

**INDIANA GAMING COMMISSION
BUSINESS MEETING**

9:30 a.m., December 6, 2001

Grand Theater

600 Grand Victoria Drive

Rising Sun, Indiana

Present: Commission members: Donald R. Vowels, Chair; Ann Bochnowski, Vice-Chair; Thomas Milcarek, Secretary; Dr. David Ross, David Carlton, Dale Gettelfinger. Richard Darko was not present. Staff: Jack Thar, Billy Hamilton, Cynthia Dean, Jennifer Arnold, Jennifer Chelf, Susan Brodnan, Rhonda Dalton, Major Mark Mason and members of the public.

Call to Order and Roll Call

Chairman Donald Vowels called the meeting to order at approximately 10:07 a.m. local time. A quorum was present.

OLD BUSINESS

Amendment of Business Meeting Minutes

Page 2 of the November 7, 2001 business meeting minutes were amended as follows:

"A second discussion occurred on November 16, 2001 where the Commission staff upon further review of the renewal process, recommended to the Commission that a resolution should be presented at a scheduled meeting for renewal of the yearly Riverboat Owners license. The Commission accepted the staff recommendation and resolutions for renewal will be voted on by the Commission."

Action: Upon motion by Thomas Milcarek, second by Dale Gettelfinger, and unanimous vote of those present, the minutes of the November 7, 2001 Business Meeting were amended. Commissioner Bochnowski abstained.

Approval of the Minutes

Upon motion by Ann Bochnowski, second by David Carlton, and unanimous vote of those present, the minutes of the November 16, 2001 business meeting were approved.

Report of the Executive Director

Executive Director Thar introduced Commissioner Dale Gettelfinger.

In a letter dated October 10, 2001 Horseshoe Gaming requested the ability to use "push down" accounting with regard to the Empress (Hammond) acquisition. Push Down accounting would allow Horseshoe to move the debt associated with the Empress Hammond acquisition from the financial documents of the parent company and include it with the other data associated with the Empress acquisition. This request has been reviewed by Dr. Charlene Sullivan who found the change would not affect the company's financial standing. Staff recommended to the Commission that push down accounting be allowed and the Commission accepted the staffs recommendation. A

notation that the Commission approved this request will be made in the minutes instead of a resolution.

Occupational License Matters

April Miller AG-DEN-01-1

April Miller applied for an occupational license, level 2, for employment as a Soft Count Attendant with Argosy Casino on or about June 27, 2001 and was issued a temporary occupational license. During her employment with Argosy it was discovered that Ms. Miller had been stealing money from Argosy while performing her duties as a cage cashier. She admitted that she stole approximately two thousand (\$2000) although the Casino suspects the amount could have been approximately three thousand four hundred dollars (\$3,400). Argosy terminated Ms. Miller and a theft report was filed.

Action: Upon motion by Dave Carlton, second by Dale Gettelfinger, and unanimous vote of those present, the Commission upheld the revocation of the temporary license and denied the application for an occupational license, level 2, submitted by April Miller.

Suppliers License Matters

Resolution 2001-40

A Resolution Concerning The Renewal of Suppliers' Licenses for International Electronic Protection; International Gaming Technology (IGT); and Midwest Game Supply Company.

Action: Upon motion by Ann Bochnowski, second by Dr. David Ross, and unanimous vote of those present, the Commission granted the renewal of the Supplier's Licenses issued to the suppliers listed above on condition that any outstanding background fees are paid as directed by Commission staff. The renewed supplier's licenses will be valid for a period of one (1) year from the date of issuance.

Resolution 2001-41

A Resolution Granting A Suppliers' License to Tech Innovations, Inc.

Action: Upon motion by Ann Bochnowski, second by David Carlton, and unanimous vote of those present, the Commission granted a Supplier's License to Tech Innovations, Inc. The Supplier's License will be valid for a period of one (1) year, from December 6, 2001 through December 5, 2002.

