

Annual Report to the Governor



**STATE OF INDIANA
INDIANA GAMING COMMISSION**

February 28, 1997

**ANNUAL REPORT
TO THE GOVERNOR**

1996

**STATE OF INDIANA
INDIANA GAMING COMMISSION**

FEBRUARY 28, 1997

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Appendix A: Commission Resolutions

INDIANA GAMING COMMISSION OVERVIEW OF THE 1996 ANNUAL REPORT

On July 1, 1993, the **RIVERBOAT GAMBLING ACT** (ACT), enacted by Public Law 277-1993 and codified at Indiana Code 4-33, et. seq., became effective, legalizing casino gaming on riverboats. In general, the ACT established the Indiana Gaming Commission (Commission) and vested it with the authority both to issue not more than 11 riverboat licenses in specified areas of the State of Indiana and to regulate the operation of the riverboats along with related businesses, occupations and schools. The ACT authorized the Governor to appoint the bipartisan seven member commission and directed that the initial commission be appointed by September 1, 1993. The first meeting of the Commission was held September 7, 1993 and a second meeting held on September 17, 1993.

The fourth Annual Report chronicles a year during which the Indiana Gaming Commission continued selecting applicants to hold riverboat gambling licenses, opened and licensed riverboat gambling operations and commenced full time regulatory activities over the operational riverboats, suppliers and occupational licenses. These activities necessitated numerous public hearings and public meetings beyond the statutorily mandated quarterly meetings. Not counting meetings for the purpose of opening and conducting test cruises of riverboat gambling operations, the IGC held public hearings or public meetings on eleven (11) separate occasions totaling 15 days. In addition, the IGC opened five new riverboat gambling operations in the northwest and southeast regions of the state. Adding travel time and preparation time, each Commissioner dedicated in excess of one month to the business of the IGC. The substance of work accomplished by the Commission as a result of this personal dedication and sacrifice is summarized as follows:

1. The Commission has awarded Certificates of Suitability to applicants in Michigan City, LaPorte County and the town of Bridgeport, Harrison County. In addition, the Commission completed the public hearings for the consideration of awarding the final Certificate of Suitability on the Ohio River to an applicant located in either Crawford or Switzerland County but deferred making the decision until 1997. To date, the Commission has awarded either Certificates of Suitability or licenses for all five (5) of the statutorily authorized licenses on Lake Michigan and awarded four (4) of the five (5) authorized for counties contiguous to the Ohio River.

2. The Commission made a formal request to the Army Corps of Engineers concerning the Corps changing its policy of not allowing gambling on Corps land. The Corps formally advised that it would not change its policy and, thus, it will not allow gambling at Patoka Lake. As a result of the Corps decision, the

eleventh license authorized for Patoka Lake cannot be awarded by the Commission as the Corps would not issue a permit for gambling activity. A Corps permit is a statutory prerequisite to the issuance of a riverboat gambling license.

3. The Commission opened five (5) new riverboat gambling operations during calendar year 1996. More specifically, two (2) riverboat operations were opened in Gary and one (1) in Hammond (all three in Lake County) during the month of June, one (1) was opened in Rising Sun (Ohio County) in October and the fifth was opened in Lawrenceburg (Dearborn County) in December. Adding Evansville (Vanderburgh County), which was opened in December 1995 to the list, a total of six (6) riverboat gambling operations were licensed and operational by the end of 1996.

4. The Commission has issued temporary licenses to twenty three (23) suppliers and over seven thousand four hundred (7,400) temporary occupational licenses to employees of the riverboats.

5. The Commission has continued to promulgate new rules and make amendments to previously enacted rules when deemed necessary.

6. The Commission has continued to hold public business meetings by public teleconference when weather and/or schedules prohibit the seven Commissioners from personally getting together. The agenda of telephonic meetings is limited and the public has attended all such meetings.

7. The Commission is in a position to open two new riverboat gambling operations during 1997 and, hopefully, more if the permitting process of the Army Corps of Engineers allows. The Commission should also be in a position to award the last Certificate of Suitability on the Ohio River in 1997.

8. Last, but certainly not least among its accomplishments, the six riverboats which were operational at the end of 1996 generated Twenty-nine Million Twenty-seven Thousand Seven Hundred Thirty-two Dollars (\$29,027,732.00) in admission tax, Seventy-four Million Five Hundred Sixty-five Thousand Twenty-one Dollars in wagering tax (\$74,565,021.00) for a total tax revenue of One Hundred Three Million Five Hundred Ninety-two Thousand Seven Hundred Fifty-Three Dollars (\$103,592,753.00).

The Indiana Gaming Commission continues to be in the midst of the busiest period it will ever experience under the present legislation. The Commission is in the final phase of the riverboat licensing process while, at the same time, continuing to open and regulate operational riverboats. The Indiana Gaming Commission is proud of its very significant accomplishments, not the least of which is the extremely capable and efficient way that the statutory goals have been achieved while maintaining the high degree of integrity this regulatory process and the State of Indiana demand.

INDIANA GAMING COMMISSION MEMBERS

The Indiana Gaming Commission (IGC) is composed of seven (7) individuals appointed by the governor for staggered three (3) year terms. Three (3) members of the IGC must be from counties contiguous to Lake Michigan, and three (3) members must be from counties contiguous to the Ohio River. The remaining member cannot be from any of the previously described counties. No more than four (4) members of the IGC may be affiliated with the same political party. One (1) member of the IGC must be experienced in law enforcement, one (1) must be a certified public accountant, and one (1) must be an attorney. All members of the IGC must have a reasonable knowledge of the practices, procedures, and principles of gambling.

Alan I. Klineman, Chairman of the commission lives in Carmel. He is a lawyer, former prosecutor, the founder and former Senior Partner of Klineman, Rose, Wolf and Wallack. He has served a term as Indiana State Senator and is active in community affairs.

Ann Marie Bochnowski, Vice-Chairperson, lives in Schereville. She is a former business writer for The Times in Hammond and is now a free-lance writer specializing in writing newsletters.

Donald R. Vowels, Secretary of the Commission, Evansville, is a lawyer who has acted as court administrator for the Superior Court in Vanderburgh County. He is presently engaged in the private practice of law and was recently appointed to serve as part-time public defender in Vanderburgh County. He serves on the board of the Vanderburgh County Jobs Program, Inc.

Thomas F. Milcarek, life-long resident of LaPorte, is manager of shipping and material handling for Weil-McClain Company, where he has worked since 1970. He has been active in many civic organizations, including Boy Scouts, United Way, and Red Cross.

Dr. David E. Ross, Jr., Chesterton, lived in Gary from 1968 to 1991. He practices medicine in Gary and is affiliated with Methodist Hospitals in Gary and Merrillville.

Robert W. Sundwick, Madison, is vice-president of Grote Industries, Inc. He is an active member of numerous charitable, civic, and industrial organizations.

Robert W. Swan, Evansville, is a certified public accountant and managing member at Kemper CPA Group in Evansville, Indiana.

