially loans that they can do business  
21 with Caesars, with potentially working with  
22 other state, local and federal agencies to  
23 look for ways to help those individual  
24 companies do business with Caesars, as well as  
25 utilizing some of the resources that Caesars

1           itself has on site to help those smaller  
2           companies to grow and allow them an  
3           opportunity to do business with Caesars on an  
4           ongoing basis.

5           The second item there is we formulated  
6           an MBE/WBE council, advisory council, quite  
7           frankly an advisory council made up of many  
8           representatives within the minority community  
9           in a regional basis. So as you can see  
10          there's individuals from there from Indiana as  
11          well as from Kentucky.

12          And last but not least is the  
13          second-tier program. We recognize we have an  
14          opportunity through some of the influence that  
15          we carry with respect to some of our other  
16          vendors, you know, that we can hopefully  
17          influence them to do business with minority  
18          and women business enterprises. So in this  
19          initiative, for every contract, for every  
20          vendor that we deal on an annual basis  
21          \$100,000 or more worth of business with, we're  
22          going to be soliciting their cooperation in  
23          trying to help us also with respect to  
24          developing the minority and the women business  
25          community.

1 DR. ROSS: When you say solicit their  
2 corporation, are you -- does that mean that  
3 they are out of their contract when they don't  
4 do it or are you just going to ask them at the  
5 end of the year, "Can you do a little better?"  
6 How do you plan to make this happen?

7 MR. WALSH: We primarily deal with a  
8 multiple-bid operation with respect to any  
9 goods or services that we contract for,  
10 whether it's on an ongoing operations basis or  
11 whether it's on a construction basis. With  
12 respect to this initiative, and we know that  
13 we can't force them; however, we can have a  
14 choice with these situations. For instance,  
15 if a certain situation would materialize and  
16 that contractor, that vendor, that supplier,  
17 you know, does not want to cooperate with us  
18 or has not demonstrated in the past a  
19 cooperation with us with this initiative, we  
20 will not do business with that contractor  
21 should there be another vendor that will  
22 cooperate with us in this.

23 We think that we can bring the leverage  
24 to bear of our 40 to 50 million dollars worth  
25 of annual operational expenditures, you know,

1           which is a sizable portion within that region  
2           down there to try to get the development  
3           sensitivity within that region, you know, to  
4           develop minority and women business, you know,  
5           involvement in that -- in our project as well  
6           as broadly within the -- within the region.

7                        Also as you may have already read,  
8           there are some specific target action steps  
9           from both a construction perspective as well  
10          as from an operations perspective.    The  
11          responsibility for this implementation will be  
12          mine.    The responsibility for achievement of  
13          this plan will be the entire Caesars Indiana  
14          operations team which is all 2,000 employees.

15                      I would be remiss if I did not at some  
16          point in my presentation apologize to you, the  
17          Commission, Mr. Thar and his staff, the  
18          minority business community at large, the  
19          women business community at large for  
20          disappointing everyone with respect to our  
21          results to date.    Now, we disappointed  
22          ourselves also.    I hope that with our  
23          commitment that we will get back on track,  
24          that with our commitment by when the end of  
25          the day comes we will have fully met, you

1 know, our minority and our women business  
2 obligations under the Casino -- under the  
3 Casino Act and the Statute, I hope that we  
4 will be able to stand here, you know, and at  
5 this point in time, you know, the plan that we  
6 are submitting to you in my opinion, you know,  
7 will be the standard of which all subsequent  
8 plans will be used as a judge. And I'm  
9 extremely confident that we will do this.

10 As you know, we have faced a lot of  
11 challenges with our project, and the lion  
12 share of this challenge will be if we're  
13 successful in the resolution, and I look  
14 forward to whoever will be successful with us  
15 also. I apologize again, you know, for us,  
16 you know, with our poor showing.

17 To give you an idea, you know, on  
18 remaining part of our operation, you know, we  
19 have got a 13 percent minority involvement in  
20 employees in our work force, and I believe the  
21 region -- the MSA for the region down here is  
22 somewhere about 13 to 15 percent. So I think  
23 we're on track there. If you take a look at  
24 our management staff within the Caesars  
25 Indiana operation, you know, we're currently

1 right now at about 16 to 17 percent of our  
2 managers and above are minority, and so I  
3 think we're on track there also.

4 The element where we quite frankly fell  
5 down was on the construction phase of our  
6 operation, and I think there's two reasons  
7 that that happened quite frankly. The first  
8 reason I think is basically there was an  
9 insensitivity to the statute, to the  
10 regulations, you know, that basically  
11 occurred, you know, and there was not really  
12 one person responsible for achieving this  
13 initiative.

14 And the second reason I think was, in  
15 our zeal to open as quickly as we could, we  
16 fast-tracked in the design build process, and  
17 essentially that the -- one of the victims as  
18 you know of that fast-track in design build  
19 process in order to get open within the 90  
20 days that we had once archeology was cleared  
21 on our site, you know, was essentially this  
22 program. Those steps will not be taken and  
23 will not occur in the future. In the future  
24 what we're going to do is break our larger bid  
25 packages down into smaller bids. In the

1 future we're going to work with every  
2 organization that approaches us. In fact,  
3 we've requested from Mr. -- Reverend Coleman's  
4 associates the actual listing of all the  
5 organizations that they deal with, you know,  
6 to try to get that.

7 And I appreciate his offer at no charge  
8 for that. I think that's very nice of him.  
9 And we will use that, you know.

10 The one key point though that we have  
11 always stated in all the meetings that we've  
12 had so far with our MBE/WBE advisory council,  
13 and there's been three meetings held to date  
14 so far, is that it is critical for Caesars,  
15 you know, as well as for the state of Indiana,  
16 as well as for the minority and women business  
17 communities at large, that each and every one  
18 of the vendors and contractors that we do  
19 business with are certified in Indiana or go  
20 through the process of applying for  
21 certification in Indiana. And that has been  
22 welcomed by every member unanimously from the  
23 Minority Business Council which are both those  
24 Indiana members as well as those  
25 representatives from the Kentucky side of the

1 river from a regional aspect.

2 If there's any questions?

3 MS. BOCHNOWSKI: Well, you know, it  
4 really is disappointing to see this after your  
5 feet are held to the fire so to speak. I mean  
6 it should have occurred as a matter of  
7 course. You're a big corporation. You should  
8 know how to do this kind of thing.

9 The other thing is that I think your  
10 opportunity for including minorities is really  
11 the strongest during the construction phase.  
12 I know people will come from Lake County,  
13 Indiana all the way down to work for you and  
14 to help you build this project. If you can't  
15 find a minority contractor right there, you  
16 can go to Indianapolis. You can go around.  
17 There are plenty.

18 MR. WALSH: That's right. That's  
19 correct.

20 MS. BOCHNOWSKI: And this really is --  
21 it's very disappointing.

22 MR. WALSH: I agree, Commissioner  
23 Bochnowski, it's very disappointing. And it's  
24 a disappointment to myself also.

25 MR. MILCAREK: Are you aware of a post

1 meeting between you and the Reverend or any  
2 communication?

3 MR. WALSH: Yes. Individuals that are  
4 on Minority Business Advisory Council had I  
5 believe contacted Reverend Coleman and his  
6 organization to request a meeting.

7 MR. MILCAREK: That was about two weeks  
8 ago.

9 MR. WALSH: I think it was a little bit  
10 longer than that, but that's a ball park.

11 MR. MILCAREK: When will this meeting  
12 take place?

13 MR. WALSH: Pardon me?

14 MR. MILCAREK: When will this meeting  
15 take place?

16 MR. WALSH: Whenever they -- whenever  
17 they are available to meet, you know, I will  
18 meet with them. I'll make myself and my  
19 calendar available as I have in formulating  
20 this -- this plan.

21 MS. BOCHNOWSKI: You might want to take  
22 the initiative here.

23 MR. WALSH: Well, we have met with  
24 representatives of his --

25 MS. BOCHNOWSKI: Okay.

1 MR. WALSH: -- this past Monday.

2 MS. BOCHNOWSKI: Okay.

3 DR. ROSS: Mr. Walsh, I'd like to beat  
4 on you a little more. You know, really the  
5 state statute is fairly clear on the five  
6 percent and ten percent of involvement.  
7 Now -- and I don't know the strength of the  
8 statute as it compares to paying your income  
9 tax and things like that. But when you pay  
10 your income taxes, nobody gives you any  
11 excuse -- any choices of excuses that you can  
12 use not to pay. You have to pay. And when  
13 the State set this statute, they obviously set  
14 it for a reason because they know that there's  
15 not many minority businesses, and so this is  
16 the time to develop it.

17 So I think that you're going to have to  
18 go further than to meet with already-existing  
19 organizations. You're going to have to make  
20 you an organization. You're going to have to  
21 put your money in it in order to see that this  
22 happens because it's got to happen.

23 Now, I see today that we have some  
24 fines on some things relating to money. This  
25 in my estimation is just a fine, and there

1           should be a fine. And I think the Commission  
2           should have some sort of punitive action if  
3           you don't do it, because if you don't do it,  
4           then none of the rest of them. So I would  
5           propose that you take some money out of your  
6           budget and put it aside as an incubator or  
7           something to see that these -- that these  
8           things get done. That is part of your budget  
9           that you take the money out. And it seems  
10          like that over a period of time that you're  
11          about \$40,000,000 short. So a reasonable  
12          amount would be to take 10 percent to start  
13          that incubation.

14                       MR. WALSH: I understand.

15                       MS. BOCHNOWSKI: There's even a  
16          possibility that some of you in the same  
17          regional area could get together and really  
18          make an impact and develop companies.

19                       DR. ROSS: So my proposal would be that  
20          you take 4,000,000, set it aside rather than  
21          have a \$4,000,000 fine because that doesn't  
22          help anybody.

