

ORIGINAL

THE INDIANA GAMING COMMISSION

PUBLIC HEARING FOR THE
CONSIDERATION OF LICENSE RENEWAL FOR
HARRAH'S OPERATING COMPANY, INC.

MAY 13, 2002

BE IT REMEMBERED that the following proceedings were had before me, PAMELA J. BEAUVAIS, RPR, Registered Professional Reporter, and duly commissioned officer of the State of Indiana, on Monday, May 13, 2002, at Harrah's East Chicago, Grand Ballroom, 777 Harrah's Boulevard, East Chicago, Indiana, and commencing at the hour of 3:30 p.m.

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C O M M I S S I O N P A N E L:

- DONALD VOWELS, Chairman
- JACK THAR, Executive Director
- BILLY HAMILTON, Deputy Director
- CYNTHIA L. DEAN, Chief Counsel
- MICHELLE MARSDEN, Staff
- ANN BOCHNOWSKI, Commissioner
- THOMAS MILCAREK, Commissioner
- DAVID ROSS, M.D., Commissioner
- DAVID CARLTON, Commissioner
- RICHARD DARKO, Commissioner
- DALE GETTELFINGER, Commissioner



1 MR. VOWELS: We'll call the meeting back to order.
2 This is the public hearing portion of this so I will call
3 the meeting officially at order. Show that all
4 commissioners are present. This is the time for the
5 consideration of the license renewal for Harrah's Operating
6 Company, Incorporated.

7 And Mr. Thar where are we?

8 MR. THAR: We have been asked to take somebody out of
9 order so we will hear from H.E.R.E. at this time. In
10 exchange for taking them out of order they have guaranteed
11 it will be 15 minutes and no more, not 15 minutes and one
12 second. They can divide their time as they choose among
13 the speakers that they have, so . . . I see Miss Fauke is
14 coming.

15 MS. FAUKE: On behalf of the riverboat workers that
16 came out here today I'd like to thank you for letting us go
17 out of order. We've got some people who have some things
18 to do. For the record my name is Clare Fauke, C-l-a-r-e,
19 F-a-u-k-e. I'm a research analyst for the Hotel Employees
20 and Restaurant Employees Union Local 1. We represent
21 14,000 Chicago area hospitality workers including over a
22 thousand employees of the Northwest Indiana riverboat
23 casinos.

24 Riverboat gambling in Indiana was launched with a
25 promise of economic development in the form of both



1 revenues for local communities in the state and quality
2 jobs for economically-depressed areas like Northwest
3 Indiana. On April 26 Local 1 sent the Commission a letter
4 outlining our concern that Las Vegas-based Harrah's
5 Entertainment has broken its promise to bring economic
6 development to Indiana. We told you that a number of our
7 members were already turning to Medicaid to provide health
8 care for their families and that the company's proposal to
9 increase the cost of health care would surely send many
10 riverboat workers onto public assistance. In light of
11 Harrah's license renewal we ask the Commission to
12 investigate and to take these issues into consideration.

13 I'm here today with riverboat workers who want to know
14 that the Commission has investigated these problems and is
15 ready to ask Harrah's some tough questions about its impact
16 on this community and on the taxpayers of Indiana. Local 1
17 members are concerned that Harrah's is attempting to pass
18 rising health care costs on to its low-wage employees and
19 ultimately to taxpayers. In recent contract negotiations
20 Harrah's proposed a drastic increase in reporting the cost
21 of health insurance without a fair increase in wages. If
22 implemented these proposals would leave employees with a
23 monthly premium of over a hundred and sixty-four dollars
24 for family coverage, not including points of service
25 payments, prescriptions and other expenses.



1 Currently Harrah's union employees pay nothing for
2 their individual coverage; however, the company recently
3 proposed a measure requiring newly-hired employees to pay
4 \$60 per month for their individual health coverage and \$78
5 per month next year. With current employees -- although
6 current employees will be exempt from these payments the
7 increased cost may cause new hires to opt out of the
8 insurance plan altogether saving the company money and
9 shifting subsequent health care costs to the taxpayers of
10 Indiana as more workers are forced to rely on public
11 assistance.

12 Harrah's proposal demonstrates an attempt to pass the
13 company's labor costs on to a work force that can ill
14 afford to pay and this is especially outrageous in a
15 community as impoverished as East Chicago. As you refer to
16 Harrah's economic impact on the community consider the
17 full-time riverboat employees that must turn to public
18 assistance to make ends meet and to Medicaid to provide
19 health care for their families.