I. THE YEAR IN REVIEW

INDIANA GAMING COMMISSION STAFF

The Indiana Gaming Commission staff has grown since our last report. Our current staff consists of the following personnel:

Executive Director:	John J. Thar
Deputy Director:	Floyd B. Hannon
Executive Administrator:	N. Jill Wulf
Executive Secretary:	Michelle L. Marsden
Secretarial Support:	Tracy L. Sanders Kimberly J. Tripp
Chief Counsel:	Mary Kay Fleming
Staff Attorneys:	Cynthia L. Dean Deana Y. Garner
PR/Legislative Liaison:	Tonya L. Sallee
Regional Audit Administrator:	Frank T. Brady
Field Auditors I:	Kendra J. Nigg A. Charles Vonderschmitt
Field Auditors II:	Christina M. Gray James A. Seivers
Senior Systems Analyst:	Patricia A. Wright
Controller:	Philip L. Beck

In order to efficiently continue to issue licenses, as well as regulate and monitor the riverboat gambling operations, the Gaming Commission plans to continue increasing its staff.

INDIANA GAMING COMMISSION ORGANIZATIONAL CHART

II. RECEIPTS AND DISBURSEMENTS OF THE COMMISSION

A. FEES: As of December 31, 1996, the Indiana Gaming Commission has collected Three Million Three Hundred Thirty Thousand Dollars (\$3,330,000) in application fees from applicants for a riverboat owner's license. Of this amount, none was collected between January 1, 1996 and December 31, 1996. Sixty-Six (66) applicants have paid the Fifty Thousand Dollar (\$50,000) application fee, and three (3) of these applicants have paid an additional Ten Thousand Dollars (\$10,000) to amend their docksites from a county where the referendum approving riverboat gambling failed to a county where the referendum was successful. The application fees were used to investigate the applicants.

In addition, twenty-eight (28) riverboat owner license applicants have paid the Fifty-Five Thousand Dollar (\$55,000) investigative fee assessed to complete the background investigations, and four (4) owners have paid a Five Thousand Dollar (\$5,000) investigative fee, a payment supplementing an additional Fifty Thousand Dollar (\$50,000) application fee payable due to structural reorganization of the applicant. The total investigative fees received to date is One Million Five Hundred Sixty Thousand Dollars (\$1,560,000).

The Commission has awarded one (1) riverboat owners license in Evansville, two (2) in Gary, one (1) in Hammond, one (1) in Rising Sun and one (1) in Lawrenceburg. Three (3) Certificates of Suitability, precursors to a riverboat owner's license, have been awarded by the Commission, with one (1) in East Chicago, one (1) in Michigan City and one (1) in Bridgeport. There are thirty-three (33) active applicants in counties that have passed the riverboat referendum, including one (1) applicant for Patoka Lake. There are four (4) inactive applicants in counties where the referendum failed.

In addition, as of December 31, 1996, thirty-three (33) applicants for a supplier's license have paid a Five Thousand Dollar (\$5,000) application fee for a total of One Hundred Sixty-Five Thousand Dollars (\$165,000) collected in supplier license application fees. The Commission has also collected Seventy-Four Thousand One Hundred Dollars (\$74,100) in occupational licensing fees.

Total revenues dating from the organization of the Indiana Gaming Commission in 1993 through December 31, 1996 for the administrative and investigative accounts are Eight Million Five Hundred Twenty-Two Thousand Six Hundred Three Dollars and Ninety-Four Cents (\$8,522,603.94).

In addition, the Commission has collected Seven Thousand Six Hundred Ninety-Seven Dollars and Eighty-Two Cents (\$7,697.82) in copying fees in the period January 1, 1996 through December 31, 1996.

The Indiana Gaming Commission has expended One Million Three Hundred Eighty-Four Thousand Eight Hundred Twenty-Two Dollars and Eighty-Three Cents

(\$1,384,822.83) in investigative funds in the period January 1, 1996 through December 31, 1996. Total expended on investigations to date is Four Million Seven Hundred Thousand Four Hundred Forty-Seven Dollars and Seventy-Nine Cents (\$4,700,447.79). The balance of funds to be expended on investigations is Two Hundred Eighty-Three Thousand Two Hundred Forty Dollars and Three Cents (\$283,240.03).

Additional fees are anticipated from the assessment of supplier license application fees, occupational license application fees and from annual riverboat owner, supplier, and occupational licensing fees.

B. ALLOTMENT: The State of Indiana appropriated Two Million Dollars (\$2,000,000) to be used over a two (2) year period and to be repaid with interest by July 1, 1997. This loan is currently being paid back to the State's General Fund on a monthly basis and will be paid off by June 30, 1997. In the period January 1, 1996 through December 31, 1996, expenditures of the Indiana Gaming Commission from the allotment total Two Million Seven Hundred Ninety-One Thousand Six Hundred Thirty-Seven Dollars and Fifty-One Cents (\$2,791,637.51). The majority represents salaries and equipment costs for the Indiana State Police Troopers on the riverboat teams which were reimbursed by the riverboat owners.

III. ACTIONS TAKEN BY THE COMMISSION

A. LICENSING

Statutory directives require the IGC to issue riverboat owner's license (IC 4-33-6), supplier's licenses (IC 4-33-7), occupational licenses (IC 4-33-8), and to license electronic or mechanical gambling games. The IGC is also to administer and regulate the persons and games outlined above. During calendar year 1996, the IGC has carried out its statutory requirements as follows:

1. **Riverboat Owner's Licensing.** On January 8, 1996, the Commission issued a certificate of suitability, the precursor to a riverboat owner's license to Showboat Marina Casino Partnership ("Showboat") for a riverboat to be docked in East Chicago, Lake County, Indiana.¹ The IGC continues to work with Showboat toward the goal of opening the riverboat in April of 1997.

The IGC held hearings and accepted public comment to select a company to operate a riverboat to be docked in Michigan City, Indiana, February 12 through February 14, 1996. The IGC reconvened in Indianapolis, Indiana and awarded a certificate of suitability to Blue Chip Casino, Inc. on April 17, 1996. The IGC continues to work with the certificate holder toward the opening of the riverboat in calendar year 1997.

¹ The hearings for Showboat were held in calendar year 1995.

From May 6 through May 8, 1996, the IGC held hearings and accepted public comment with respect to applicants for a riverboat to be docked in Harrison, Crawford, and Switzerland Counties in Corydon, Indiana. The Commission reconvened in Indianapolis, Indiana on May 20, 1996, and awarded a certificate of suitability to RDI/Caesars Riverboat Casino, L.L.C. for a riverboat to be docked in Bridgeport, Harrison County, Indiana. The IGC continues to work with the certificate holder toward the opening of the riverboat, however, an opening date for the riverboat is not projected at this time.