23                       MR. WALSH: I agree. I mean I think a  
24          fine, you know, doesn't help and it doesn't  
25          get to a solution with respect to the

1 initiative. And I also believe that Caesars  
2 is willing to step forward, you know, and  
3 create a pool of funds, you know, and  
4 especially with the latitude that's given to  
5 the MBE/WBE business coordinator that we have  
6 in the development of supplier and supplier  
7 relationships to us, it's one of the elements  
8 that we have contemplated in here. So we look  
9 forward to working and being very dynamic in  
10 creating solutions, you know, to this  
11 initiative.

12 MR. DARKO: Is incubation part of what  
13 you see as the responsibility of that  
14 coordinator?

15 MR. WALSH: Helping individual  
16 companies do business with Caesars where they  
17 need access to whatever assets it may be is  
18 having a division that that supplier  
19 development coordinator will be. For  
20 instance, if they -- if we have a supplier  
21 from Lake County that for whatever reason  
22 doesn't have the ability to transport the  
23 goods and services down to us because they  
24 don't have a large enough fleet or they need  
25 to go out and buy a truck or something like

1           that, that's what that business development  
2           coordinator can get involved with, you know,  
3           is can we guarantee a loan to a bank, you  
4           know, to help them get -- to get a truck? Can  
5           we loan them the dollars for the truck, you  
6           know, at no interest or low interest or  
7           something like that? Can we advance them the  
8           funds relative to the order we're going to  
9           give them so that they can get the necessary  
10          resources?

11                   All that is encapsulated in that. We  
12          try to be as flexible as possible, even with  
13          payment terms and everything else, creating  
14          long-term relationships with us. For  
15          instance, as you know, we use a lot of slot  
16          cups, you know, millions a year in slot cups.  
17          Well, possibly, you know, one individual  
18          supplier, a minority supplier, a woman  
19          business supplier, cannot handle the millions  
20          upon millions of slot cups that we use a year,  
21          but they may be able to handle in their first  
22          year maybe it's 100,000 slot cups, and in  
23          their second year 400,000 slot cups, in their  
24          third year 800,000 slot cups, we can help.

25                   MR. DARKO: That's part of breaking up

1 the bid as you say?

2 MR. WALSH: Correct.

3 CHAIRMAN VOWELS: You talked about the  
4 lack of sensitivity to this issue within  
5 people -- with people within the  
6 organization. Has there been an attempt to  
7 route out those people? I mean essentially  
8 we're here today because of some person or  
9 persons' lack of sensitivity and  
10 underestimation of the weight of this statute  
11 and the degree that we place upon it. Have  
12 you done some changes internal?

13 MR. WALSH: Quite frankly, Commissioner  
14 Vowels, in the efforts that I have spent in  
15 trying to ensure that this plan is met, I have  
16 not looked for what caused it, you know, why  
17 did it happen and what individual did it.  
18 Because if I put the necessary emphasis in the  
19 organization behind it, you know, we will be  
20 able to meet with the success that we need to  
21 meet.

22 CHAIRMAN VOWELS: And you won't run  
23 into any loggerheads with someone who didn't  
24 think it was important?

25 MR. WALSH: Absolutely not.

1 MR. THAR: If I could, what we asked as  
2 a staff is they come up with a cure rather  
3 than a blame first. Secondly, it's obvious  
4 two things have occurred with regard to the  
5 Caesars project in Harrison County since its  
6 inception. One is it has met unparalleled  
7 unequaled opposition by the Louisville Courier  
8 Journal, environmental groups both in Indiana  
9 and in Kentucky as well as the city of  
10 Louisville with regard to air pollution  
11 issues, et cetera. So they have fought a lot  
12 of those issues just to get started. Secondly  
13 is that the corporation itself was under a  
14 hostile takeover from Hilton, sold to  
15 Starwood, Starwood's now selling to Park  
16 Place.

17 So Caesars has been open a year this  
18 month. It's had two changes of ownership and  
19 a hostile takeover which from my perspective,  
20 and this is my perspective, the difficulty in  
21 laying blame is that, while the people  
22 actually doing the work and Harrison County  
23 attempt to get things done correctly, they are  
24 governed by corporate structures that go up  
25 and up and have been in constant flux, so as a

1 result there's been I think a lack of  
2 continuity and a lack of direction at the  
3 highest corporate levels to allow the Harrison  
4 County operation to show the type of  
5 sensitivity that I know Mr. Walsh is capable  
6 of and he expresses here today.

7 So I think that his choice in not  
8 trying to find the problem, you know, where  
9 it -- let's focus on the cure, not on the  
10 blame. Because which of the different  
11 corporate owners are you going to blame?

12 But I think the sun's out, at least  
13 depending upon what the Commission's final  
14 decisions are here today, notice not only to  
15 Starwood but to Park Place, that things will  
16 operate different at your levels to enable  
17 this operation to fulfill its statutory  
18 requirements.

19 And if I misspoke, Mike, please correct  
20 me.

21 MR. WALSH: No. I think -- Jack, I  
22 think that's right on, and I appreciate some  
23 of the --

24 MR. THAR: If I may have a moment.  
25 This has been on the agenda and the notice for

1           our meeting has been out for a couple of  
2           weeks. We have rules about when people want  
3           to come and speak. If we have an opportunity,  
4           at the end of this discussion we'll be glad,  
5           if the Commission allows, to address your  
6           issues. But at this point in time, if you  
7           could kind of refrain. We'd like to direct  
8           our attention to Mr. Walsh from Caesars the  
9           same as we did with Reverend Coleman without  
10          interruption, if that's okay.

11                   CHAIRMAN VOWELS: And, Mr. Walsh, I  
12          believe that it would be the Commission's  
13          position that -- I don't know who all's here  
14          with you today, but that it would be  
15          communicated up and down the ranks that this  
16          Commission views this issue very strongly and  
17          that we do give great weight to the statute,  
18          and I'm sure that you'll relate that both  
19          ways.

20                   MR. WALSH: Absolutely. And with  
21          respect to Commissioner Ross, your suggestion,  
22          possibly we can work with Mr. Thar and his  
23          staff in formulating the pool of funds that  
24          you were proposing.

25                   DR. ROSS: Yeah. That fund ought to be

1 part of your budget just like all this other  
2 stuff so we can see it and we can see that you  
3 do it.

4 MR. THAR: I've had some discussions  
5 with Dr. Ross, a few discussions with  
6 Commissioner Milcarek, Chairman Vowels with  
7 regard to some thoughts in this area and if we  
8 could maybe air those out a little bit. I  
9 think Dr. Ross' suggestion that \$4,000,000 set  
10 aside is appropriate, it's 10 percent of the  
11 amount that you admit in this plan that you  
12 need to spend in order to have your  
13 construction dollars where they should be  
14 statutorily; is that right for rounding  
15 purposes?

16 MR. WALSH: That's correct.

17 MR. THAR: I have discussed this also  
18 with Senator Rogers and Representative  
19 Crawford who both indicated that, after they  
20 see how this is structured, they may very well  
21 like to participate. As a potential  
22 overseeing group, Dr. Ross, if you would be  
23 willing to liaison from the Commission with  
24 this group and have that group interact with  
25 the group Mr. Walsh names on page 6 of 7

1 his --

2 DR. ROSS: I can do that.

3 MR. THAR: What then I might suggest  
4 and that we would put out in the paperwork,  
5 because I think we'll have to put this down on  
6 paper so that everybody knows where we stand,  
7 is that --

8 If this is what you had in mind,  
9 Doctor, and if not, please correct me.

10 -- that of the 4,000,000 we're going  
11 to ask you to fund 2,000,000 now. And after  
12 some interval, be it four months, be it six  
13 months, there's going to be a reevaluation as  
14 to whether or not that second 2,000,000 of the  
15 4,000,000 needs to be funded now. And it may  
16 be for a couple of reasons, one because the  
17 2,000,000 has already been spent and it needs  
18 to be refunded with another 2. It may be  
19 because, notwithstanding the efforts set forth  
20 in your action plan, that it's just not being  
21 met.

22 And I think that I completely agree  
23 with Dr. Ross' suggestion that the concept of  
24 a fine appears to be a waste of money because  
25 that does not -- that would go into the

1 general fund of the state of Indiana, not that  
2 it's a waste of money, but it doesn't do  
3 anything to forward --

4 MR. DARKO: They've got too much money  
5 already.

6 MR. THAR: Yeah. It doesn't do  
7 anything to forward the statutory goals of  
8 minority and women business enterprise  
9 participation.

10 So we are -- if I understand you  
11 correctly, Doctor, we want to put that as a  
12 condition with regard to the supplier  
13 developments and have this overseen primarily  
14 by this Commission which will be asking for  
15 interval reports. And the reason for that is  
16 we're going to keep the overhead zero so that  
17 it's funded with 2 to 4 million dollars,  
18 that's how much is available, not 1.5 million,  
19 not \$700,000.

20 Doctor, based upon our conversations,  
21 your statements today is kind of where I  
22 thought you wanted to be on this.

23 DR. ROSS: Yes.

24 MR. THAR: If the Commission allows,  
25 the staff will work out the final paperwork

1 with Caesars on this. And that money I  
2 believe would be used to incubate, to take  
3 smaller businesses, try to make them bigger  
4 businesses and maybe to develop businesses  
5 where there is no minority participation or  
6 women participation in supplies and areas that  
7 would benefit the casino industry, first  
8 Caesars because it's your numbers we're  
9 talking about, but if the rest of the industry  
10 benefits from it, then that's a plus.

11 That's I think how the discussions have  
12 kind of gone. And my understanding is from  
13 what you've said today, Mr. Walsh, Caesars is  
14 not opposed to that plan, there will be no  
15 fight about this?

16 MR. WALSH: There will be no fight  
17 about this.

18 CHAIRMAN VOWELS: All right. So then,  
19 Mr. Thar, is there anything else we need to  
20 deal with under this issue?

21 MR. THAR: It's up to the Commission, I  
22 believe, as to whether or not they wish to  
23 hear comments from the people that have been  
24 raising their hand during the course of these  
25 presentations. I'm sorry, I don't know who

1 any of them are except for Mr. Lucas.