20 While Harrah's attempts to shift the cost of health
21 care onto its low-wage employees the Commission should ask
22 the company just who is in a better position to pay. A bus
23 person at Harrah's currently makes \$8.50 an hour. Assuming
24 she works full time her annual gross income is \$17,680. If
25 she's a single mother with three children that household



1 would fall below the federal poverty line and be eligible
2 for temporary aid to needy families or TANF and also
3 Medicaid. Ultimately if that employee is a single mother
4 with only one child that family would be at a hundred and
5 fifty percent of the poverty level and still be eligible
6 for Hoosier Health Wise which is Indiana's health insurance
7 for low-income families. We know of a number of Harrah's
8 employees who are currently enrolled in Medicaid or other
9 public assistance programs demonstrating the influx of
10 low-wage jobs with few benefits may in fact represent a
11 negative impact on public funds.

12 Lake County is already struggling under the weight of
13 high unemployment and poverty and the number of residents
14 who rely on some form of public aid is one of the highest
15 in the state. In February alone over \$9,000,000 in public
16 assistance went to Lake County families which will cost
17 Hoosier taxpayers over a hundred and eight million dollars.
18 Many Lake County families, including those who work on the
19 riverboats, increasingly depend on public assistance just
20 to provide health care to themselves and their families.
21 Lake County saw a 37 percent rise in enrollment in Hoosier
22 Health Wise from May, 1998 to April, 2001 with over 43,000
23 Lake County residents currently enrolled. Medicaid
24 presents a huge strain on the state budget accounting for
25 2.9 billion dollars or 13 percent of the state general



1 fiscal fund, general fund in fiscal year 2000 which is a 25
2 percent increase since '97.

3 Harrah's attempts to pass health care costs on to
4 workers and Indiana taxpayers is especially shocking as the
5 state struggles to balance its budget and Northwest Indiana
6 struggles to survive the loss of steel and the quality jobs
7 that that industry provided. Harrah's is in a strong
8 position to absorb any increase in its health care costs.
9 Nationally the company owns and operates 25 gaming
10 facilities in 13 states with operations in more casino
11 markets than any other gaming company. Harrah's revenues
12 make us the third largest gaming company in the world with
13 2001 revenues of 3.7 billion and a net income of 209
14 million. At the end of 2001 Harrah's company-wide assets
15 totaled 6.1 billion. With the tightest slots on Lake
16 Michigan Harrah's East Chicago casino is especially
17 lucrative. The Chicago metropolitan market ranks only
18 behind Las Vegas and Atlantic City in terms of revenues
19 accounting for over 10 percent of commercial gaming
20 revenues nationwide. Harrah's East Chicago revenues
21 reflect a strong market having steadily improved over the
22 last five years topping \$266,000,000 in 2001. Even in the
23 midst of a sagging economy the property's 2001 revenues
24 produced 7.6 percent over the previous year. Revenues will
25 likely be further enhanced with the recent completion of a



1 \$48,000,000 luxury hotel on the property.

2 But the most striking indication of Harrah's ability
3 to pay is the company's track record in other cities.
4 Unionized Harrah's workers in Atlantic City enjoy free
5 family health care coverage and make up to 43 percent more
6 than Harrah's employees in Indiana. In Las Vegas the
7 company provides free family health care for unionized
8 workers while paying up to 86 percent more in wages than in
9 Indiana.

10 In addition, Harrah's contributes to worker pension
11 plans in both Atlantic City and Las Vegas, a significant
12 benefit that is not offered to the company's Indiana
13 employees. Clearly Harrah's knows the cost of doing
14 business. Their compensation package to workers in Las
15 Vegas and Atlanta City far exceeds what the company offers
16 in Indiana.

17 We urge the Commission to ask Harrah's why it thinks
18 it can come to Indiana and take advantage of struggling
19 communities like East Chicago who can least afford to
20 subsidize its operations. If gaming lobbyists came to the
21 State of Indiana 10 years ago and promised not to
22 contribute revenues to the state, but instead to drain them
23 out would our lawmakers have approved of such a scheme?
24 And imagine if a new gaming company came here today to seek
25 a license from the Commission and it proposed that some of



1 their work force live at the poverty line and that Indiana
2 taxpayers subsidize its labor costs. Would the Commission
3 grant that company a license? As outrageous as that sounds
4 that's exactly what Harrah's is doing today. The company
5 has shown that it can pay its way in other cities. If
6 Harrah's wants to continue to do business in Indiana the
7 company needs to show that it can do that here too.