During calendar year 1996, the IGC worked with various certificate holders to conduct five test cruises and issue permanent riverboat owner's licenses. In each instance, the IGC worked diligently and cooperatively with the certificate holder and the local governmental entities to accomplish the issuance of the license. Each certificate holder had obtained the necessary permits and certificates required under 68 IAC 2-1-5, posted the appropriate bond under IC 4-33-6-9, and complied with all other requirements mandated by the statute and 68 IAC. Specifically, the following riverboat owner's licenses were issued for the following locales:

- a) Majestic Star Casino, Gary, Indiana, June 3, 1996.
- b) Trump Indiana, Inc., Gary, Indiana, June 3, 1996.
- c) Empress Casino Hammond Corp., Hammond, Indiana, June 21, 1996.
- d) Grand Victoria Casino & Resort, LLC, Rising Sun, Indiana, September 16, 1996.
- e) Indiana Gaming Company, L.P., Lawrenceburg, Indiana, December 10, 1996.

(See Geographical Map of Casino Boat Locations, next page).

2. Supplier's Licenses. The IGC issued eleven temporary supplier's licenses during calendar year 1996. A temporary supplier's license is issued after the Gaming Enforcement Section of the Indiana State Police has conducted a preliminary background investigation of the supplier. Once a temporary supplier's license has been issued, the supplier may supply gaming equipment to riverboats located within Indiana. The Gaming Enforcement Section continues the thorough background investigation. The IGC will begin issuing permanent supplier's licenses during calendar year 1997.

3. Occupational Licenses. During the calendar year 1996, the IGC issued Seven Thousand Four Hundred Seventy-one temporary occupational licenses to individuals who work on the riverboats. Once a temporary occupational license has been issued, the individual may work on the riverboat. The Gaming Enforcement Section will conduct a thorough background investigation on the individual to ensure that the individual meets all the necessary criteria for suitability for licensure. The IGC will begin issuing permanent occupational licenses during calendar year 1997.

B. COLLECTION OF ADMISSION AND WAGERING TAX: AUDITS

The audit division of the IGC conducts contemporaneous audits of the operating riverboats. These audits include review of wagering and admission tax reported on forms RG-1 and RG-2 and verification of the daily adjusted gross receipts. These audits may result in adjustments to the RG-1's, the payment of additional tax or the initiation of disciplinary action by the IGC.

Audits also include review of records and procedures of the riverboats to ensure conformity with the applicable statutes and the minimum internal control procedures established in the rules promulgated by the IGC. Each riverboat has a detailed set of internal controls which are reviewed and approved by the IGC.

The activities of the audit division are coordinated with the audit staff of the Indiana Department of Revenue (IDOR), the Internal Revenue Service and the Auditor of the State. IDOR collects the admission and wagering tax from riverboats. During 1996 IDOR conducted and concluded the first review of an Indiana riverboat.

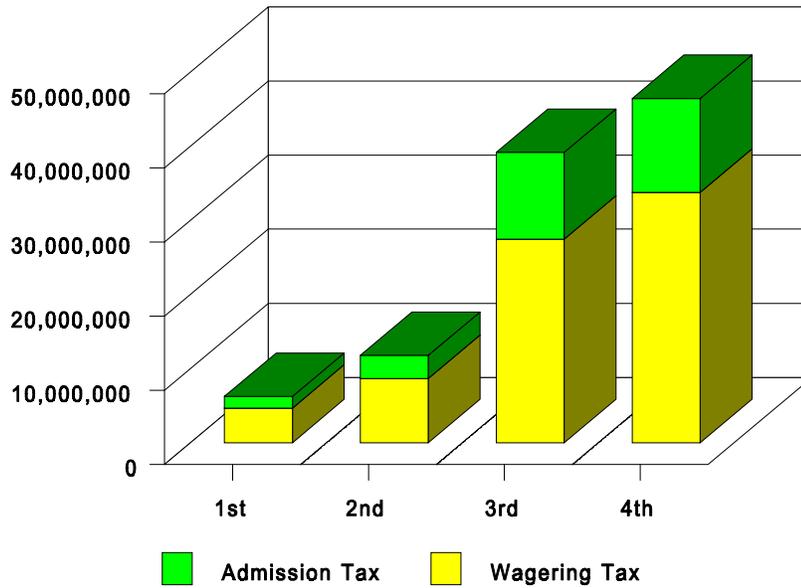
The audit division compiles and reviews the information supplied by riverboats for a monthly revenue release. This release includes a summary of wagering and admission tax and a monthly riverboat statistical report. These statistics are available through the Internet.

The following pages include various schedules and charts containing these statistics. The total tax for 1996 was \$103,592,753, consisting of \$29,027,732 admission tax and \$74,565,021 wagering tax.

Total Tax - For the Year Ended December 31, 1996

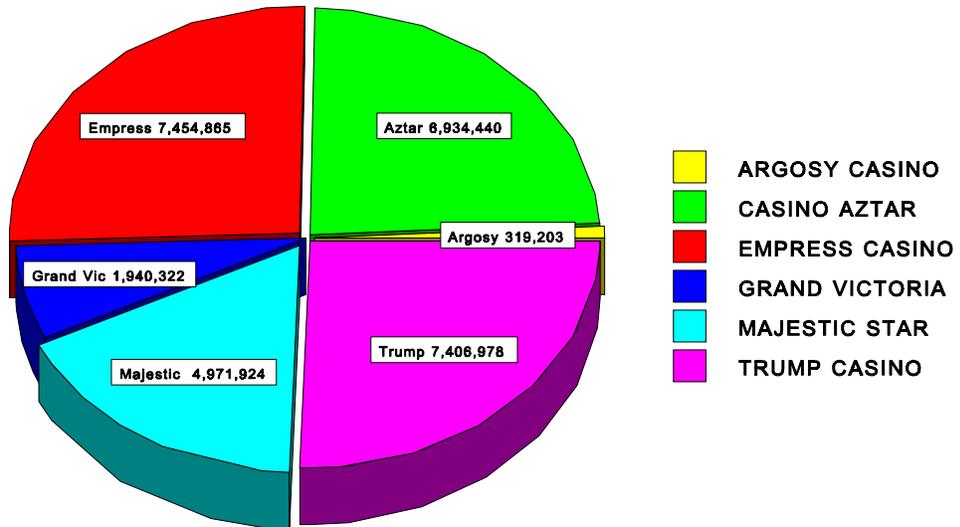
BOAT	Commencement of Full-time gaming	Total Admission Tax	Total Wagering Tax	Total Tax
ARGOSY CASINO	December 13, 1996	319,203	857,993	1,177,196
CASINO AZTAR	December 8, 1995	6,934,440	21,254,984	28,189,424
EMPRESS CASINO	June 29, 1996	7,454,865	19,176,102	26,630,967
GRAND VICTORIA	October 4, 1996	1,940,322	6,389,835	8,330,157
MAJESTIC STAR	June 11, 1996	4,971,924	10,614,691	15,586,615
TRUMP CASINO	June 11, 1996	<u>7,406,978</u>	<u>16,271,416</u>	<u>23,678,394</u>
TOTAL		\$29,027,732	\$74,565,021	\$103,592,753