2 MS. TANDY ADANDE: I only need two  
3 minutes.

4 CHAIRMAN VOWELS: Couple minutes?

5 MS. BOCHNOWSKI: Two minutes.

6 CHAIRMAN VOWELS: Okay. Ma'am, we'll  
7 allot you two minutes to address the  
8 Commission.

9 All right. Thank you, Mr. Walsh.

10 MR. WALSH: Thank you, Commissioners.

11 CHAIRMAN VOWELS: And if you'll  
12 identify yourself for the lady reporting,  
13 please.

14 MS. TANDY ADANDE: Yes, sir, my name is  
15 Jocelyn Tandy Adande, and I'm the consultant  
16 for a group called the African-American  
17 Contractors of Indianapolis. And as I  
18 listened to Reverend Coleman, he's  
19 representing Louisville, I represent  
20 contractors in the state of Indiana. In fact,  
21 they were the group that sued the Bayh  
22 administration for discrimination in the  
23 Department of Transportation contracts.  
24 Unfortunately, we lost.

25 However, I contacted Caesars on behalf

1 of this group in September. To date, no one  
2 sent me any correspondence to my office so  
3 that we could assist them in meeting whatever  
4 goals with minority participation.

5 I believe there was a gentleman by the  
6 name of Mike Cisco (phonetic) in your  
7 procurement office. He was supposed to fax me  
8 the information that day, and as of to date, I  
9 haven't received anything.

10 So my personal feelings are that  
11 Caesars has no desire to meet our goal in  
12 terms of minority participation. We offered  
13 our assistance to help them find certified  
14 minority- and female-owned business. I also  
15 am an intermediary for SBA, so I assist small  
16 businesses in qualifying for small business  
17 loans in Indianapolis. So you do have people  
18 who offered to help them, and to date we have  
19 not received any response. So I feel that the  
20 sanction against them today was appropriate.

21 MR. THAR: I would like, if I may?

22 MS. TANDY ADANDE: Yes.

23 MR. THAR: I believe that a couple of  
24 the points you made that you weren't getting  
25 responses from Caesars and that they're either

1 insensitivity at the best or just total  
2 ignoring you worse --

3 MS. TANDY ADANDE: Insensitivity.

4 MR. THAR: -- did exist. But I think  
5 with regard to the advisory council that  
6 Mr. Walsh has put together will be glad to  
7 provide you with the names or a copy of this  
8 plan because it is a public document now.

9 And secondly, the intermediate group  
10 that will be working with the Commission will  
11 be more than happy to accept anything that you  
12 have to send to them and to pass on for this  
13 group to evaluate along with all the other  
14 information that they get. Thank you very  
15 much for advising us of your -- of what it is  
16 you do.

17 MS. TANDY ADANDE: Thank you for your  
18 time.

19 CHAIRMAN VOWELS: Thank you, ma'am.  
20 Anything further then?

21 Mr. Lucas, why don't you come on up,  
22 and we'll give you a couple minutes.

23 MR. DARKO: Even the lawyers get to  
24 talk?

25 MR. THAR: We need to take a break

1 before he starts.

2 CHAIRMAN VOWELS: He's got two minutes  
3 real time.

4 MR. LUCAS: I'm Neil Lucas with the  
5 firm of Bamberger & Feibleman, and one of the  
6 reasons we're here is we're the general  
7 counsel for the National Black Chamber. And a  
8 little history here, we started talking with  
9 the Indiana Casino Association a year ago  
10 because I obtained the 1997 numbers from the  
11 Indiana Gaming Commission and took a look at  
12 them and thought that there should be an  
13 improvement.

14 We talked with Jennifer Simmons, the  
15 executive director of the Casino Association.  
16 As a matter of fact, we had set up I believe  
17 for last February a meeting in our office with  
18 all the purchasing managers from all the  
19 boats. That meeting was canceled, and I've  
20 tried several occasions to reschedule that  
21 meeting, and it was never rescheduled. I was  
22 informed that all the boat operators felt that  
23 they were very comfortable with their minority  
24 participation and that there was no reason to  
25 meet.

1                   As the National Black Chamber, a little  
2 background, the National Black Chamber was  
3 hired on a consulting basis with the Conseco  
4 Fieldhouse to make sure the Conseco Field  
5 House had the proper participation. They've  
6 also been a part of, as Reverend Coleman  
7 indicated, a huge UPS project. It's a  
8 national organization. They have chapters in  
9 Indianapolis, Cincinnati, Louisville with  
10 membership there that's ready, willing and  
11 able to work on the casino projects.

12                   And we have offered our services.  
13 We met last Monday. We flew up to Las Vegas  
14 and met with Mr. Boynton and Mr. Rubinstein to  
15 see if there was something that we could  
16 resolve.

17                   We also represent 15 to 20 minority  
18 businesses, and they're in the process of  
19 talking in a planning stage of a possible  
20 federal lawsuit under 1981 because, even if  
21 you look at Caesars' numbers for '97 and '98,  
22 if you look at the minority participation, the  
23 amount -- or the number of African-Americans  
24 that have participated in this is  
25 significantly lower. Mr. Rubenstein was kind

1 enough to send to me the revised '97/98  
2 numbers, and while I can't attest to this  
3 fact, one of the things that sort of jumped  
4 out at me was 1.4 million, almost 1.5 million  
5 in 1998 has been to a company called Presnell  
6 Associates.

7 Well, this morning I got on the  
8 Internet with the Minority Business Listing of  
9 vendors that are certified. Presnell is on  
10 the web page as being registered. They're not  
11 certified according to the Indiana Minority  
12 Business listing. I also called that office  
13 and asked if Presnell either, A, had filed an  
14 application, or B, was certified, and was  
15 informed that they were not. So of the 2.5  
16 it's my understanding from the information I  
17 got from the state of Indiana, that 1.5  
18 million of that is not even certified or MBE  
19 applied.

20 You all may recognize me, I know  
21 Mr. Thar, I was involved in the development  
22 agreement representing Harrison County. And  
23 my experience with Caesars was that it was a  
24 very difficult group to deal with. I remember  
25 them standing in front of you telling you that

1 you're going to have gondolas across the  
2 Ohio. I remember a destination resort that  
3 now has a golf course 12 miles away.

4 And with respect to their reasons for  
5 their minority participation, they gave two  
6 reasons: insensitivity and time. It's my  
7 recollection that the time from -- the period  
8 of time from when you gave them their  
9 certificate of suitability to the time that  
10 they were given their Army Corps of Engineers  
11 permit was nearly two years. It was by far  
12 the longest of any gaming operation in the  
13 state of Indiana.

14 Essentially, they had two years to get  
15 their ducks in a row because they knew it was  
16 going to be a fast-track construction  
17 project. They had two years to get their  
18 ducks in a row and to set up all the minority  
19 contracts that they needed. And that didn't  
20 happen. I find that excuse lame.

21 CHAIRMAN VOWELS: I think as Mr. Thar  
22 pointed out from a question I had earlier,  
23 what we need to do at this stage, and I  
24 understand your frustration where you're  
25 coming from and I'm not too far off in

1 agreement, is the situation on blame is  
2 something we can deal with after we take care  
3 of the problem. We need you to have a clear  
4 slate with Caesars so that you can help  
5 straighten this situation out. And I think  
6 sitting here today you've listened to what  
7 this Commission's position is on it, and we  
8 have our liaison in Commissioner Ross who will  
9 be keeping a close eye on this as will the  
10 staff in addressing the Commission. So I  
11 think that we're on the road to straightening  
12 this out, but we need your help also as  
13 somebody in your position.

14 MR. LUCAS: I understand. And Dr. Ross  
15 made a wonderful point in that going forward  
16 is one issue. But at this point in time I see  
17 \$200,000,000 in qualified MBE purchases which  
18 is minority community got approximately  
19 \$75,000. Is it a matter of, okay, this  
20 \$20,000,000 that they have 10 percent should  
21 have been pumped into minority business  
22 community; is that just by the board?

23 CHAIRMAN VOWELS: No, nothing's by the  
24 board.

25 MR. THAR: No, I don't think so. I

1 mean as you read Caesars' action plan and what  
2 Mr. Walsh explained is that the 40,000,000  
3 includes -- their intention is to make up  
4 money lost by expending more on minority  
5 business and women business enterprises than  
6 the statute requires in order to make up so  
7 that at the end of the construction period,  
8 the construction was 40,000,000, that at  
9 least -- if the construction was 400,000,000,  
10 then at least 40,000,000 or 10 percent of it  
11 went to minority businesses and then whatever  
12 the 5 percent would equal which would be  
13 20,000,000, and that that is to be made up.  
14 That's part of their action plan. So that's  
15 not lost money.

16 What Dr. Ross has pointed out is not --  
17 is to enable that is to have them isolate  
18 2,000,000 now, 2,000,000 down the road for the  
19 purpose of, if there are no minority or women  
20 businesses that can provide the services they  
21 need, to develop -- to help pay to develop  
22 those services or to enable a group that is  
23 too small to provide the service to get larger  
24 so -- in lieu of a fine which I agree with  
25 Dr. Ross is money down the hole.

1 MR. LUCAS: Mr. Thar, my understanding  
2 of what you're saying, for instance, if  
3 Caesars has \$100,000,000 of construction to go  
4 in this project over the next year, that they  
5 will do \$20,000,000 with minority business?

6 MR. THAR: What I'm saying is that out  
7 of the remaining construction project --

8 Which ball park figure is what?

9 MR. WALSH: About 80 to 100 million  
10 left.

11 MR. THAR: Let's use 100,000,000 for  
12 simplicity, they intend to spend 40,000,000  
13 with minority business enterprises in order to  
14 stay current with their construction plus make  
15 up for expenditures not made. They intend to  
16 do the same with the WBE. You may not know  
17 that because you haven't had the opportunity  
18 to review the action plan --

19 MR. LUCAS: Right.

20 MR. THAR: -- as we have. But that's  
21 what their action plan says.

22 So if I may, I do think that there's a  
23 couple things that we need to do to close this  
24 issue up today, but we can wait until --

25 MR. LUCAS: Thank you.

1 MR. BOCHNOWSKI: So at the end of the  
2 total construction the percentages should look  
3 more like what you would like to see.