8 Thank you. At this point I wanted to introduce
9 another speaker. Her name is Melba Norman, she's a server
10 at Harrah's and she just wanted to say a few words.

11 MS. NORMAN: Thank you very much for giving me this
12 opportunity. My name is Melba Norman. I am a cocktail
13 server for Harrah's Corporation here in East Chicago,
14 Indiana. My main subject is the economic development. My
15 concern is affordable health insurance and higher wages.

16 Our co-workers are struggling and many have to go onto
17 Medicaid, welfare because of low wages and expensive health
18 care. H.E.R.E. Local 1 is concerned that Harrah's is not
19 living up to the promises of economic development here in
20 Indiana as it attempts to pass health costs -- health care
21 costs on to its low-wage employees and ultimately to
22 taxpayers.

23 In recent contract negotiations Harrah's had proposed
24 a drastic increase in the employee cost of health care
25 insurance without a fair increase in wages. These



1 proposals would leave employees with the monthly premiums
2 of approximately \$164 for family coverage, not including
3 point of service payments, prescriptions and other
4 expenses. We know of a number of Harrah's employees who
5 are currently enrolled in Medicaid or other public
6 assistance programs.

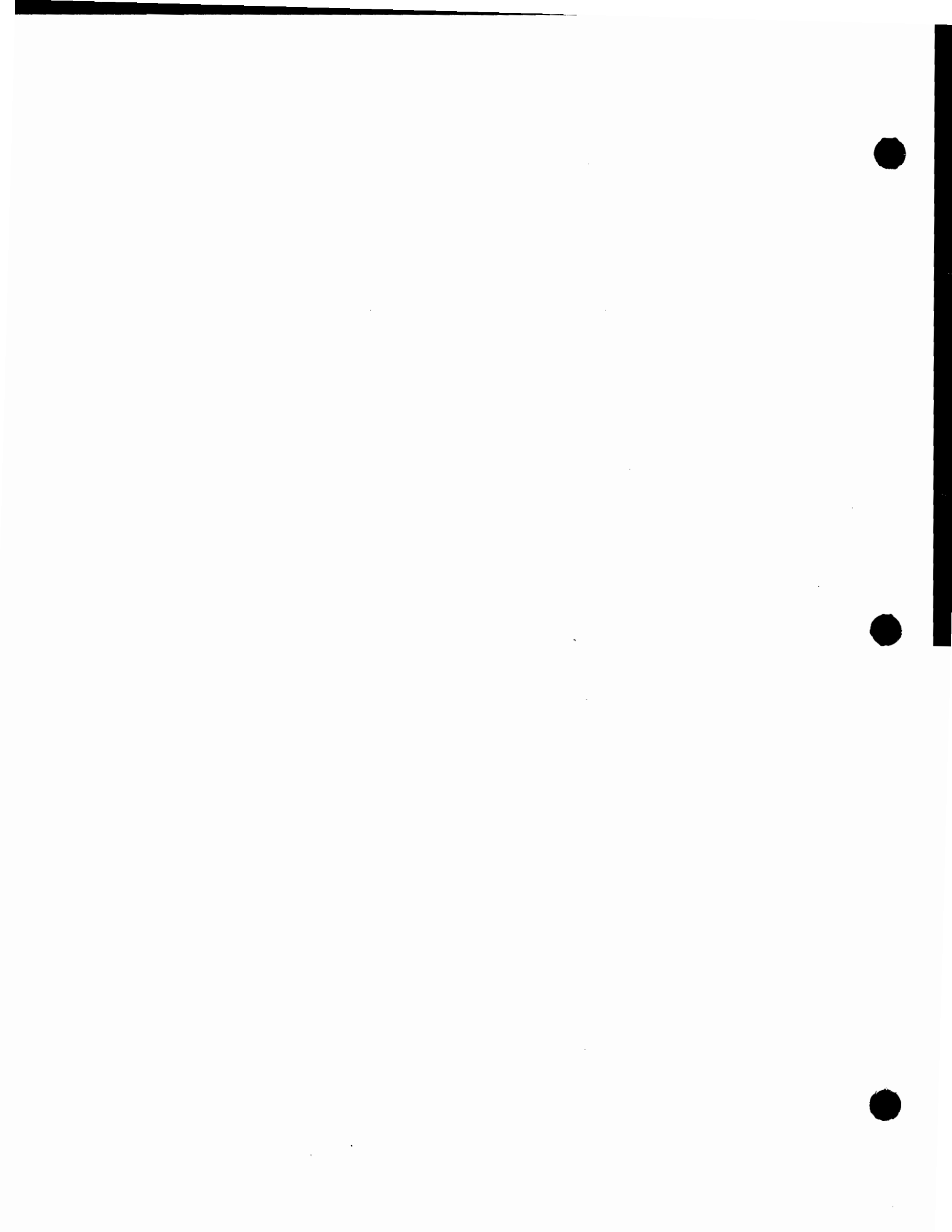
7 To measure the true economy impact of this low-wage
8 work force the Commission should investigate the numbers of
9 Harrah's employees who are enrolled in public assistance
10 programs. And I thank you for your time.