Quarterly Breakdown of Total Tax

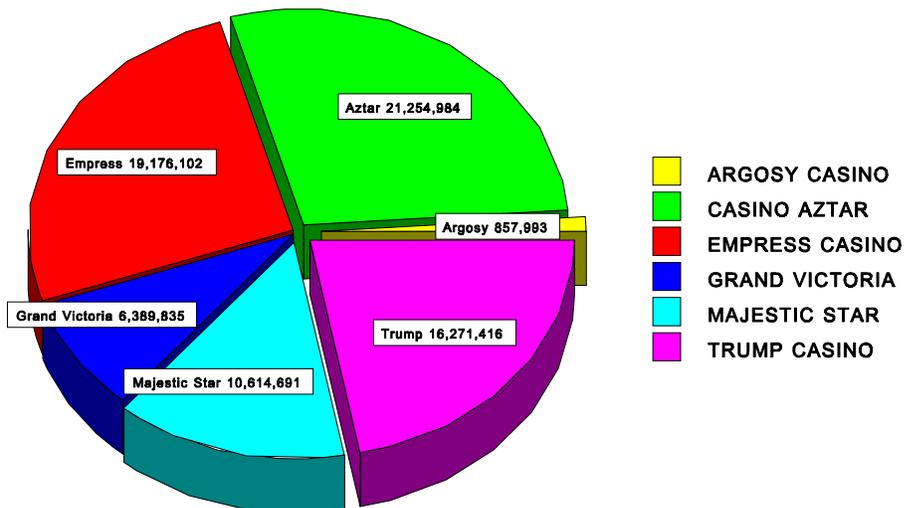


	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
WAGERING TAX	4,679,053	8,663,680	27,453,501	33,768,787
ADMISSION TAX	<u>1,566,702</u>	<u>3,103,431</u>	<u>11,695,970</u>	<u>12,661,629</u>
TOTAL TAX	6,245,755	11,767,111	39,149,471	46,430,416

ADMISSION TAX - \$29,027,732
REPORTED FOR YEAR ENDED DECEMBER 31, 1996



WAGERING TAX - \$74,565,021
REPORTED FOR YEAR ENDED DECEMBER 31, 1996



ADMISSION TAX

	CASINO	EMPRESS	MAJESTIC	TRUMP	GRAND	ARGOSY	TOTAL
	AZTAR	CASINO	STAR	CASINO	VICTORIA	CASINO	
JANUARY	433,320	0	0	0	0	0	433,320
FEBRUARY	521,109	0	0	0	0	0	521,109
MARCH	612,273	0	0	0	0	0	612,273
APRIL	560,058	0	0	0	0	0	560,058
MAY	572,064	0	0	0	0	0	572,064
JUNE	585,792	88,890	542,982	753,645	0	0	1,971,309
JULY	764,223	1,180,140	791,190	1,234,154	0	0	3,969,707
AUGUST	711,507	1,285,191	807,444	1,165,593	0	0	3,969,735
SEPTEMBER	620,376	1,230,432	773,022	1,102,509	30,189	0	3,756,528
OCTOBER	530,088	1,260,189	737,052	1,152,843	554,475	0	4,234,647
NOVEMBER	549,969	1,218,504	699,324	1,086,810	754,680	0	4,309,287
DECEMBER	473,661	1,191,519	620,910	911,424	600,978	319,203	4,117,695
TOTAL	\$ 6,934,440	\$ 7,454,865	\$ 4,971,924	\$ 7,406,978	\$ 1,940,322	\$ 319,203	\$ 29,027,732

DISPOSITION OF ADMISSION TAX REVENUE

Vanderburgh County	2,311,480	n/a	n/a	n/a	n/a	n/a	2,311,480
City of Evansville	2,311,480	n/a	n/a	n/a	n/a	n/a	2,311,480
Lake County	n/a	2,484,955	1,657,308	2,468,993	n/a	n/a	6,611,256
City of Gary	n/a	n/a	1,657,308	2,468,993	n/a	n/a	4,126,301
City of Hammond	n/a	2,484,955	n/a	n/a	n/a	n/a	2,484,955
Ohio County	n/a	n/a	n/a	n/a	646,774	n/a	646,774
City of Rising Sun	n/a	n/a	n/a	n/a	646,774	n/a	646,774
Dearborn County	n/a	n/a	n/a	n/a	n/a	106,401	106,401
City of Lawrenceburg	n/a	n/a	n/a	n/a	n/a	106,401	106,401
County Convention & Visitors	231,148	248,496	165,731	246,899	64,677	10,640	967,591
State Fair Commission	346,722	372,743	248,596	370,349	97,016	15,960	1,451,387
Division of Mental Health	231,148	248,496	165,731	246,899	64,677	10,640	967,591
IN Horse Racing Commission	1,502,462	1,615,221	1,077,250	1,604,845	420,403	69,161	6,289,342

WAGERING TAX

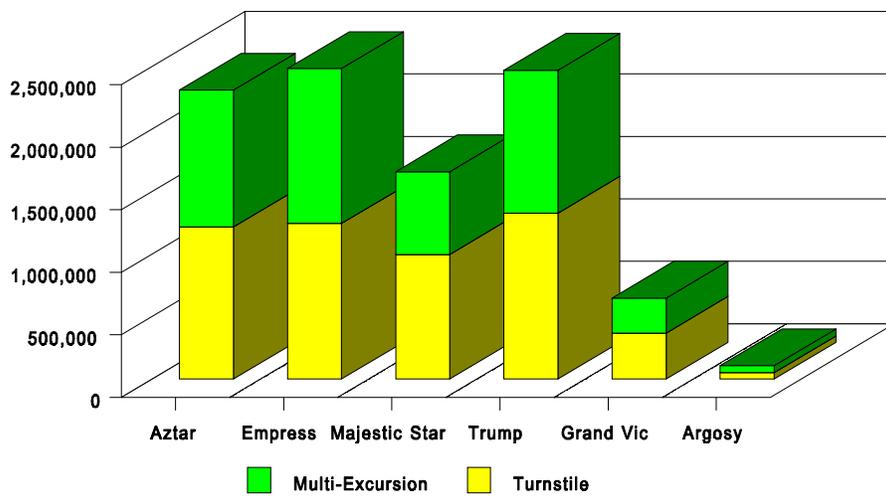
	CASINO	EMPRESS	MAJESTIC	TRUMP	GRAND	ARGOSY	TOTAL
	AZTAR	CASINO	STAR	CASINO	VICTORIA	CASINO	
JANUARY	1,306,388	0	0	0	0	0	1,306,388
FEBRUARY	1,569,773	0	0	0	0	0	1,569,773
MARCH	1,802,892	0	0	0	0	0	1,802,892
APRIL	1,923,876	0	0	0	0	0	1,923,876
MAY	1,765,840	0	0	0	0	0	1,765,840
JUNE	1,827,399	202,718	1,154,915	1,788,932	0	0	4,973,964
JULY	2,091,505	2,715,540	1,539,961	2,320,595	0	0	8,667,601
AUGUST	2,081,913	3,194,004	1,630,198	2,502,576	0	0	9,408,691
SEPTEMBER	2,001,735	3,132,490	1,670,091	2,427,011	145,882	0	9,377,209
OCTOBER	1,649,787	3,359,939	1,699,278	2,600,148	1,776,878	0	11,086,030
NOVEMBER	1,746,758	3,203,869	1,533,036	2,474,891	2,395,134	0	11,353,688
DECEMBER	1,487,118	3,367,542	1,387,212	2,157,263	2,071,941	857,993	11,329,069
TOTAL	\$ 21,254,984	\$ 19,176,102	\$ 10,614,691	\$ 16,271,416	\$ 6,389,835	\$ 857,993	\$ 74,565,021