4 MR. LUCAS: Great.

5 CHAIRMAN VOWELS: Okay. Thank you,  
6 Mr. Lucas.

7 MR. LUCAS: Thank you.

8 CHAIRMAN VOWELS: Okay. Mr. Thar?

9 MR. THAR: I think first of all that  
10 the Commission needs to decide whether or not  
11 they want to accept this submission by Caesars  
12 as being an acceptable action plan with regard  
13 to what it proposes to do.

14 MS. BOCHNOWSKI: One thing we'll  
15 probably have to do, and with this committee  
16 and everything maybe that would happen, but if  
17 there are companies in here that are being  
18 listed as minority contractors that are not,  
19 in fact, certified, we have to make sure we  
20 were aware of that.

21 MR. THAR: Mr. Cross does an audit --  
22 Krause, I'm sorry -- does an audit of the  
23 numbers submitted. And we'll check that.  
24 That's the first time it's been brought to  
25 anybody's attention. And we do go with the

1           certifications of Minority Business  
2           Development.  If we see that there's an issue  
3           here, because what I'm hearing is that they  
4           may very well be a front company, we'll refer  
5           that issue over to Minority Business  
6           Development and ask them to take a look at  
7           it.  Then the issue becomes whether or not  
8           somebody acted in good faith in hiring this  
9           company and they were deceived also, but that  
10          would be down the road.  These numbers will be  
11          looked at that Caesars has put forward in this  
12          plan.

13                 So I guess my position would be does  
14          the Commission have any questions for  
15          Mr. Walsh about the plan overall as  
16          submitted?

17                         CHAIRMAN VOWELS:  Any questions?

18                         MR. MILCAREK:  The only thing I would  
19          have to say to Mr. Walsh is, when we granted  
20          this license, one of my concerns was that  
21          Caesars being a very large company, there was  
22          some complaints from the City in how they have  
23          a certain feeling of arrogance on the part of  
24          Caesars, and this insensitivity issue seems to  
25          bear that out a little bit, and I would like

1 to have you not come before this Commission  
2 again with "We forgot" or "We're insensitive."  
3 I think it's time that Caesars is sensitive to  
4 the local needs and desires of the community.

5 MR. WALSH: And I agree with you very  
6 much so, and we will not be here in an  
7 insensitive way.

8 MR. THAR: May I ask a couple of  
9 questions?

10 There was an issue brought up by  
11 Reverend Coleman concerning, while you maybe  
12 utilize a certified minority company, that  
13 company may not be utilizing minority  
14 employees. Can you give us your observation  
15 on that from what you see around the Caesars  
16 work zone.

17 MR. WALSH: My observation around the  
18 Caesars work site is that there are not a lot  
19 of women involved in our construction work  
20 force, and I don't believe there's a lot of  
21 minorities involved in our construction work  
22 force.

23 MR. THAR: With regard to the type of  
24 construction plans and what you intend to do  
25 with your prime contractors and break down

1 contracts, is that one of the issues that  
2 you're going to then be addressing?

3 MR. WALSH: Yes. We have already  
4 started to address that issue with our prime  
5 and even our minority contractors.

6 MR. THAR: If we boil this down to its  
7 simplest issue, we're talking jobs.

8 Secondly, we've heard a lot about the  
9 construction budget, the money. What about  
10 operations?

11 MR. WALSH: We spend somewhere in the  
12 area about \$40,000,000 a year on operations,  
13 and currently -- in fact, if you look at one  
14 of those schedules, I think maybe it's A2, you  
15 know, at the bottom of that first long list,  
16 it's the operational expenditures in the far  
17 right-hand column, I don't have mine in front  
18 of me, but it's about \$28,000,000, that's for  
19 the first nine months. So on an annual basis  
20 essentially we spend about \$40,000,000 on  
21 goods and services that are not either a  
22 statutory exemption like taxes, you know, like  
23 gaming taxes and things of that nature or not  
24 another statutory exemption which would be  
25 payroll and salary. So what you're left with

1 is all the other goods and services like  
2 telephone bills, office rent, food, things of  
3 that nature.

4 We are committed, you know, and I think  
5 we have a pretty good record to date on that  
6 on our operations side, if you look at the  
7 operations expenditures as a percentage of  
8 that, you know, we have a very good record I  
9 think and process occurring right now to  
10 ensure that we probably, you know, will I  
11 think easily meet and might even exceed the  
12 MBE and WBE goals with respect to our  
13 operation expenditures.

14 MR. THAR: Understand that this  
15 Commission, while it's focused on the  
16 construction issues primarily today, is  
17 equally concerned with the operations  
18 expenditures and expect that this action plan  
19 would be carried out on the operation side as  
20 well as the construction side. Is that the  
21 intention of this plan?

22 MR. WALSH: And I think on page 4 in  
23 that development plan you will see a detailed  
24 two-page listing, you know, of the action  
25 steps, the specific definitive action steps

1 relative to what the operation side of this  
2 will bring to the table. And that includes a  
3 broad awareness essentially of each of the  
4 individual department managers and above,  
5 making them aware that they are responsible  
6 for helping us do the same, a broad awareness  
7 of the individual nature of the purchasing  
8 department perspective. And I can't recall  
9 the name, but last but not least also a  
10 benchmarking process, you know, relative to  
11 what other companies within the region do and  
12 to look for best practices from them as well  
13 as some other innovative tests like creating  
14 brochures, you know, that we will mail out to  
15 minority and women business communities,  
16 things of that nature. So we're placing power  
17 over advertising dollars also behind us.

18 MS. BOCHNOWSKI: Now, if we accept this  
19 plan, then it's more or less cast in stone I  
20 would think, that if they don't follow this  
21 plan, then we've got a problem again.

22 MR. THAR: That's my understanding for  
23 the submission of the plan and under the  
24 statutory framework, they're not meeting their  
25 numbers, they're to submit a plan. And then

1 if the plan does not -- if they fail to follow  
2 through with regard to the plan, and I think  
3 the first review is in 90 days, then the  
4 Commission can start invoking some penal  
5 issues rather than the constructive ones that  
6 we've discussed today.

7 One I think that I might recommend, and  
8 I'm going to toss this out, and I'm going to  
9 let you express your opinion on it, if at the  
10 time of the first review, I think as Dr. Ross  
11 had described it, that \$4,000,000 would come  
12 out of your budget would count towards MBE/WBE  
13 expenditures. If this plan is not being  
14 invoked, I would recommend to the Commission  
15 then that \$2,000,000 that's initially used to  
16 fund would not count towards MBE/WBE  
17 expenditures. You'd have to re-expend if  
18 you're not making progress in accordance with  
19 the plan.

20 So kind of from my view is there needs  
21 to be a carrot and there needs to be a switch.

22 CHAIRMAN VOWELS: Sounds fair enough.  
23 Do you want an actual vote here in the  
24 approval of the action plan?

25 MR. THAR: I think what we probably

1 need to do is, first, do we accept the -- if  
2 we don't have any more questions, do we accept  
3 the action plan, and then secondly, do we want  
4 to incorporate in the action plan the  
5 set-aside monies that Dr. Ross has described  
6 under the type of situation that has been  
7 discussed here today, or it can all be done at  
8 once. But I think we do need to take an  
9 action with regard to the plan and the  
10 suggestions that have been added to it by the  
11 Commission.

12 CHAIRMAN VOWELS: Any thoughts on that,  
13 any further thoughts? I think we can take it  
14 all as one, incorporate that into the action  
15 plan -- like mind to approve the action plan.

16 MS. BOCHNOWSKI: I would then move that  
17 we approve the action plan adding in the  
18 suggestions that have been made today. That  
19 includes the \$4,000,000 budget item that  
20 Dr. Ross proposed, and it also includes that  
21 Dr. Ross will be our Commission liaison to  
22 your advisory board.

23 CHAIRMAN VOWELS: Is there a second?

24 DR. ROSS: Second.

25 CHAIRMAN VOWELS: Is there any further

1 discussion?

2 Mr. Thar, does that sum that up for  
3 you?

4 MR. THAR: I think so. Could you also  
5 as a part of that direct the staff to carry  
6 out the paperwork to implement this.

7 CHAIRMAN VOWELS: Yes.

8 MS. BOCHNOWSKI: Why don't we add that.

9 CHAIRMAN VOWELS: That was part of your  
10 motion.

11 MS. BOCHNOWSKI: Okay. That's part of  
12 my motion.

13 CHAIRMAN VOWELS: And, Dr. Ross, part  
14 of your second; is that correct?

15 DR. ROSS: Yes.

16 CHAIRMAN VOWELS: All right. Any  
17 further discussion?

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

20 THE PANEL: Aye.

21 CHAIRMAN VOWELS: All right. And it is  
22 so approved.

23 Thank you, Mr. Walsh.

24 MR. WALSH: Thank you.

25 CHAIRMAN VOWELS: The only other thing

1 here is other business, and I assume we have  
2 nothing else except this afternoon's meeting;  
3 is that correct, Mr. Thar?

4 MR. THAR: That's correct. So I guess  
5 we would recess.

6 CHAIRMAN VOWELS: Until 1:30?

7 MR. THAR: Until 1:30. Again, it's at  
8 the office of the Indiana Gaming Commission.  
9 It's located in the National City Center which  
10 also houses the Hyatt Hotel. It's 115 West  
11 Washington Street, South Tower, Suite 950, and  
12 it will be in our general meeting room.

13 (The Meeting recesses at 11:29 a.m.)

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1 (The Meeting resumes at 1:28 p.m. at  
2 the offices of the Indiana Gaming Commission.)

3 MR. THAR: Since we're a minute early,  
4 I neglected to introduce introduce one of the  
5 newer members of our staff.

6 Sherry Flynn, stand up and let  
7 everybody see you.

8 She's with the Indiana State Police, a  
9 sergeant, assigned over here for  
10 administrative work on a temporary basis. She  
11 spends the bulk of her time guarding our First  
12 Lady of the State. Anyway, we welcome her  
13 over.