Consideration of License Renewal

Aztar Indiana Gaming Company

By letter dated October 22, 2001, James L. Brown, Sr. Vice President/General Manager of Casino Aztar Evansville requested a renewal of the Riverboat Owner's License and submitted a check for payment of the annual renewal fee. As discussed at previous business meetings, an investigation will not be conducted in the first and second years for a licensee who is not in a reinvestigation phase. Staff recommends that the

Commission grant the renewal of the Riverboat Owner's License of Aztar Indiana Gaming for the period December 8, 2001 to December 7, 2002. .

Action: Upon motion by Dr. David Ross, second by Ann Bochnowski, and unanimous vote of those present, the Commission granted the renewal of Aztar's Riverboat Owner's License for a period of one year subject to continued compliance with Indiana Code 4-33, Title 68 of the Indiana Administrative Code and the conditions directed by the Commission on March 2, 2001. The renewal of the Riverboat Owner's License will be valid for a period of one (1) year from December 8, 2001 to December 7, 2002.

Settlement Agreement in Lieu of a Disciplinary Action

Majestic Star Casino Complaint No. 2001-MS-2

On or about July 15, 2001 a minor boarded the riverboat during the 2:00 a.m. boarding. The minor's presence was discovered approximately two (2) hours later. When asked for identification, the patron produced an ID showing her to be only 20 years old. The actions of Majestic Star violated Indiana Gaming rules. David Wolf, Interim General Manager of Majestic Star Casino and Executive Director John Thar has signed a settlement agreement pending commission approval. The Commission Staff recommends Majestic Star pay a monetary fine in the amount of \$1,500.00.

Action: Upon motion by Thomas Milcarek, second by Dr. David Ross, and unanimous vote of those present, the Commission approved the terms of the settlement agreement.

Settlement Offers on Disciplinary Actions

Indiana Gaming Company, L.P. Complaint No. 01-AR-2

On or about November 28, 2001, Commission staff initiated a disciplinary action against Indiana Gaming Company, L.P. (Argosy). Argosy of Kenosha Co. ("AOK") is an indirect wholly owned subsidiary of Argosy Gaming Company, which is the parent company of Indiana Gaming Company. On or about December 14, 2000 "AOK" entered into contracts with a company called NII-JII Entertainment LLC ("NII-JII") for the purpose of funding a portion of the development and construction costs of the Menominee Tribal Gaming Authority casino project in Kenosha, Wisconsin. The contractual agreements included a loan agreement whereby AOK agreed to lend NII-JII an amount not to exceed \$5,000,000. An operator agreement was also made wherein AOK would provide managerial and technical experience and expertise for the development, construction and operation of the Indian gaming facility, and for which AOK would be compensated. These contractual agreements were also executed by Argosy Gaming Company in a Parent Performance Guaranty, wherein Argosy Gaming Company guaranteed, as a primary obligor, the performance of AOK's obligations under the contracts. In addition, in the form of a Commitment Letter, AOK was to purchase a Promissory Note issued by NII-JII in the amount of thirty million dollars (\$30,000,000) plus up to an additional five million dollars (\$5,000,000) if NII-JII so requested. The details of the contractual relationship became public in early 2001. The Commission, along with other jurisdictions conducted an investigation. It was determined that several investors in NII-JII had been associated with convicted criminals and individuals of notorious and

unsavory reputation. Investigators also learned that prior to entering into the contractual relationship with NII-JII Argosy Gaming Co., failed to diligently investigate the propriety of NII-JII but instead relied upon the procedures undertaken by the Menominee Tribal Gaming Commission to determine the suitability of NII-JII and its key persons. As of September 30, 2001 Argosy Gaming Company, AOK and affiliates have disassociated themselves from NII-JII. The actions of Argosy are a violation of the Riverboat Gambling Act and the rules promulgated thereunder. The Commission staff and Argosy agree that Argosy will pay a fine of twenty-five thousands dollars (\$25,000) pending commission approval. Argosy also agrees to pay all costs incurred by the Commission in investigating the violations described.