DISPOSITION OF WAGERING TAX REVENUE

State of Indiana-Build IN Fund	15,941,238	14,382,077	7,961,018	12,203,562	4,792,376	643,495	55,923,766
City of Evansville	5,313,746	n/a	n/a	n/a	n/a	n/a	5,313,746
City of Gary	n/a	n/a	2,653,673	4,067,854	n/a	n/a	6,721,527
City of Hammond	n/a	4,794,026	n/a	n/a	n/a	n/a	4,794,026
City of Lawrenceburg	n/a	n/a	n/a	n/a	n/a	214,498	214,498
City of Rising Sun	n/a	n/a	n/a	n/a	1,597,459	n/a	1,597,459

**Total Admissions of 9,675,907 Patrons
As Reported for the Year Ended December 31, 1996**

Admissions Per Riverboat



C. OTHER STATUTORY REQUIREMENTS

1. Pursuant to IC 4-33-4-1, IC 4-33-4-2, and IC 4-33-4-3, the IGC is directed to adopt rules to regulate, administer, and enforce the Act. The following rules are final, effective rules as of December 31, 1996:

Article 1 General Provisions

- Rule 1 Definitions
- Rule 2 General Procedures
- Rule 3 Economic Development Reports
- Rule 4 Contracts
- Rule 5 General Reporting Requirements
- Rule 6 Appearance by Attorneys or Representatives for Hearings and Reviews
- Rule 7 Weapons on the Riverboat
- Rule 8 Support Facility Standards
- Rule 9 Riverboat Commission Surveillance Room, Commission Dockside Office and Processing Area
- Rule 10 Floor Plans
- Rule 11 Riverboat Gaming Area
- Rule 12 Complimentary Chip and Token Distribution Programs

Article 2 Licenses and Approvals

- Rule 1 Riverboat Owner's License
- Rule 2 Supplier's License
- Rule 3 Occupational License
- Rule 4 Waiver of Convicted Felon Disqualification
- Rule 5 Occupational Training School
- Rule 6 Electronic Gaming Device Rules
- Rule 7 Associated Equipment

Article 3 Minority and Women's Business Enterprises

- Rule 1 General Provisions
- Rule 2 Certification Process and Procedure
- Rule 3 Compliance

Article 4 Corporations

- Rule 1 Publicly Traded Corporations

Article 5 Transfer of Ownership

- Rule 1 Publicly Traded Companies
- Rule 2 Persons other than Publicly Traded Corporations
- Rule 3 Debt Acquisition

Article 6	Exclusion of Persons
Rule 1	Exclusion List
Article 7	Denial and Exclusion Hearings
Rule 1	General Provisions
Article 8	Public Safety and Excursions
Rule 1	Excursions, Routes, and Public Safety
Rule 2	Medical Services; Emergency Response
Article 9	Ethics
Rule 1	Commission Members
Rule 2	Commission Employees
Rule 3	Commission Agents
Rule 4	Restriction on Gaming
Article 10	Conduct of Gaming
Rule 1	Applicability; General Provisions
Rule 2	Blackjack
Rule 3	Roulette
Rule 5	Big Six
Article 11	Internal Control Procedures
Rule 1	General Provisions
Rule 2	Drop Bucket Process and Hard Count
Rule 3	Soft Count Procedure
Rule 7	Sensitive Key Control
Rule 8	Handling of Cash at Gaming Tables
Article 12	Security and Surveillance
Rule 1	General Provisions for Surveillance System
Article 13	Seizure, Forfeiture, and Disciplinary Hearings
Rule 1	Seizure, Forfeiture, and Disciplinary Hearings
Article 14	Gaming Equipment
Rule 1	General Provisions
Rule 2	Live Gaming Device table Requirements
Rule 3	Cards and Dice
Rule 4	Chip Specifications
Rule 5	Token Specifications
Rule 6	Blackjack Tables
Rule 7	Roulette Wheel and Table
Rule 8	Craps Table
Rule 9	Big Six Wheel and Table
Rule 10	Caribbean Stud Poker Table
Rule 16	Destruction of Counterfeit Chips and Tokens

Those resolutions that are not applicant specific, are not germane to only one site, do not establish deadlines, or do not adopt rules or forms are incorporated into the rules as the rules are drafted.

3. Disciplinary Actions. Due to the fact that the IGC had six (6) riverboats licensed as of December 31, 1996, the IGC has moved into the regulatory phase. As a result, the IGC has commenced initiating disciplinary actions against riverboat licensees and occupational licensees who have violated the Act or rules promulgated thereunder (68 IAC). The following disciplinary actions have been initiated by the IGC:

a) Riverboat Licensees

(1) **In Re Disciplinary Action Of: Empress Casino Hammond Corp.,** Comp. No., 96-EM-1, on November 7, 1996, the Commission initiated a disciplinary action against the Empress due to the fact that on or about June 26, 1996, it hired a temporary agency to provide catering services on the riverboat. The temporary agency assigned individuals who were under the age of twenty-one (21) to work on the riverboat in violation of IC 4-33-8-3, IC 4-33-8-12; 68 IAC 2-3-1(c); 68 IAC 2-3-5; and 68 IAC 1-11-1. Members of the Commission staff and the Empress reached a settlement agreement in this matter whereby the Commission determined that the actions of the Empress were in violation of the Riverboat Gambling Act and rules promulgated thereunder. Further, the Empress agreed to a total fine of Four Thousand Five Hundred Dollars (\$4,500.00). The Commission adopted the settlement and the Empress remitted the fine.

(2) **In Re Disciplinary Action Of: Empress Casino Hammond Corp.,** Comp. No. 96-EM-2, on November 7, 1996, the Commission initiated a disciplinary action against the Empress Casino Hammond Corp., for having insufficient camera coverage on Cage 6 on the Ruby Level in violation of 68 IAC 23-1-6(c) and for employing individuals in the Surveillance Department who destroyed a videotape that Commission Agents had requested to view as part of an investigation. The videotape destruction was in violation of IC 4-33 and 68 IAC 12-1-7(b). As of December 31, 1996, the Commission staff and the Empress were discussing a possible settlement agreement in this matter.