14 And I forgot to do that this morning,  
15 sorry, 'cause we hope to keep you permanently  
16 and it's only temporary right now.

17 CHAIRMAN VOWELS: Back in order, back  
18 in session.

19 Back to the agenda, it appears that  
20 what we can address right now before we get to  
21 the real issue at hand is an action on the  
22 request to reduce the surety bond posted by  
23 Blue Chip Casino. Was Mr. Krause handling  
24 that earlier?

25 MR. THAR: This is on their prior

1 bond. Basically what they have done is --

2 (Mr. Krause enters the room.)

3 MR. THAR: Here comes John right on  
4 que.

5 CHAIRMAN VOWELS: John, we've started  
6 to address the request to reduce the surety  
7 bond by Blue Chip Casino.

8 MR. KRAUSE: Yes, sir.

9 CHAIRMAN VOWELS: If you can just give  
10 us a brief synopsis on that as you did  
11 earlier. Do you need it?

12 MR. KRAUSE: I don't think I do.

13 Blue Chip is requesting -- they made a  
14 \$100,000 payment on a promissory note that's  
15 secured by what's called the Smith Brothers  
16 Property in Michigan City, and they are now  
17 been -- they are now requesting that their  
18 surety bond, the amount -- or what portion of  
19 the surety bond is posted, to secure that  
20 promissory note be reduced by \$100,000.

21 CHAIRMAN VOWELS: All right. Any  
22 questions for Mr. Krause?

23 All right. In front of us we have an  
24 action on a request to reduce that surety bond  
25 posted by Blue Chip Casino by \$100,000. Is

1           there a motion?

2                   MR. SWAN:   Move to approve.

3                   CHAIRMAN VOWELS:  Is there a second?

4                   MS. BOCHNOWSKI:  Second.

5                   CHAIRMAN VOWELS:  Is there any further  
6           discussion?

7                   All those in favor of the request say  
8           aye.

9                   THE PANEL:  Aye.

10                  CHAIRMAN VOWELS:  Show that that is  
11           approved.

12                  The next matter that we can address is  
13           the Resolution 1999-36 which is a resolution  
14           concerning the request of Blue Chip Casino,  
15           Inc. to amend the ownership structure and to  
16           transfer the riverboat owner's license to the  
17           new entity, Blue Chip Casino, LLC.

18                  Is there someone from Blue Chip who can  
19           address us on that?

20                  MR. THAR:  Walter Hanley.  This is  
21           Walter Hanley.  He is the corporate counsel  
22           for Blue Chip.

23                  MR. HANLEY:  Yes.  Good afternoon,  
24           Chairman Vowels, Commissioners, Executive  
25           Director Thar, Cindy Dean.  I'm Walter Hanley,

1 senior vice president of Blue Chip Casino,  
2 Inc. In connection with the Boyd transaction  
3 which you will be considering later this  
4 afternoon, Blue Chip Casino, Inc. respectfully  
5 requests permission to transfer its Indiana  
6 riverboat owner's license to Blue Chip Casino,  
7 LLC. Blue Chip Casino, LLC is an Indiana  
8 limited-liability company and wholly-owned  
9 subsidiary of Blue Chip Casino, Inc. Blue  
10 Chip Casino, LLC was formed to facilitate the  
11 Boyd transaction which you'll be considering  
12 later.

13 Immediately prior to the closing of the  
14 Boyd transaction if it's approved, Blue Chip  
15 Casino, Inc. would contribute its Indiana  
16 riverboat owner's license and its other assets  
17 into LLC and Boyd would acquire LLC.

18 If you have any questions, I'd be happy  
19 to address them.

20 MR. THAR: I have a couple questions  
21 which I should know the answer to and I  
22 don't. In your description of this,  
23 particularly the written description you sent  
24 to the staff, you indicated that some of the  
25 assets and some of the liabilities would be

1 transferred. Could you tell us what is not  
2 being transferred.

3 MR. HANLEY: There was some litigation  
4 at the time the unit purchase agreement was  
5 executed that the buyer wanted to avoid, so we  
6 structured the transaction such so that the  
7 buyer would avoid it. Since executing the  
8 transaction back in June, we've settled that  
9 litigation, so it really is no longer an  
10 issue.

11 CHAIRMAN VOWELS: So there is no  
12 pending litigation?

13 MR. HANLEY: No.

14 CHAIRMAN VOWELS: Okay.

15 MS. BOCHNOWSKI: But you still want to  
16 go ahead with this action?

17 MR. HANLEY: Yes, please.

18 MR. THAR: If the Commission was to  
19 decide not to approve the transfer of  
20 ownership, would you still want to  
21 reorganize?

22 MR. HANLEY: I don't think so. We  
23 would, you know -- if you don't -- this would  
24 not happen until immediately prior to the  
25 consummation of the Boyd transaction, so if

1           there's no Boyd transaction, this -- this  
2           structure would not be -- would not be  
3           contemplated.

4                   CHAIRMAN VOWELS:   Okay.   So we should  
5           probably defer the vote on this until we  
6           decide in reference to the transfer of the  
7           ownership?

8                   MR. THAR:    I would think.

9                   CHAIRMAN VOWELS:   Well, let's do that.  
10           All right.   Thank you.

11                   MR. HANLEY:   Thank you.

12                   CHAIRMAN VOWELS:   Then the next issue  
13           here that we have on the agenda is the  
14           transfer of ownership of Blue Chip Casino, LLC  
15           to Boyd Gaming.   And the parties were given  
16           the opportunity until now to negotiate in  
17           reference to the city of Michigan City and  
18           Boyd Gaming.   Is there someone who would like  
19           to give us an update and status?

20                   Mr. Bayt?

21                   MR. THAR:    It's Mr. Bayt, and the other  
22           gentleman that was standing up was Mr. Boyd,  
23           the owner of the company.

24                   MS. BOCHNOWSKI:   Oh.

25                   MR. THAR:    Mr. Bill Boyd.

1 MR. BAYT: Hi. Phil Bayt. Good  
2 afternoon, Chairman, members of the  
3 Commission, Mr. Thar, Ms. Dean. Thank you for  
4 the opportunity to allow us to get together  
5 this morning because it proved to be quite  
6 fruitful. My name is Phil Bayt for the  
7 record, Ice Miller for Boyd Gaming  
8 Corporation.

9 We were able to have both a fruitful  
10 discussion and some lunch, and we were able to  
11 then come to terms with respect to an  
12 arrangement that is mutually beneficial and  
13 mutually satisfactory to both Boyd Gaming  
14 Corporation and the city of Michigan City  
15 subject to the requisite government approvals  
16 that I would suspect might be needed on their  
17 side. But from Boyd Gaming Corporation's  
18 point of view we are in complete agreement and  
19 understanding.

20 We're prepared to go forward this  
21 afternoon and seek approval from the  
22 Commission for transfer of the ownership in I  
23 guess a staged process, Blue Chip Casino, Inc.  
24 to LLC and then a transfer of ownership of LLC  
25 to Boyd Gaming Corporation. We're prepared to

1 go forward with some information about the  
2 transaction and its background. I would like  
3 to introduce Mr. Boyd.

4 Mr. Boyd has been in front of the  
5 Commission before, continues to have a keen  
6 interest in the State of Indiana. He was  
7 educated in Nevada and got a law degree at  
8 Utah. After some military service, he  
9 practiced law for 15 years, then came to his  
10 senses and formed Boyd Gaming Corporation with  
11 his father opening and operating a property in  
12 Nevada. Now the company owns and operates 12  
13 facilities in several states, and they hope to  
14 add Indiana as one of the homes of Boyd Gaming  
15 Corporation.

16 Mr. Boyd?

17 MR. BOYD: Thank you.

18 Mr. Chairman and members of the  
19 Commission, Mr. Thar and staff, I can now say  
20 good afternoon instead of good morning, so  
21 good afternoon, and my name is Bill Boyd, and  
22 I'm the chairman and chief executive officer  
23 of Boyd Gaming Corporation. I thank you for  
24 the opportunity to be here today to tell you a  
25 little bit about Boyd Gaming.

1                   But first allow me to introduce the  
2 members of our team that are here today.  
3 First Don Snyder, our president and director  
4 with the company; Ellis Landau, executive vice  
5 president and chief financial officer; Keith  
6 Smith, executive vice president of operations;  
7 Marianne Johnson, my daughter and a president  
8 and director with the company; Willie Boyd, my  
9 son and also a vice president and director  
10 with the company; Maunty Collins, senior vice  
11 president and director of operations for our  
12 central region; Brian Larson, senior vice  
13 president of development and general counsel;  
14 Chuck Huff, vice president secretary and  
15 senior gaming counsel; Judy Campbell, vice  
16 president and general manager of our Paradise  
17 Hotel and Casino in East Peoria, Illinois;  
18 Mike Griggs, executive vice president of Boyd  
19 Indiana, Inc. and former general manager of  
20 the Silver Star Resort and Casino located near  
21 Philadelphia, Mississippi; Rob Stillwell, vice  
22 president of corporate communications.

23                   To fully understand the dynamics of our  
24 company today it is important to have an idea  
25 of how it began and the principles upon which

1 it was built. My dad Sam Boyd was in the  
2 gaming business all of his life. He started  
3 as a dealer, and he worked both hard and smart  
4 to become one of the pioneers in the gaming  
5 industry.

6 Some 25 years ago I decided to leave my  
7 law practice to join my dad in cofounding our  
8 new company. Even with the opening of our  
9 first hotel, the California Hotel and Casino  
10 in downtown Las Vegas, it was evident that we  
11 had a style of operating of dealing with  
12 people that was and continues to be at the  
13 center of our foundation and we believe what  
14 sets us apart from other gaming operators.

15 Conducting our business affairs only  
16 with the highest degree of honesty and  
17 integrity, understanding no one in our company  
18 is too important to pitch in when help is  
19 needed, or simply that we are in the business  
20 of doing whatever it takes to make our guests  
21 happy, these are among the basic ideals that  
22 form the cornerstone of Boyd Gaming  
23 Corporation. When I look back at our long  
24 history, these values have been at the heart  
25 of each of our success stories.