11 MR. VOWELS: Any questions?

12 DR. ROSS: How many, how many are enrolled in public
13 assistance?

14 MR. FAUKE: Well, that's what we're here to ask. As I
15 said, we sent the Commission a letter on April 26th saying
16 that we, we know of many -- we don't know the number, we
17 know of many workers who are enrolled in public assistance
18 and we feel that this is an important question to address
19 in, in light of the relicensing hearing. Since, since VA
20 does an investigation in the amount of workers living in
21 Lake County, the amount of women and minority workers, we
22 feel that this is a question that the Gaming Commission
23 should address in its investigations.

24 DR. ROSS: Well, it's a question that should be
25 addressed, but you brought the information. You should,



1 you should have -- bring us the information that you, you
2 asked about how many.

3 MR. FAUKE: Well, that's the thing, we don't know. We
4 don't have the resources at this time to do a full-scale
5 investigation of every worker at Harrah's and we feel that
6 this is the jurisdiction of the Gaming Commission in light
7 of looking at Harrah's economic development plans, to look
8 at it as part of those plans and to see if Harrah's has in
9 fact lived up to those promises.

10 MR. DARKO: Are you presently in bargaining with the
11 company?

12 MR. FAUKE: Yes, we are.

13 MR. DARKO: Has the old agreement expired?

14 MR. FAUKE: Yeah, it expired last summer.

15 MR. DARKO: Has either side filed a request for
16 mediation or unfair labor practices or anything else?

17 MS. FAUKE: No, I mean, we're not here today to talk
18 about negotiations. Negotiations are still pending, for
19 your information, but the information that we're bringing
20 to you today is that we know workers that are on Medicaid
21 because they can't afford the health insurance. We feel
22 that Harrah's is draining public funds from Indiana and
23 this should be investigated.

24 MR. DARKO: But that's an issue in bargaining, is it
25 not?



1 MS. FAUKE: We're using health care as an issue in
2 bargaining, but our issue today is not bargaining.

3 MR. DARKO: Thank you.

4 MR. THAR: May I ask one question? Between what you
5 said, Miss Fauke, and what -- is it Miss Norman -- had said
6 I'm unclear. Is it the position of H.E.R.E. Harrah's is
7 not entitled to pass on any increase in costs in health
8 insurance that they get to their employees or is it that
9 the amount of increase they want to have the employees pick
10 up is unjust --

11 MR. FAUKE: Well, we feel that -- the company offers
12 free family health insurance in Las Vegas and Atlantic
13 City. I think that would be ideal. I mean, I can't say
14 right now what the, what the number should be, but we know
15 that the level, the expense of health care right now
16 compared to the wages that are offered are such that most
17 people who are trying to raise a family can't afford that
18 and are in fact eligible for public assistance. That's
19 something that could be looked into is what is the level of
20 wages as compared to health care that would be acceptable
21 to keep people off Medicaid.