(3) **In Re Disciplinary Action Of: Aztar Indiana Gaming Corp.,** Comp. No., 96-AZ-1, on November 15, 1996, the Commission initiated a disciplinary action against Aztar Indiana Gaming Corp., due to Aztar's failure to maintain an accurate count of tokens received, the failure to maintain an accurate token inventory log, the failure to retain paperwork generated with respect to token deliveries, the failure to compare actual token counts and packing slips received from Olde Philadelphia Mint, and the failure to immediately contact the Commission when Aztar became aware of the discrepancy with the token inventory, all in violation of IC 4-33, 68 IAC 15-1 and 68 IAC 15-4. As of December 31, 1996, the Commission staff and Aztar are discussing a possible settlement agreement in this matter.

(4) **In Re Disciplinary Action Of: Trump Indiana, Inc.**, Comp. No., 96-TR-1, on December 9, 1996, the Commission initiated a disciplinary action against Trump Indiana, Inc. due to Trump's failure to properly maintain a hard count room log in violation of 68 IAC 11-2-4, the failure to properly maintain a soft count room log in violation of 68 IAC 11-3-4, the failure to properly restrict access to the hard count room while the hard count was in process, and the failure to properly secure the door to the hard count room. As of December 31, 1996, the Commission staff and Trump are discussing a possible settlement agreement in this matter.

b) Occupational Licensees

(1) **In Re Disciplinary Action Of: James "Bo" Logan**, Comp. No., 96-OL-EM-1, on November 7, 1996, the Commission initiated a disciplinary action against James "Bo" Logan, Surveillance Supervisor for the Empress Casino, for his intentional destruction of a surveillance videotape that Commission Agents had requested to view as part of an investigation. It was determined that Mr. Logan destroyed the videotape at the direction of his supervisor. As of December 31, 1996, the Commission and Mr. Logan are discussing a possible settlement agreement in this matter.

(2) **In Re Disciplinary Action Of: Timothy Griest**, Comp. No., 96-OL-EM-2, on November 7, 1996, the Commission initiated a disciplinary action against Timothy Griest, Surveillance Director of the Empress Casino, for his involvement in and his order to destroy a surveillance tape that Commission Agents had requested to view as part of an investigation. The destruction was ordered after insufficient camera coverage was discovered. On November 14, 1996, Mr. Griest contacted Kay Fleming, Chief Counsel of the Commission, to discuss possible settlement of the matter. Ms. Fleming advised Mr. Griest of the possible options available to him in order to resolve this matter. As of December 31, 1996, this matter was pending.

(3) **In Re Disciplinary Action Of: Charles R. Elliott**, Comp. No., 96-OL-EM-3, on November 7, 1996, the Commission initiated a disciplinary action against Charles R. Elliott, Surveillance Trainee for the Empress Casino, for being present in the surveillance room when a videotape that Commission Agents had requested to view as part of an investigation and for failing to report the incident to the appropriate authorities. As of December 31, 1996, the Commission and Mr. Elliott are discussing a possible settlement agreement in this matter.

(4) **In Re Disciplinary Action Of: Michael Nagy**, Comp. No., 96-OL-EM-4, on November 7, 1996, the Commission initiated a disciplinary action against Michael Nagy, Surveillance Trainee for the Empress Casino, for his involvement in and his failure to report the destruction of a videotape that Commission Agents had requested to view as part of an investigation. Mr. Nagy has not responded to the disciplinary action by either filing an answer or attempting to reach a settlement agreement with the Commission. As of December 31, 1996, this matter was pending.

4. Pursuant to IC 4-33-8-3, an individual who has been convicted of a felony may not obtain an Occupational License to work on a riverboat. However, pursuant to

IC 4-33-8-11, an individual who is disqualified due to a felony conviction may seek a waiver of the felony conviction. As of December 31, 1996, 31 individuals had requested a waiver of a felony disqualification. Five of these requests were pending as of December 31, 1996. The remaining requests were resolved in the following manner:

Denied due to ineligibility ³	12
Denied due to failure to appear	1
Denied after review by a hearing officer	11
Individual withdrew request	2

One of the individuals whose request was denied appealed the decision of the IGC to an Administrative Law Judge. The Administrative Law Judge also recommended that the individual's request for a waiver of the felony conviction be denied, and this recommendation was adopted by the IGC.

5. The IGC continues its contractual relationships with various entities for professional services.

a) The IGC is continuing its contractual relationship with Gaming Laboratories International, Inc. ("GLI"), Toms River, New Jersey pursuant to the terms of two contracts. Under the terms of the first contract, GLI provides the IGC with consultation and assistance in drafting rules regarding, but not limited to, electronic gaming devices, internal controls, rules of the game, and conduct of gaming. The IGC will bear the expenses associated with the provision of these services.

Under the terms of the second contract, GLI provides the following services:

1. On-site inspection and certification of electronic gaming devices, computer monitoring systems, other on-board electronic gaming equipment and associated equipment that will be utilized by riverboat licensees.
2. Continued on-site inspections and certifications on an as-needed basis.
3. Testing and evaluation of electronic gaming devices and associated equipment at GLI's main facility and other locations agreed upon by GLI and the IGC.

³ These individuals were determined to be ineligible to receive a felony waiver due to the fact that the individuals requesting the waiver did not meet at least one of the statutory criteria mandated by IC 4-33-8-11.

4. Training of IGC personnel and agents.

5. Other related services as requested by the IGC.

The terms of this contract require that the riverboat licensee or the manufacturer of the tested device be responsible for paying the fees of GLI for the inspections, certifications, testing, evaluation and training of IGC personnel and agents. Only when the IGC requests consultation and assistance will the IGC bear the costs of GLI's services.

b) The IGC continues its contractual relationship with McGladrey & Pullen, South Bend, Indiana, for professional services. McGladrey & Pullen provides consultation and assistance with the drafting of a compliance manual, the review of internal control procedures, and other areas as requested by the IGC, such as consultation and review of complex Security and Exchange Commission issues.

c) The IGC continues a contractual relationship with Virginia Dill McCarty of the Indianapolis, Indiana law firm of Landman & Beatty. Ms. McCarty provides consultation and assistance with respect to numerous issues, including, but not limited to, bonds and security therefor, the types and amounts of insurance to be obtained and/or maintained by riverboat and supplier licensees, and other areas as requested by the IGC.

d) The IGC entered into a contract with Bernard L. Pylitt, a partner in the law firm of Katzman, Katzman & Pylitt of Indianapolis, Indiana. Mr. Pylitt serves as the Administrative Law Judge for the Commission in complaints filed against the IGC, disciplinary actions initiated by the IGC, and issues concerning the revocation of licenses.

e) The IGC has entered into a Memorandum of Understanding with each riverboat licensee⁴ and Innovative Archival Systems ("IAS") [Now known as IDENTIX, Inc]. IAS was designated the appropriate vendor to install and service live-scan fingerprint and photo ID systems at the riverboat locations. The goods and services are for the use of the IGC in processing occupational licensees that will work for the riverboat licensees. The goods and services are paid for by the riverboat licensee. Because the monetary expenditure is being made by the riverboat licensee, yet the equipment is being utilized by the IGC, it was determined that a Memorandum of Understanding is the appropriate mechanism in which to outline the various duties and responsibilities of each entity. Similar memorandums will be executed between the IGC, IAS, and each riverboat licensee as the riverboat licensees purchase the fingerprint and photo ID system.