1                   We've grown to operate 11 gaming  
2 facilities in four states. We have seven  
3 facilities in three distinct markets in Las  
4 Vegas, the Las Vegas Strip, the Boulder Strip  
5 and the downtown Las Vegas area. We also  
6 operate four facilities outside of Nevada, all  
7 of which we developed or acquired after 1993.  
8 They are Sam's Town Hotel and Gambling Hall in  
9 Tunica County, Mississippi; the Paradise Hotel  
10 and Casino in East Peoria, Illinois; the  
11 Treasure Chest Casino in Kennard, Louisiana,  
12 which are all incidentally owned 100 percent  
13 by the company.

14                   We also manage the Silver Star Resort  
15 and Casino near Philadelphia, Mississippi  
16 which is owned by the Mississippi band of  
17 Choctaw Indians. In addition through a joint  
18 venture agreement with Mirage Resorts, Inc.,  
19 we are developing and will operate the  
20 Borgotta, a \$750,000,000 casino entertainment  
21 facility in the marina district in Atlantic  
22 City.

23                   Today we're here to ask for your  
24 approval of our acquisition of the Blue Chip  
25 Casino in Michigan City, Indiana. We are

1 excited about the prospect of adding Blue Chip  
2 to our family of casino entertainment  
3 properties. I'd like to take a few minutes  
4 and walk you through some of the necessary  
5 information regarding our proposed acquisition  
6 of the Blue Chip Casino.

7 The structure of this transaction  
8 contemplated by the unit purchase agreement  
9 involves the transfer of an existing license  
10 which will be held by Blue Chip Casino, LLC.  
11 All of the units of Blue Chip Casino, LLC will  
12 be acquired by Boyd Indiana, Inc., a  
13 wholly-owned subsidiary of Boyd Gaming  
14 Corporation. The purchase price will be  
15 273.6 million dollars all in cash including  
16 18.6 million dollars for the hotel which is  
17 expected to be completed and opened in January  
18 of 2000. The purchase price will be paid from  
19 currently available funds from our  
20 \$600,000,000 line of credit.

21 With respect to the development  
22 agreement between the current owners of Blue  
23 Chip and the city of Michigan City, we've been  
24 in discussions with the City regarding our  
25 assumption of the existing obligations under

1 the development agreement. In the spirit of  
2 good cooperation -- of cooperation and good  
3 corporate citizenship, we're willing to modify  
4 that development agreement in a manner in  
5 which we believe is generous and goes beyond  
6 any legal obligation of our company and helps  
7 the City accomplish its goals. And that  
8 agreement is, one, to increase the adjusted-  
9 gross-receipts base payment under the  
10 development agreement from one-half of one  
11 percent to one-and-a-half percent -- to  
12 increase from -- under the development  
13 agreement from one-half of one percent to  
14 one-and-a-half percent of AGR over \$90,000,000  
15 effective two years before it is required  
16 under the current agreement. And this alone  
17 should almost double the payment to the City  
18 for year 2000 and 2001. However, we have  
19 raised that minimum from 800,000 to  
20 \$1,000,000. That is one of the changes that  
21 we made from our November 4th letter prior to  
22 coming in here this afternoon. So in other  
23 words, instead of January 2002 when it was  
24 required under the present development  
25 agreement to make those payments, we'll begin

1 making those in January of 2000 with a minimum  
2 of \$1,000,000.

3 Also effective on January 1, 2000 in  
4 addition to number one that I just mentioned,  
5 to increase the AGR base payment from one-half  
6 of one percent of AGR in the years 2000 and  
7 2001 and from one-and-a-half percent in all  
8 subsequent years to three percent of AGR over  
9 \$140,000,000. And that was another change  
10 that we made since we were in this morning.  
11 We reduced that figure from 158,000,000 to  
12 140,000,000, and still, of course, the minimum  
13 would be \$1,000,000 per year.

14 Third item, to provide active  
15 assistance from Boyd executives to Michigan  
16 City's economic redevelopment process. Also,  
17 we have also added that we will make a  
18 \$300,000 annual payment until competition  
19 comes within 80 miles of Blue Chip Casino.  
20 Another thing that we agreed upon since this  
21 morning that we will --

22 MR. THAR: Excuse me.

23 MS. BOCHNOWSKI: Wait. Can you repeat  
24 that.

25 MR. BOYD: Pardon me?

1 MS. BOCHNOWSKI: Can you repeat that  
2 last one.

3 MR. THAR: You've had the active  
4 assistance --

5 MR. BOYD: In addition to one and two  
6 that I mentioned --

7 MS. BOCHNOWSKI: Right.

8 MR. BOYD: -- that we will also give  
9 \$300,000 annually until competition comes  
10 within 80 miles of Blue Chip Casino. In other  
11 words, that's conditioned on there being no  
12 other competition within 80 miles of Blue Chip  
13 Casino.

14 MR. MILCAREK: New competition or  
15 what? Because Gary is competition?

16 MR. BOYD: No. We're talking about  
17 Indiana and Michigan. We are not talking  
18 about what our sellers will be opening, for  
19 example, if they are successful with that.  
20 That would not be included and that's less  
21 than 80 miles. So we're talking about Indiana  
22 and Michigan.

23 CHAIRMAN VOWELS: New competition.

24 MR. BOCHNOWSKI: New competition.

25 MR. BOYD: Also that we will give up to

1           \$1,000,000 to purchase Harborside House and  
2           demolish -- and demolish that facility. Then  
3           what we will do is donate the land to the City  
4           for a park or other recreational facilities.  
5           That was give \$1,000,000 to purchase the  
6           Harborside House and to demolish -- and  
7           demolish and then donate the land to the City  
8           for a park or other recreational purposes.

9                     And lastly, as far as charitable giving  
10           is concerned, we will take out of the  
11           development agreement in reference to  
12           charitable giving "at our discretion." Those  
13           words were in there that it would be at the  
14           discretion of the seller to us. Those words  
15           will be out of there. There will be  
16           charitable giving. There will be no dollar  
17           amount there, but we agreed to take out "at  
18           our discretion."

19                     MR. THAR: If I may, does that conclude  
20           the outline of the negotiated development  
21           agreement?

22                     MR. BOYD: Yes.

23                     MR. THAR: Do you want at this time to  
24           ask the City to comment on -- the recitation  
25           as given, does that comply with your

1 understanding?

2 MAYOR BRILLSON: Yes, sir. For the  
3 record, I'm Mayor Sheila Brillson for the city  
4 of Michigan City. I certainly am delighted to  
5 be here today now rather than this morning  
6 where we are a lot happier as the City, a lot  
7 happier than we were this morning when we were  
8 facing what I would say would have been a bit  
9 of a difficult recitation.

10 We are very glad that Boyd Gaming is  
11 going to be joining our corporate community,  
12 and certainly, if they are as tough at the  
13 boardroom table negotiating as they are in the  
14 gaming industry, I think that it bodes well  
15 for the future of our casino. Thank you.

16 MR. THAR: Okay. I'm sorry to  
17 interrupt in that fashion, but thank you for  
18 confirming the terms of that agreement.

19 MR. BOYD: Thank you, ma'am.

20 MR. THAR: We will certainly like you  
21 to address us any further that you would like  
22 after Mr. Boyd.

23 MR. BOYD: We believe that our offer  
24 evidences good corporate citizenship on our  
25 part, and we've had good-faith efforts to help

1 the City, and it shows our long-term  
2 commitment to Michigan City.

3 We've also obtained insurance and a  
4 replacement surety bond, both of which have  
5 been reviewed by Virginia Dill McCarty.

6 In regards to MBE, minority business  
7 enterprise, and WBE, women's business  
8 enterprise, goals, we understand that the most  
9 recent report reflect Blue Chip MBE and WBE  
10 goals have not been met by the former owners.  
11 We want you to know that our company has a  
12 solid record of MBE and WBE involvement and  
13 compliance. The only other state that  
14 requires us to report that is the state of  
15 Louisiana, and I'm pleased to say that our MBE  
16 on the latest report was 18 percent and our  
17 WBE was over 20 percent.

18 Our management team will use our best  
19 efforts to increase those numbers that are  
20 required in the state of Indiana and meet the  
21 goals wherever possible. In fact, we're going  
22 to be utilizing the services of several  
23 organizations to help us in that regard,  
24 including the Indiana Department of  
25 Administration's Minority Business Development

1 Division, Indiana Regional Minority Supplier  
2 Development Council, and the Indianapolis  
3 Chamber of Commerce. Also, in order to better  
4 monitor and control these issues, our  
5 purchasing department will report directly to  
6 our general manager at Blue Chip.

7 Giving back to those communities in  
8 which we operate is one of the fundamental  
9 cornerstones of our company, and I believe  
10 that our record speaks for itself. We have  
11 every intention of becoming an exemplary  
12 corporate citizen of the state of Indiana and  
13 the city of Michigan City. We're planning to  
14 place Blue Chip in the capable hands of  
15 Michael Griggs, who you met a little bit  
16 earlier, a Boyd Gaming employee for the past  
17 15 years, a former Los Angeles police officer  
18 and most recently the vice president and  
19 general manager of the Silver Star Resort and  
20 Casino near Philadelphia, Mississippi.

21 Beyond that we expect things at Blue  
22 Chip Casino will be business as usual  
23 including maintaining the Blue Chip name.  
24 Most of the existing employees will remain at  
25 the property with the exception of Kevin

1 Larson and a few other management employees  
2 who have decided to leave for other job  
3 opportunities.

4 And lastly, the existing employee  
5 benefit package will remain substantially the  
6 same. The minor changes that we made actually  
7 are enhancements to the benefit package. I  
8 believe the present package does not have  
9 mental health which we do at Boyd Gaming and  
10 they will have and also does not have a vision  
11 component which we also have and will be added  
12 to their benefit package.

13 Also I'd like to say that I very much  
14 appreciate the professionalism of both the  
15 staff and the state troopers during this  
16 entire investigation. We appreciate that  
17 very, very much.