22 MR. THAR: Okay. I simply ask that because I, as a
23 state employee, face increase in my participation in the
24 health plan if I choose to take it. My costs go up as
25 certain premiums go up. I've never felt that the amount



1 they have asked me to pay is unjust and I don't think that
2 I'm entitled to necessarily free health care although I can
3 see a union's right to bargain for that if they chose. So
4 that was what raises the question with me in terms of
5 Harrah's. We have to take a look at Harrah's to make sure
6 that they are in fact doing as you have pointed out,
7 contributing to the economic development, not undermining
8 it, but in the same token we have to look at the health of
9 the business.

10 MR. FAUKE: Right, but we, we agree that there's a
11 national crisis going on and health care costs are going up
12 across the board. Our argument is who is in a better
13 position to pay for these increases. Is it the workers who
14 are making between five twenty-five and \$10 an hour or is
15 it the State of Indiana that's facing a fiscal crisis right
16 now and we think if health care costs go up any higher it's
17 gonna be the taxpayers of Indiana. And we think Harrah's
18 is in the best position to pay for those increases.

19 MR. THAR: I don't have anything, I don't think.

20 MS. FAUKE: And we would just ask the Gaming
21 Commission to look into this if you haven't already.

22 MR. VOWELS: Thank you.

23 MR. FAUKE: Thank you.

24 (Applause.)

25 MR. THAR: Mr. George Pabey?



1 MR. VOWELS: I will note that fifteen minutes on the
2 nose, so didn't go any further.

3 MR. PABEY: Well, Jack just let me thank you for
4 allowing me to come up here. I have a letter that I would
5 like, like to give the Gaming Commission just to look at
6 it.

7 MR. VOWELS: That's fine.

8 MR. PABEY: Okay.

9 MR. THAR: If you have enough copies --

10 MR. PABEY: I would like to -- I would like to have it
11 on record.

12 MR. THAR: If you could give a copy to the court
13 reporter. And that letter concerns what, Mr. Pabey?

14 MR. PABEY: On the minority partnership, the minority
15 partnership with the waterfront and the Harrah's and
16 Showboat.

17 MR. THAR: Thank you.

18 MR. PABEY: Thank you.

19 MR. THAR: Yes, we generally always start out with Mr.
20 Klacik from the Center for Urban Policy and the Environment
21 who will give a brief summary of the center's findings and
22 study with regard to the Harrah's and the five-year renewal
23 of its license. And Drew, would you spell your last name
24 for the reporter, please?

25 MR. KLACIK: Last name is spelled K-l-a-c-i-k. Thank



1 you, Mr. Chairman and Commissioners, Executive Director and
2 Gaming Commission staff. My name again is Drew Klacik.
3 Now that we know how to spell it I won't go through that
4 again. I am a policy analyst for the Center for Urban
5 Policy and the Environment. We have been performing
6 analyses for the Gaming Commission since the original
7 licensure hearings. We've also served as staff for the
8 governor's Gambling Study Impact Commission.

9 As part of the five-year license renewal process the
10 center performs analysis for the Commission staff where you
11 get a brief overview of our findings. In a general sense
12 we look at four specific areas, the first is compliance.
13 Did the, did the riverboat casino do what they promised
14 they would do? And then we look at work force development,
15 specifically employment patterns and job training, economic
16 impacts of tourism and the impact of the spending of the
17 local gaming-related taxes and negotiated center payments
18 and lastly, the fiscal impact or the comparison of net
19 revenues versus net expenditures for the Civil City of East
20 Chicago and the East Chicago School District. Give you a
21 little bit more detail on each one of those starting with
22 compliance.

23 As of December, 2001 Harrah's has spent 274.4 million
24 dollars which is 119.9 million more than was required in
25 the original agreement. Since 1999 about 47.3 million of



1 that was spent locally. In terms of negotiating incentives
2 Harrah's has paid 45.8 million dollars in negotiated
3 incentives and is on schedule for all, but the homebuyer's
4 assistance program, the project delay in that regard is not
5 attributable to any action by Harrah's. They also provide
6 contingent incentives to East Chicago, the East Chicago
7 Community Foundation and Twin City Education Foundation.
8 Each of these incentive payments has surpassed 10 million
9 dollars and continue. There's a fourth contingent
10 incentive paid to the East Chicago Second Century Fund.
11 They have received over seven million dollars and are still
12 receiving more.