Minority Business Enterprise/Womens Business Enterprise Issues

Caesars Indiana

Ron Gifford, Baker and Daniels: Barry Morris, Executive Vice-President/General Manager, Caesars Indiana; and Mr. William Joyce, counsel for Caesars Indiana appeared before the Commission to discuss the status of Caesars MBE/WBE compliance with the statutory requirements. In November 1999 the Commission approved an action plan to address these issues. At that time Caesars had fallen approximately \$30,000,000 short of the statutory goals. The action plan required Caesars to:

- Place \$2 million into a fund for loans and flexible payment to encourage minority contractors;
- A statement by Caesars that they would make up the \$30,000,000 to meet the statutory goals;
- Create various committees and hire individuals to facilitate this plan.
- Advise the Commission of its goals and progress on a monthly basis.

Caesars has fulfilled its obligations. Barry Morris appeared before the Commission to request that Caesars be released from the monthly reporting and funding requirements. Mr. Morris offered the following facts as a basis for the request:

- Since November 1999, Caesars has met or exceeded the statutory goals for WBE/MBE expenditures for each quarter.
- Caesars has spent approximately \$300,000 to implement the Action Plan. An additional \$250,000 was spent to fund the Southern Indiana Minority Enterprise Initiative.
- Caesars has spent a total of \$406,879,817 on the Harrison County Project. Of this amount, \$58.8 M was spent on MBE expenditures and \$16.6 M was spent on WBE expenditures.

Action: The Commission unanimously relieved Caesars of the extra reporting and funding requirements imposed in November 1999. Commission staff will prepare an order for this directive.

Trump and Majestic Star

During the relicensing hearings for Trump Indiana in August 2001 an allegation was made that Buffington Harbor, a joint venture between Trump Indiana and Majestic Star, and Trump and Majestic Star individually, were reporting the entire amount of insurance premiums paid through the Black Agents and Brokers Agency ("BABA") rather than reporting only the brokerage fee as a part of their MBE expenditures. Cathy Walker, General Manager of Trump Indiana; Michelle Sherman, Vice President of Barden Development; David Wolf, Interim General Manager of Majestic Star; and Thomas Farlow, an attorney with Locke Reynolds LLP appeared before the Commission.

Mr. Thomas Farlow, of Locke Reynolds conducted an independent investigation to determine the facts of the case. The investigation concluded that:

- The method of payment was developed by BABA.
- Trump and Buffington Harbor reported the entire BABA insurance premium payments in good faith.
- Trump and Buffington Harbor received conflicting information from the Indiana Department of Administration.
- When the issues were discovered, amended reports were filed.

Cathy Walker of Trump Indiana and Michelle Sherman of Barden Development expressed continued commitment to meeting and exceeding the MBE/WBE statutory requirements. Trump Indiana and Majestic Star submitted action plans to avoid future concern. As a part of Trump's action plan:

- Trump will hire a Business Development Manager to develop, implement, and monitor an action plan to increase business conducted with certified Minority and Women Owned Business Enterprises. This individual will be responsible for carrying out the policies/procedures in the Action Plan.
- Creation of a Business Development Committee. The committee includes the Business Development Manager, General Manager, Vice President of Operation and department heads, and will meet monthly.

As part of Majestic Star's action plan:

- Majestic Star will hire a MBE/WBE Procurement Specialist to ensure that the goals for goods and services contracts to Minority and Women Business Enterprises are met.

Reports show Majestic Star's MBE/WBE 2001 expenditures through October to be 11.5% and 9.7%. Michelle Sherman, representing Barden Development, stated that the company intends to meet the statutory goals in 2002 as well as making up the \$644,000 shortage resulting from the incorrect reporting.

Action: The Commission accepted the action plans submitted by Trump and Majestic Star. As a part of these plans, Trump and Majestic Star will be required to:

- Submit a written report 10 days prior to each live business meeting during 2002.

- Appear at each live business meeting to provide a status report until January 2003.

Commission staff will prepare an order and circulate for signature.