⁴ To date this includes Aztar Indiana Gaming Corp., Empress Casino Hammond, Grand Victoria Casino & Resort, Indiana Gaming Company, L.P., Majestic Star Casino, and Trump Indiana, Inc.

6. In fulfilling its other statutory mandates, the IGC has continued to enter into Memoranda or Letters of Understanding with other agencies regarding the sharing of information with respect to regulatory and licensing matters. The ability to share information with other jurisdictions and agencies ensures that the IGC has the best possible information on each applicant for a license and with respect to any regulatory matters that may arise after licensure.

7. Miscellaneous.

a) Lawsuits

1) **Walter H. Schulz, Jack Phillips, Earl Becker vs. State of Indiana, Members of the 108th General Assembly, Indiana Gaming Commission, Alan I. Klineman, Chairman, et. al.** On October 25, 1996, Plaintiffs, Walter H. Schulz, Jack Phillips and Earl Becker filed a complaint naming the State of Indiana, Members of the 108th General Assembly, Indiana Gaming Commission, and Alan I. Klineman, Chairman, et. al as Defendants. The complaint alleges the following: 1) that the law regulating riverboat gambling, specifically IC 4-33-6-19 "Docking of Riverboat in county-local approval required-procedure", within the State of Indiana violates Article 1, Section 23 of the Indiana Constitution and creates an unequal privilege to those classes of citizens who support riverboat gambling and does not apply to all counties in Indiana since some counties contiguous to a navigable river capable of supporting a riverboat casino are excluded. 2) That the inclusion of the Riverboat Gambling Act (HB 1107) contained in House Bill 1001 (the budget bill) is void, invalid and unenforceable because Riverboat Gambling is not related to the remainder of HB 1001. 3) That the Plaintiffs should be granted a jury trial and that the Court should award them costs and attorney's fees incurred for litigation expenses.

On December 23, 1996, the Attorney General filed its Appearance, Answer to the Plaintiff's Complaint, and a Motion to Strike the Plaintiff's request for a jury trial and attorney fees and costs. On December 30, 1996, the Plaintiffs filed Interrogatories and Requests for Admissions regarding discovery matters. The case is still pending in the Floyd County Circuit Court.

2. **Preston Dunham, et al., vs. Trump Indiana, Inc. Barden, Indiana Gaming Commission, et al.,** On May 1, 1996, a lawsuit was filed by the above named plaintiffs, residents of the City of Gary, against the Indiana Gaming Commission along with the Trump Casino and Barden (Majestic Star). The complaint alleges, in summary, that both of the developers failed to hire promised percentages of minority residents. The plaintiffs further allege that the developers failed to allow participation by the promised percentage of local investors. The Commission is named as a defendant in the lawsuit. The plaintiff's complaint requests that the Lake Superior Court, sitting in Gary, enjoin the Commission from granting Riverboat Owner's Licenses to Trump and Barden (Majestic Star) based on the allegations that neither developer had kept its proposed hiring and investment promises to Gary residents and businesses respectively. The plaintiffs allege that if the Commission is allowed to issue the

Riverboat Owners Licenses to both developers that the plaintiffs will suffer irreparable harm. In early May 1996, the sitting judge recused himself and another judge was appointed to serve as special judge over the case.

On May 31, 1996, the Attorney General, on behalf of the Commission, filed a Motion to Dismiss the Plaintiff's Complaint. On June 3, 1996, the Commission issued Riverboat Owner's Licenses to Trump and Barden (Majestic Star). The Motion to Dismiss asserts that the court lacks subject matter jurisdiction over the dispute because the plaintiffs have not exhausted all administrative remedies prior to seeking judicial review. The Motion further states that the plaintiff's complaint does not state a claim upon which injunctive relief can be granted.

On June 20, 1996, the Court conducted a hearing and the plaintiffs and defendants presented oral argument on the above-stated issues. On July 11, 1996, the court issued its Order and Judgment of Dismissal which dismissed the plaintiff's complaint for lack of subject matter jurisdiction and found that the plaintiffs had not exhausted all administrative remedies. The court also found that the plaintiffs lacked standing to present justiciable issues and a case in controversy and granted the defendant's Motion to Dismiss the plaintiff's complaint for failure to state a claim upon which relief can be granted.

To date, the Plaintiff's have not sought administrative relief from the Commission. On December 18, 1996, the court issued its Order and Judgment of Dismissal Nunc Pro Tunc reversing itself in part. In this order the court stated that it only intended to dismiss the plaintiff's complaint as to injunctive relief and not as to the underlying complaint. On this same date, the judge was removed and another judge was appointed to hear the case. The case is still pending; the Attorney General plans to seek to have the Nunc Pro Tunc order set aside.

b) Administrative Hearings

1. **Schilling Casino Corp., dba Empire Casino and Resort ("Empire")**, on November 13, 1996 the Indiana Gaming Commission issued an Order granting a Riverboat Owner's License to Indiana Gaming Company, LP, which order was to become effective at least fifteen (15) days later. Based on this, Empire requested a hearing before the Administrative Law Judge, seeking, among other things, to revoke or terminate the Riverboat Owner's License to Indiana Gaming Company. The Administrative law Judge issued a Prehearing Order requiring the Commission, Empire and the Intervenors to file all appropriate pleadings. The Commission has filed its pleadings and the matter is still pending.

c) Revocation of Occupational License due to Failure to Disclose

1. The IGC revoked one Occupational License due to the fact that the individual applying for the license failed to disclose information regarding his criminal history, his work history, and a record of gaming licenses the individual had applied for in other

jurisdictions. The individual appealed the revocation of his Occupational License. The Administrative Law Judge recommended that the revocation be upheld. The recommendation of the Administrative Law Judge was subsequently adopted by the IGC.

IV. LEGISLATION

Second Regular Session of the 109th General Assembly

At the time the IGC published the 1995 Annual Report, several pieces of legislation were pending in the 1996 Session of the General Assembly, the following which were enacted into law:

P.L. 4-1996

- IC 4-33-10-2.1 added to restrict all riverboat licensees or supplier licensees with at least a 1% interest from making political contributions in Indiana during the term in which the licensee holds a license, and the three years following the final expiration or termination of the licensee's license. An intentional violation of this Act is a Class D felony.

P.L. 24-1996

- I.C. 4-33-6-19 amended to prohibit a county that has rejected riverboat gambling in two referendums from holding a third or a subsequent referendum until the general election held during the tenth year following the year that the previous public question was placed on the ballot.
- I.C. 4-33-10-2.5 added to prohibit riverboat gaming licensees or supplier licensees with at least a 1% interest from giving any property to a member of a precinct committee to induce the member to take action with respect to approval of a local public question on riverboat gambling. A person who violates this section commits a Class D felony.