13 In terms of employment there were no specified
14 employment goals in the project agreement. The five-year
15 employment average is 1,630 employees. As of December
16 31st, 2001 there were nineteen hundred -- 1,906 employees
17 in the hotel and the casino. Since its opening Harrah's
18 has paid over \$224,000,000 of wages. As of December, 2001
19 62 percent of their employees were minority, 59 percent
20 female, 86 percent from the State of Indiana, 76 percent
21 from Lake County and 25 percent from East Chicago.

22 Nice to see your hands pause.

23 They've paid approximately 178 million in state taxes
24 and 113 million to local government.

25 We also looked at work force development and our



1 findings were based on our survey with 1,636 responses out
2 of a total of 1,906 employees. Should note that Harrah's
3 has set a new record for the total number of respondents
4 and they had the highest percentage of respondents in any
5 of the previous surveys. Eighty-six percent actually.
6 What we found were that 28 percent of the Harrah employees
7 who responded were unemployed prior to beginning work at
8 Harrah's. Of those that were employed 42 percent were
9 motivated by more money and 16 percent by better
10 opportunity for advancement. The average length of
11 employees -- employment from the respondents was three
12 years and eight months. Three hundred seventeen of the
13 106 -- of the 1,636 respondents had worked at Harrah's for
14 five or more years and 68 percent have experienced a raise
15 since beginning working at Harrah's. The average raise was
16 about \$5,300 or given the length of employment of about
17 \$2,000 a year.

18 We also asked the employees about the types of
19 training they received. Sixty-eight percent of those who
20 responded received a riverboat job-related training or
21 training specifically related to their riverboat's job.
22 Approximately 18 percent paid for some sort of general
23 training or skill advancement training on their own and 14
24 percent reported receiving general training skill
25 advancement being reimbursed by Harrah's. When we break



1 that down what we found out was that the general training
2 was primarily accessed by either high school graduates or
3 those employees who reported some college education.

4 In terms of the economic development we looked at
5 tourism and the spending of local gaming-related taxes and
6 incentives. Tourism findings are based on a survey of 179
7 patrons over four days. Ninety-six percent of those said
8 the riverboat was the principal reason for visiting East
9 Chicago. Seventy-two percent of all the respondents were
10 not from the State of Indiana. Thirty-one percent were
11 from the City of Chicago. Only 13 percent planned to stay
12 for more than eight hours. The most common activity, other
13 than visiting the riverboat, was to visit an additional
14 riverboat. Very few reported any type of additional
15 spending in the City of East Chicago.

16 We also looked at the economic impact of gaming-
17 related taxes and incentive dollars. The analysis we
18 performed is limited to \$86,000,000 spent by the City of
19 East Chicago, the Twin City Education Foundation and the
20 East Chicago Community Foundation. When we did the
21 analysis we found that the total economic benefit to Lake
22 County of the spending by those groups of that \$86,000,000
23 totaled \$136,000,000. Over 1,985 jobs were created with
24 over \$46,000,000 in wages. The greatest impact in any
25 economic sector was in the operations category where 49



1 percent of all funds were spent.

2 Finally, we looked at the fiscal impact or the net --
3 or the net change in government revenue versus government
4 expenditures as a result of the riverboat and what we
5 learned was that for the City of East Chicago when you take
6 into account all gaming-related tax revenues the annual new
7 tax revenue for the city exceeds cost by somewhere between
8 17.5 and 18 billion dollars. If you don't count the
9 gaming-related revenue, then new costs exceed new revenues
10 by \$500,000. For East Chicago schools who actually
11 received no gaming-related tax revenue we found that the
12 property tax increase as a result of the riverboat and the
13 hotel actually resulted in a positive fiscal impact of
14 between 380,000 and \$690,000.

15 That's a brief summary of the four categories we were
16 asked to study. Thank you for your time. I'd be happy to
17 answer any questions.

18 MR. VOWELS: Any questions for Mr. Klacik? Thank you.

19 MR. KLACIK: Thank you.

20 MR. THAR: I'm not aware of anybody else from the
21 public who wish to speak. I will then turn to Harrah's to
22 ask you to begin your presentation.

23 MR. DOMENICO: Well, good afternoon. It's been a long
24 afternoon. Chairman Vowels, members of the Commission,
25 Executive Thar, Commission staff, we are extremely proud to



1 stand before you today representing the five years of
2 success of the East Chicago property, four years under
3 Harrah's ownership. Before I continue with my comments I
4 would like to introduce some key individuals that have and
5 will continue to bring success to the East Chicago
6 property. First our Division President, Tim Wilmott.
7 Besides East Chicago Tim is responsible for our gaming
8 operations in Illinois, Atlantic City, Iowa and our Indian
9 property in Cherokee, North Carolina. Tim is a 15-year
10 employee of Harrah's Entertainment.