18 And I thank you for this opportunity to  
19 give you a brief sketch of our company and  
20 what we have accomplished to date in  
21 preparation for our acquisition of Blue Chip.  
22 I mentioned when I appeared before many of you  
23 in Hammond that we very much wanted to come  
24 back to the state of Indiana, so we very much  
25 do appreciate this opportunity.

1                   And at this time myself or any of the  
2 others that are here today would be happy to  
3 answer any questions that you might have of  
4 us.

5                   CHAIRMAN VOWELS: Are there any  
6 questions of Mr. Boyd?

7                   MR. DARKO: Tell me the condition once  
8 more on new competition. I'm sorry, I missed  
9 it.

10                  MR. BOYD: The condition is that we  
11 would donate 300- -- we would pay, I'm sorry,  
12 \$300,000 a year to the city of Michigan City  
13 until competition comes within 80 miles of  
14 Blue Chip, and that's -- that excludes  
15 existing new competition. It doesn't include  
16 the state of Illinois, for example, either.

17                  MR. DARKO: So that's a \$300,000-a-year  
18 issue?

19                  MR. BOYD: Yes.

20                  MR. MILCAREK: That does not include  
21 the state of Illinois? Did you say it did  
22 not?

23                  MR. BOYD: It did not. That is my  
24 understanding that that is correct.

25                  MS. BOCHNOWSKI: This sounds like it's

1           mainly to deal with the possibility of Indian  
2           Gaming coming into the area.

3           MR. BOYD: I think that's one of the  
4           main issues that we're concerned about.

5           MR. THAR: I want to clarify this.  
6           When you say it doesn't include Illinois,  
7           you're talking just about the Rosemont Casino  
8           that most people believe is a very realistic  
9           possibility or a change in their legislation  
10          that could put two or three more casinos on  
11          the border of Indiana and Illinois?

12          MR. BOYD: The only one that we  
13          actually talked about was the Rosemont Casino  
14          that we definitely said that would be  
15          excluded, so I think that would be the proper  
16          way for us to do is to specifically exclude  
17          Rosemont.

18          MR. THAR: Rosemont and existing --

19          MR. BOYD: And the existing, yes, all  
20          existing would be.

21          MR. THAR: Thank you.

22          MR. BOYD: Thank you.

23          MR. THAR: I have a question, and I  
24          know this is hypothetical, it's a public  
25          company, so I'm going to set the hypothetical,

1 but there are some rumors around that Borgotta  
2 may not go, and it may not go when it's  
3 supposed to in terms of the investments and  
4 the start of construction or it may not go for  
5 five, six years. If we assume for the moment  
6 that that was to happen, does that in any way  
7 change to your detriment your existing line of  
8 credit with the bank?

9 MR. BOYD: No. Let me say first in  
10 answer to the first question, Borgotta is  
11 going. I was in Atlantic City last week and  
12 appeared before the Planning Commission. We  
13 expect to break ground this summer. There's  
14 no question in my mind that it's going, but  
15 maybe I could ask Ellis Landau to answer the  
16 last part of your question.

17 MR. LANDAU: I'm Ellis Landau. I'm the  
18 chief financial officer of Boyd Gaming. We  
19 have a credit agreement with a number of banks  
20 that allows but does not require us to do the  
21 Borgotta transactions. The funds needed to  
22 close this transaction are available. The  
23 bank agreement says that before we do the  
24 Borgotta -- the major Borgotta investment  
25 which is a \$90,000,000 initial payment when

1 our partner contributes the land, that we will  
2 have -- it is already permitted, but we need  
3 to do some financing in the public markets,  
4 \$150,000,000 of subordinate notes. So there  
5 is a financial requirement to raise additional  
6 funds, but there is no obligation to do  
7 Borgotta. If it's delayed, there's no --  
8 there's no effect. We actually have in our  
9 covenant package two sets of covenants, tests  
10 we have to meet in terms of leverage and so  
11 forth, one if Borgotta is done and one if it's  
12 not done. So it contemplates our going either  
13 way.

14 CHAIRMAN VOWELS: Any questions for  
15 Mr. Landau?

16 Thank you.

17 Anything further then from Mr. Boyd?

18 MR. SWAN: I wanted to ask about -- the  
19 replacement bond; is that what we were talking  
20 about that Blue Chip had in place and Boyd  
21 is --

22 MR. THAR: Right. And Virginia McCarty  
23 is here to address that with the Commission if  
24 you want to take that next.

25 MR. SWAN: Yeah, I just would like to

1 hear what she's done.

2 MS. BOCHNOWSKI: And, you know, a quick  
3 question then. Will we have to vote on --  
4 once that's replacing it, will we have to vote  
5 on then reducing Blue Chip's again?

6 MR. THAR: No, because I think what's  
7 going to happen is that, when they close the  
8 bond amount that Blue Chip has will be X minus  
9 the \$100,000 we reduced it, and they will take  
10 over a bond of like amount.

11 MS. BOCHNOWSKI: Okay.

12 MR. THAR: So could you report to us on  
13 the bond, Virginia?

14 MS. McCARTY: Yes.

15 MR. THAR: Thank you.

16 MS. McCARTY: Thank you.

17 The Blue Chip has submitted a bond and  
18 insurance certificates. The bond is for 1/10  
19 of 1,000,000, 100,000, for performance of  
20 installing curbs, gutters and sidewalks. That  
21 was an obligation of the former Blue Chip.  
22 Another 1.6 million for the Michigan City  
23 Community Endowment Corporation was also a  
24 former obligation. 3.5 million for Blue  
25 Chip's obligation to construct a 75-vehicle

1 parking garage and 188-room hotel prior to  
2 December 31, 1999; and 2,000,000 as usual for  
3 the performance to the state of Indiana and  
4 the city of Michigan City's.

5 The bond is correct in form and  
6 substance. There is a problem with it which  
7 is that they submitted it with the security  
8 and the guarantor the same company. So now  
9 they are, as I understand it, securing a  
10 different company as a guarantor which is a  
11 requirement we've made. It's not much point  
12 in the same company being both.

13 The insurance certificates are fine  
14 subject to examining the policies.

15 MR. SWAN: So that \$2,000,000 part is  
16 what actually insures Indiana if they leave  
17 the area, that we have the \$2,000,000 bond to  
18 replace or put the facilities back in order?

19 MR. THAR: Yeah. There's -- everything  
20 up to the 2,000,000 is a specific performance  
21 initiated to fulfill what they indicated they  
22 would do, and the 2,000,000 is for any other  
23 claim, or in the event that they would pull  
24 out and not stay there for five years, then  
25 that 2,000,000 could be called upon for the

1 City to level the project if they desire to  
2 build something else there, but yeah. And  
3 that's -- in terms of the 2,000,000, I believe  
4 that's been a standard with regard to all  
5 bonds.

6 MS. McCARTY: Thank you. I recommend  
7 that you accept their surety subject to  
8 reviewing the insurance policies and securing  
9 the proper guarantors.

10 MR. THAR: I believe that we got a fax  
11 over the weekend from an attorney at Ice  
12 Miller that represented that that was  
13 occurring.

14 MS. McCARTY: Correct. Yes, I've  
15 talked to them.

16 MR. BAYT: We have substituted a new  
17 guarantor, and we'll have that documentation  
18 to Virginia this afternoon.

19 MS. McCARTY: And you're also going to  
20 give me proof that that guarantor is licensed  
21 to be a surety in federal government?

22 MR. BAYT: Yes.

23 MS. BOCHNOWSKI: Question: This new  
24 development agreement calls for some  
25 additional investments including this Harbor

1 House and so on. Does that have to go into  
2 something like into the bond or into this --

3 MR. THAR: Well, that's up to the  
4 Commission.

5 MS. BOCHNOWSKI: I mean they're not  
6 exactly taking over the same project.

7 MR. THAR: No. There's a couple of  
8 amendments. Number one, if the Commission  
9 remembers, as the blueprint and the project  
10 changed up in Michigan City where the original  
11 deal was I think a parking garage of about 450  
12 spaces, it's now 76 spaces, which this  
13 Commission approved when they approved the  
14 underground garage and the hotel, so I advised  
15 them to go ahead and set the bond up to meet  
16 the actual facts. The second one was is that  
17 the hotel was supposed to I think be 200  
18 rooms.

19 When we end up, it's 186?

20 MR. BAYT: 188.

21 MR. THAR: 188. But I think the rooms  
22 are -- there's some suites in there that  
23 involved -- we consider that substantial  
24 performance, so if you'll notice when Virginia  
25 reiterated the hotel room -- the hotel

1           commitment, that states what it actually is  
2           rather than what it was before we approved  
3           those changes.

4                     The next thing with the regard to the  
5           development agreement would be the up to -- I  
6           guess that you'll purchase the Harborside  
7           House property for whatever it costs unless  
8           it's over 1,000,000 in which case you'll only  
9           pay 1,000,000?

10                    MR. BOYD: That's correct. We will pay  
11           up to 1,000,000 to purchase and also to  
12           demolish, but our ceiling is \$1,000,000.

13                    MS. BOCHNOWSKI: Okay. I didn't get  
14           that one. All right. Okay.

15                    MR. THAR: If they're making a  
16           representation to us today that they're going  
17           to do that, we could either A, bond it, or  
18           B -- we don't have to bond it dollar for  
19           dollar, but we could bond it to some extent,  
20           or B, simply advise them if they don't do it,  
21           that could put their license in jeopardy. But  
22           you know in reality I don't really have a  
23           reason to think that we need to do anything  
24           other than say, "You've committed it to us.  
25           We expect you to carry it out." But that's up

1 to the Commission.

2 If I may, Mr. Boyd, will both counsel  
3 for you and counsel for the City be working on  
4 making a new development agreement or at least  
5 preparing amendments to the existing  
6 agreement? Do you know which way that will  
7 go?

8 MR. BAYT: We've already started the  
9 draft, another lawyer back in our office, so  
10 we hope to be able to come to at least  
11 preliminary terms this afternoon on an  
12 amendment to the development agreement.