P.L. 28-1996

- I.C. 4-33-7-4 amended to provide that alcoholic beverage suppliers need only apply for an Alcoholic Beverage Commission license to supply alcoholic beverages to a riverboat gambling operation, not an Indiana Gaming Commission supplier's license. This change in the law required the IGC to refund application fees previously accepted from alcoholic beverage distributors.

P.L. 29-1996

- I.C. 4-33-8-11 amended to set higher standards for felons seeking employment on riverboats. Applicants with felony convictions must show that they have been rehabilitated through "clear and convincing evidence" and employers must demonstrate in writing that they will hire the applicants if the IGC grants a waiver. The IGC must automatically deny the waiver when a person fails to disclose all pertinent data to the employer and the IGC. This amendment also added a waiver provision for persons convicted of certain felonies if ten years has

elapsed from their discharge from prison, parole, or probation. The IGC may also grant waivers to persons convicted of a less serious offense if five years has elapsed since the person was discharged from probation, parole or imprisonment.

First Regular Session of the 110th General Assembly

Approximately 24 bills related to riverboat gambling have been introduced in the 1997 Session of the General Assembly. The following is an overview of legislation presently pending:

Emergency Rule Making Authority

The IGC is again asking the legislature for emergency rule making authority. Currently, it takes at least nine months to promulgate a rule. This period is too long for an industry that is heavily regulated in all other jurisdictions and places the gaming commission at a disadvantage in keeping up with the industry and other jurisdictions.

House Bill 2013, sponsored by Rep. William Bailey would allow the Indiana Gaming Commission to have emergency rule making authority. Under this legislation, the gaming commission could adopt an emergency rule effective for only 90 days, with a possible extension of 90 days. Within thirty (30) days of adopting an emergency rule, the commission must begin the process for permanent enactment of that rule. House Bill 2013 passed the House by a vote of 97-2 and is awaiting action in the Senate.

Admission Tax (HB1135, HB1149, HB1174, HB1716, HB1869, SB223, SB312, SB314)

Six bills have been introduced which would change the present distribution of the riverboat admission tax. The only bill altering the admission tax yet considered, House Bill 1135, sponsored by Rep. Patrick Bauer would not only alter the distribution, but also increase the admission tax to \$4.00. This bill passed the House but the Senate has not yet considered it.

Senator Johnny Nugent is sponsoring legislation that would allow counties receiving riverboat admission taxes and wagering taxes to use the revenue to pay for maintenance of county highways. This legislation passed the Senate and is awaiting action by the House.

Indian Gaming (SB153)

Sen. Marvin Riegsecker has introduced Senate Bill 153 which would prohibit land-based casinos in Indiana and bar the state from entering into a tribal-state compact to allow gaming on Indian lands in Indiana. The Senate approved this legislation and the bill is awaiting action by the House.

Prohibition on Gambling Expansion (SB157, HB1260, HB1901)

Legislation has been introduced in the House and Senate which would prohibit any expansion of gambling in Indiana for varying lengths of time. The Senate version, as amended on second reading, prohibits any expansion of gambling beyond the form of gambling currently authorized by statute. The bill is awaiting final consideration by the Senate. The House version of this legislation has not been considered in committee.

Assistance to Local Prosecutors with Riverboat-Related Crimes (HB1733)

Rep. Vern Tincher has introduced legislation drafted by Attorney General Jeff Modisett which allows a prosecuting attorney who has jurisdiction over a criminal offense related to riverboat activities to request assistance from the Attorney General's Office. The legislation requires that the request for assistance specify whether the prosecuting attorney wishes to have the office of the attorney general conduct the investigation alone or with the prosecuting attorney. The legislation also permits the attorney general's office to use the grand jury of the county in which the prosecuting attorney has jurisdiction. The bill passed the House but the Senate has not yet considered the bill.

Riverboat Licenses (HB1014, HB1563)

Rep. Crawford has introduced legislation allowing Marion County to hold a referendum in 1998 on whether the IGC should issue a license to permit riverboat gambling in Marion County on the White River. This bill was assigned to the House Public Policy Committee but has not been considered.

Rep. Jerry Denbo is sponsoring legislation that would allow the gaming commission to issue a license for a riverboat to operate from French Lick or West Baden Springs rather than Patoka Lake, as current law provides. This bill was assigned to the House Public Policy Committee but has not been considered.

Gaming Advertisements (HB1052)

Rep. Foley is proposing legislation requiring riverboat owners to keep statistics concerning and include in each ad for a riverboat, a statement of the win percentage for slot machines operated on the owner's boat. This legislation would also require a licensed owner to include in each ad for a gambling game conducted on a riverboat, other than a slot machine, a statement of the estimated odds of winning a prize for the gambling game. The bill makes it a Class A infraction for a licensed owner to fail to comply. The House Public Policy Committee has not considered this legislation.

Dockside Riverboats (HB1293, SB407)

Rep. Charlie Brown and Sen. Earline Rogers are sponsoring identical bills which, in part, allow for gambling to be conducted while a riverboat is docked in Gary, East Chicago and Hammond. Neither a House nor Senate committee has considered this legislation.

Local Bond Banks (SB445, HB1797)

Legislation has been introduced in the House and Senate which would establish a local public improvement bond bank in each city in a county that is contiguous to the

Ohio River and has a riverboat docking site. Under the legislation, the local bond bank may purchase securities from any political subdivision in the county. Neither a House nor Senate committee has considered this legislation.

V. RIVERBOAT CASINO EMPLOYMENT

Approximately 7,877 new jobs were created by the six riverboat casinos operating in Indiana at the end of 1996. This figure is shown in the column "Total Employees" in the table, "Indiana Employment Gains Due to Riverboat Casinos" found on the following page. The table also shows the number of occupational licensees and the number of minorities employed by Indiana riverboat operators. Under Indiana law, the IGC determines which employees on Indiana riverboats must have an occupational license. Since not all employees are required to be licensed, the total number of employees may be equal to or greater than the total number of licensed employees. Due to turnover in the early stages of riverboat gaming operations, IGC agents stationed on Indiana riverboats have processed more than 10,500 employees for occupational licenses in 1996.

INDIANA EMPLOYMENT GAINS DUE TO RIVERBOAT CASINOS

As of December 31, 1996

<u>BOAT</u>	<u>TOTAL EMPLOYEES</u>	<u>MINORITY EMPLOYEES</u>	<u>PERCENTAGE OF MINORITY EMPLOYEES</u>	<u>LICENSED EMPLOYEES</u>
ARGOSY CASINO	952	72	7.56%	952
CASINO AZTAR	1313	262	19.95%	1010
EMPRESS CASINO	1595	535	33.54%	1499
GRAND VICTORIA	1303	62	4.76%	1158
MAJESTIC STAR CASINO	908	572	63%	908
TRUMP CASINO	1279	726	56.76%	1279
TOTAL	7350	2229	30.32%	6944