11 Lou Anderson, our vice-president and legal counsel for
12 Harrah's Eastern Division who has a combined 15-year
13 history with Harrah's, previously the Showboat
14 organization.

15 Steve Yarrow, our assistant general manager, a 17-year
16 employee of Harrah's. Steve has worked in Atlantic City
17 and the Nevada markets.

18 Chris Leiniger, our vice-president of finance, an
19 eight-year employee of Harrah's who has worked in Nevada
20 and Illinois.

21 Byron Clay, our vice-president of HR. Byron joined
22 Harrah's just a year ago in private consulting.

23 Mary Riley, our regional vice-president of marketing,
24 an eight-year employee of Harrah's with responsibilities
25 for our property in Illinois, Iowa and East Chicago.



1 And a man who does not need a formal introduction, Ed
2 Williams, our director of community affairs who is an East
3 Chicago native and joined the property during its
4 pre-opening phase.

5 Finally, the individuals who make it happen every day,
6 the Harrah's East Chicago management team. I would like
7 them to please stand. These individuals are a mix of
8 Harrah's veterans along with individuals that originally
9 started with the Showboat organization or new to the
10 company. They work as a team that has brought much success
11 to Harrah's East Chicago since our conversion over the last
12 four years.

13 I know you've been given an extremely large amount of
14 volume of information today concerning Harrah's
15 Entertainment and Harrah's East Chicago, but I believe the
16 most important document you have reviewed is our report
17 titled Commitment to the Community 2002 report. This
18 report is developed from the Harrah's Code of Commitment.
19 The Harrah's Code of Commitment, the first of its kind in
20 the gaming industry, governs how each of the Harrah's 25
21 properties conducts its business. It is a public pledge to
22 our guests, employees and communities that we will honor
23 the trust that they place in us as operators of Harrah's
24 properties across the country.

25 I would like to point out how the Code of Commitment



1 has impacted how Harrah's East Chicago operates. First our
2 commitment to our guests centers around the outstanding
3 level of service we provide along with our responsible
4 gaming programs. Our employees are trained professionally
5 to deliver outstanding service along with identifying
6 problem gaming issues with particular emphasis on underage
7 gamers. Since Harrah's assumed responsibility for the
8 facility over 12 million customers have come through our
9 doors. Our records will indicate we have checked over a
10 hundred and three thousand I.D.s and have permanently
11 evicted 851 customers for various reasons. These reasons
12 include abusive behavior to our employees, fellow guests
13 and several evictions for problem gaming issues. We
14 diligently screen for underage gamers and have turned away
15 4,522 minors from entering our casino. We have focused on
16 the safety and security of our guests, adding security
17 personnel, improving our surveillance systems throughout
18 the facility and so that you are aware, we have over 800
19 cameras in our casino and landside facility.

20 We have invested almost \$80,000,000 in improving our
21 facility adding over 10,000 square foot of pavilion
22 ballroom space, upgrading our gaming vessel by purchasing
23 over a thousand new slot machines and recently completing
24 an outstanding 292-room luxury hotel that some of you
25 stayed in last evening. The hotel has been deemed one of



1 the best openings in the Harrah's brand achieving a 95
2 percent occupancy rate.

3 Before a new Harrah's employee stands before a guest
4 they will go through two weeks of intensive training
5 covering some of the following topics: guest service, risk
6 management, responsible and problem gaming, departmental
7 and company orientation. All supervisors spend a week at
8 the company's regional training center to ensure they are
9 the right fit for the job in representing Harrah's to our
10 customers. These and many other company-sponsored programs
11 are focused on providing our guests with the best
12 experience possible.

13 A commitment to our employees to treat them with
14 respect and provide them with opportunities to build
15 satisfying careers. As our business has grown so has the
16 number of employees we employ. In 1998 we employed 1,309
17 employees. Today with a brand new hotel we just opened our
18 work force numbers over nineteen hundred employees. This
19 represents a 44 percent increase in our work force over
20 the last four years. In 2001 our total compensation
21 including benefits for our employees amounts to over
22 \$57,000,000 and this represents a 43 percent increase since
23 1998. We're a company that rewards results. Harrah's
24 Entertainment sponsored a company-wide incentive program
25 called Performance Payoff for nonmanagement employees.