Belterra

Paul Alanais, Chief Executive Officer Pinnacle Entertainment; Alain Uboldi, General Manager; Wade Hunley, Loren Ostrow; Kay Fleming, Ice Miller; and Lacy Johnson, Ice Miller appeared before the Commission with respect to the Minority Business Enterprise and Women Business Enterprise expenditures due to their failure to meet the statutory goals.

Despite repeated assurances to the Indiana Gaming Commission, in writing and orally, that the statutory goals were being met, Belterra has fallen \$18,000,000.00 short of the goals. This failure, as well as an incident involving an individual acting as a consultant to Belterra Indiana, has caused the Commission to question Pinnacle's credibility and commitment to meeting the statutory goals.

Mr. Alanais assumed complete responsibility for the failure to meet the MBE/WBE goals and expressed his continued commitment to meeting the goals during 2002 and expressed commitment to making up the \$18,000,000.00 shortfall.

Belterra submitted an action plan which would set aside \$750,000.00 for a fund to create and incubate minority and women business enterprises and would create an MBE/WBE Development Task Force Committee. Dr. David Ross of the Gaming Commission; State Senator Connie Sipes, State Representatives William Crawford, Greg Porter and Earl Harris have agreed to serve on the Committee. The Belterra General Manager and Kay Fleming will also serve on the committee.

Action: Upon motion by Thomas Milcarek, second by Dr. Ross, and unanimous vote present the Commission voted to unanimously accept the Action Plan submitted by Belterra with the following changes:

- The MBE/WBE status report will be due on the 20th of each month with the first report due on January 20, 2002. Action will be taken in the event the reports are not submitted in a timely manner.
- The Commission will review the action plan every three months.

Satutory remedies considered by the Commission include:

- Financial penalty in the form of a fine.
- Suspension of the Riverboat Owner's License for a brief period of time.
- Placing a probation status on the license. Discussion ensued about what impact a probationary status would have on licensing in other jurisdictions.

There was a brief recess to allow Mr. Alanais an opportunity to confer with counsel about the impact a probationary status would have on licensing in other jurisdictions.

After consulting with counsel, Mr. Alanais confirmed that should the license be placed on probation, this would have a negative impact on Pinnacle's licensing in other jurisdictions. Since the goal of the Commission is economic development and the fact that a probationary license would negatively impact the company, the Commission directed that the following amendments be added to the order accepting Pinnacle's action plan.

Action: Upon motion by Ann Bochnowski, second by Dr. Davis Ross, and unanimous vote of those present, the Commission voted to add the following Amendments to the order accepting the Action Plan:

- The \$750,000.00 incubation fund can be increased at any time at the discretion of the Commission.
- The money in the incubation fund cannot be spent without Committee approval. Money in the fund cannot be released without Commission approval. The issues must be presented at a "live" business meeting.
- Belterra is to attain the minimum 10% MBE and 5% WBE statutory goals during the first quarter of 2002.
- Begin reporting at the first live business meeting during the 2nd quarter of 2002.

Next Meeting

The next meeting of the Indiana Gaming Commission will be announced at a later date.

Adjournment

The meeting was adjourned with an announcement that the licensing hearing for Grand Victoria would begin at 3:00 p.m.

Minutes

Barbara E. Lambers transcribed the December 6, 2001 Business Meeting. Consequently, the transcript is the complete record of the meeting. Anyone wishing to see the transcript can review it in the Commission office or obtain a copy of the transcript from Wullenweber Court Reporting, 27309 Leona Drive, Brookville, Indiana (812-576-3400).

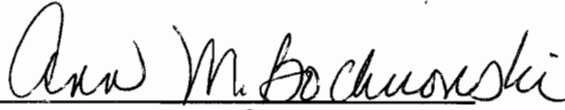
Rhonda K. Dalton, Executive Secretary of the Indiana Gaming Commission Staff, prepared these minutes.

Respectfully submitted,


Rhonda K. Dalton

THE INDIANA GAMING COMMISSION:


Donald Vowels, Chair


Ann M. Bochnowski, Vice Chair