13 MR. THAR: It will be in the form of an  
14 amendment?

15 MR. BAYT: Amendment to the development  
16 agreement.

17 MR. THAR: Except for those things that  
18 have been amended, Mr. Boyd, does your company  
19 agree to continue with all of the other  
20 requirements of that development agreement?

21 MR. BOYD: Yes, definitely, we are  
22 continuing the development agreement as is  
23 other than what I've mentioned. There was  
24 that one where we took out those words you  
25 recall in reference to the charitable giving.

1 We're going to continue with it as is  
2 otherwise.

3 MR. THAR: Except for the amendments  
4 noted --

5 MR. BOYD: Yes.

6 MR. THAR: -- before the Commission  
7 today, continue with the other aspects?

8 MR. BOYD: That is correct.

9 CHAIRMAN VOWELS: Mayor Brillson, would  
10 you like to address the Commission a little  
11 further?

12 MAYOR BRILLSON: Sure. Good afternoon,  
13 everyone. Delighted to have the opportunity  
14 to address you. It's been I guess three years  
15 almost since I last appeared before you. Time  
16 certainly passes quickly when you're having a  
17 good time in northern Indiana.

18 One of the issues that you remember  
19 when we met about three years ago on the  
20 initial license was the imminent threat of  
21 Indian casinos. Michigan City was in the  
22 position of being considered a weak market.  
23 We were the final license. There was a  
24 question as to whether our market would be  
25 able to be prosperous and return to the

1 investors a good profit. In fact, over the  
2 course of the last two years we have found  
3 that, not only have we returned a good profit  
4 to the investors, but our market has been  
5 solid. We have been consistent performers  
6 month after month. In fact, we are the fourth  
7 riverboat in the state. While we are the  
8 fourth riverboat in the state, our development  
9 agreement does not reflect the high profits  
10 that the project has experienced.

11 And all we're asking today in our  
12 meetings with the new owners is that the  
13 City's position be considered, that because  
14 Indian Gaming has not come to fruition, we  
15 want to partner with them in doing what the  
16 Gaming Ordinance -- or Gaming Statute  
17 originally intended, and that is bring  
18 redevelopment to our community, bring economic  
19 development to our community.

20 The neighborhood around the casino has  
21 not experienced any rebirth as we had hoped,  
22 and quite frankly, without the new terms that  
23 we have discussed in front of you today, the  
24 City is not in the fiscal position to invest  
25 in those neighborhoods. The neighborhood, if

1 you saw photos, you'd be -- if you have not  
2 visited the casino, you would be shocked. It  
3 has not changed much since you were at the  
4 site three years ago looking at our various  
5 proposed locations.

6 There is still a tremendous amount of  
7 community blight, and by joining forces with  
8 Boyd, they have an extreme amount of expertise  
9 in redevelopment. Our hope is that we can  
10 partner with this new fiscal incentive to  
11 invest, not only private dollars, but  
12 encourage our private investors to join us in  
13 trying to redevelop that whole quarter because  
14 it is an area of Michigan City that has a  
15 tremendous amount of potential.

16 The money that we are currently getting  
17 is being used to address basic City services.  
18 We have a capital improvement plan. We built  
19 two new fire stations. We've purchased public  
20 safety equipment. We are providing sewer and  
21 water to areas of the City that do not have  
22 those basic services. So that is why we are  
23 not able to redirect money to work on  
24 neighborhood blight in that area because we  
25 are still trying to provide basic services to

1 many of my constituents.

2 The Harborside Homes property that has  
3 been referred to today is a significant piece  
4 of blighted property. It was an old project  
5 when projects were in the 60s built all around  
6 this country. It has been vacated as of July  
7 and is currently in a boarded-up condition.  
8 We had hoped as the City moved forward that we  
9 would find a private developer, but it is  
10 seriously in the City's best interest to begin  
11 to have that sort of as a domino property. If  
12 that property is controlled by the City and  
13 created a neighborhood park, a recreational  
14 facility, whatever, we will begin to see other  
15 redevelopment along that corridor which would  
16 be, not only good for our City and for our  
17 community, but also good for Boyd Gaming  
18 because that is their neighborhood and  
19 certainly is the gateway property to their  
20 project.

21 So in the spirit of cooperation, they  
22 have done a tremendous job of coming to the  
23 table with us in joining forces, and I think  
24 it's the beginning of a long and very fruitful  
25 partnership.

1 Any questions?

2 MS. BOCHNOWSKI: As long as you're  
3 happy.

4 MAYOR BRILLSON: I like your style.

5 MR. THAR: The property that you  
6 mentioned, the Harborside House, is that the  
7 series of apartments that's right at the  
8 corner of where the bridge goes over the  
9 river.

10 MAYOR BRILLSON: Right.

11 MR. THAR: What's it, 12 and 20?

12 MAYOR BRILLSON: Right. It's currently  
13 owned by the Michigan City Housing Authority.  
14 It's HUD property and has been vacated.

15 CHAIRMAN VOWELS: Any other questions  
16 for the Mayor?

17 MS. BOCHNOWSKI: It doesn't provide any  
18 money to --

19 MAYOR BRILLSON: Actually, we owe money  
20 to HUD on a loan of over a half a million  
21 dollars, so the profits from any sale would go  
22 there.

23 MS. BOCHNOWSKI: If you just demolish  
24 it and make it into the park, do you still  
25 have to pay HUD.

1                   MAYOR BRILLSON: Yeah. I'm going to  
2 try to get some relief at the federal level,  
3 but that's another story altogether.

4                   MS. BOCHNOWSKI: Okay. Just curious.

5                   CHAIRMAN VOWELS: Anything further for  
6 the Mayor?

7                   All right. Thank you, Mayor.

8                   MAYOR BRILLSON: Thank you very much.

9                   CHAIRMAN VOWELS: Is there anything  
10 further on this issue that we need to deal  
11 with, Mr. Thar, other than look at the  
12 resolution?

13                   MR. THAR: No. We have the two  
14 resolutions to deal with at this time.

15                   (A discussion is held off the record  
16 between Mr. Thar and Chairman Vowels.)

17                   MR. THAR: If we agree to the  
18 application for change of ownership, it's kind  
19 of a done deal that we would then agree to the  
20 change in the restructure because --

21                   CHAIRMAN VOWELS: That's a purchase  
22 from that, right.

23                   MR. THAR: The change of ownership  
24 presumes it will be acquired from the LLC.

25                   CHAIRMAN VOWELS: Okay. Let's take the

1 change of ownership first, and then we'll come  
2 back to the transfer to the LLC depending on  
3 how that turns out.

4 We have in front of us  
5 Resolution 1999-38 which is a resolution  
6 concerning the application of Boyd Gaming  
7 Corporation to acquire the ownership of Blue  
8 Chip Casino, LLC.

9 Mr. Thar, is there any legal reason  
10 that Boyd would be unable to receive a  
11 certificate of suitability in the state of  
12 Indiana?

13 MR. THAR: No. I think both the  
14 background investigation conducted by the  
15 Indiana State Police as well as the financial  
16 analysis conducted by Dr. Sullivan would  
17 indicate that Boyd meets all the statutory  
18 requirements to do business in this state.

19 CHAIRMAN VOWELS: We've had Boyd in  
20 front of us twice, Lawrenceburg originally a  
21 few years ago and then in Hammond, so they're  
22 not new to us by any stretch of the  
23 imagination. We have the State Police reports  
24 and then the standard bluebook that we have  
25 there, we've all reviewed that, and this is

1 the third time that we've reviewed the  
2 materials there. I don't see anything new  
3 from what we had a few years ago. They appear  
4 to be a solid company and a company that I  
5 would welcome to the state of Indiana. Does  
6 anyone else have any comments? We have this  
7 resolution in front of us.

8 MR. MILCAREK: I move that we grant  
9 approval to the transfer of ownership to Boyd  
10 Gaming.

11 CHAIRMAN VOWELS: Is there a second?

12 MR. SWAN: Second.

13 CHAIRMAN VOWELS: Is there any further  
14 discussion?

15 All those in favor of Resolution  
16 1999-38 say aye.

17 THE PANEL: Aye.

18 CHAIRMAN VOWELS: Show that it is  
19 granted.

20 And then now let's look at  
21 Resolution 1999-36 which would transfer the  
22 Blue Chip Casino, amend the ownership  
23 structure to the Blue Chip Casino, LLC. Is  
24 there a motion in reference to that?

25 MR. SWAN: I'll move.

1 CHAIRMAN VOWELS: Is there a second?

2 MS. BOCHNOWSKI: Second.

3 CHAIRMAN VOWELS: And that is to  
4 approve the request; is that correct?

5 MR. SWAN: That is correct.

6 CHAIRMAN VOWELS: Any further  
7 discussion?

8 All those in favor of the resolution  
9 approval say aye.

10 THE PANEL: Aye.

11 CHAIRMAN VOWELS: Show that that's  
12 granted.

13 That should take care of today's  
14 meeting. We don't have a next meeting  
15 scheduled yet or thought of, do we, Mr. Thar?

16 MR. THAR: We do not have a date for a  
17 next meeting at this point in time. It would  
18 be expected because of the weather changes and  
19 the holidays coming up that we would most  
20 likely not meet as a group live until after  
21 the first of the year, although we may, if  
22 necessary, call a telephone meeting, or if  
23 there's some true emergency, call another live  
24 meeting. But we don't have anything scheduled  
25 between now and the end of the year.

1                   CHAIRMAN VOWELS: All right. Is there  
2 a motion to adjourn?

3                   MR. MILCAREK: I would like to thank my  
4 fellow Commissioners and Boyd Gaming for the  
5 effort this morning and our Mayor, of course,  
6 in Michigan City and welcome you to our City.

7                   MR. BOYD: Thank you very much.

8                   MR. SWAN: Move to adjourn.

9                   CHAIRMAN VOWELS: Is there a second?

10                  MR. THAR: Second.

11                  CHAIRMAN VOWELS: All those in favor  
12 say aye.

13                  THE PANEL: Aye.

14                  (The Meeting adjourns at 2:11 p.m.)

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