1 This program is based on performance criteria established
2 for each property, the most important being customer
3 service. Started in 1999 Harrah's East Chicago has paid in
4 excess of 1.8 million to its front line staff.

5 We are a diverse organization with over 62 percent of
6 our employment being minority, 59 percent being female.
7 Diversity is represented in the management ranks as well.
8 Of the 209 supervisors and managers, 50 percent are female
9 and 39 percent are minority. Eighty percent of the
10 employees reside in Indiana, 76 percent live in Lake County
11 and 25 percent being East Chicago residents. We are an
12 organization that creates opportunities. Over the last two
13 years 41 percent of our property promotions were filled
14 from within the existing property ranks. All of the above
15 represents opportunities that did not exist prior to
16 gaming.

17 The difficulty in being an organization with high
18 standards is overcoming high employee turnover. We are
19 extremely proud of our turnover statistics. When Harrah's
20 first took over the organization turnover was in excess of
21 65 percent. We face significant challenges in filling the
22 entry level positions of cashier, valet parker, fruit
23 stewards, cleaning personnel, along with many other
24 positions. A point we take great pride in because for 2001
25 our turnover fell to less than 37 percent and we are



1 showing continued improvement for 2002.

2 I'm extremely encouraged that East Chicago is
3 providing economic health to our employees. The Center for
4 Urban Policy and Environment report indicates that Harrah's
5 workers' incomes are growing at a 25 percent rate of
6 increase versus 15 percent for the State of Indiana. This
7 includes all employees throughout the property.

8 On an annual basis Harrah's Entertainment surveys all
9 employees regarding their opinions of the company and their
10 supervisors. The employees of Harrah's East Chicago
11 indicate that they had an overall satisfaction or A rating
12 of 42 percent with Harrah's East Chicago compared to 40
13 percent for the Harrah's brand. Our employees indicated
14 overall satisfaction or A rating 82 percent with their
15 immediate supervisors. This survey was completed by 97
16 percent of all East Chicago employees including our union-
17 represented areas.

18 A commitment to our communities to help to make them
19 vibrant places to live and work and market our casinos
20 responsibly. We believe that we have made a significant
21 impact on both the state and the community of East Chicago
22 starting with our financial commitment. Giving
23 consideration to the total amount of taxes and development
24 commitments Harrah's East Chicago generated over
25 \$340,000,000 in payments meeting those obligations over the



1 last five years. This represents 278,000,000 to both the
2 state and City of East Chicago in the form of wagering and
3 admission taxes and another \$58,000,000 in local
4 development agreements and voluntary programs. This
5 clearly signifies the financial impact that gaming has had
6 on the East Chicago community and the State of Indiana.

7 The execution of East Chicago Twin City Foundation's
8 Community Development and Education is working as
9 envisioned. They are making a difference in the East
10 Chicago Community. We have funded over 21.5 million
11 dollars and will continue to fund annually to these
12 foundations.

13 New housing is being developed in East Chicago through
14 the Harrah's funding of Second Century, a not-for-profit
15 development company Harrah's has funded with over
16 \$8,000,000. We will continue to fund this obligation into
17 the future.

18 Harrah's finalized a five-million-dollar mortgage pool
19 for new homeowners in East Chicago. We have also
20 established a \$500,000 fund for up to a \$5,000 down payment
21 assistance for Harrah's employees who are first-time
22 homebuyers in the City of East Chicago. So far 22
23 employees have received \$80,000 for a new home in the East
24 Chicago community.

25 We have also met and exceeded our vendor purchasing



1 commitments. We were initially challenged in meeting
2 minority business and women's business employee
3 obligations, but has shown continuous improvement each
4 year. Our most recent \$47,000,000 hotel addition will meet
5 those of minority -- minority participation and female
6 participation requirements.

7 Charitable giving involves not only financial
8 resources, but also the personal commitment of many company
9 employees. Many local organizations have benefited from
10 the \$400,000 company-sponsored donations. Our employees
11 have been major contributors to United Way and many other
12 local charities. They are involved in many philanthropic-
13 organized activities; serving food to the elderly during
14 the holiday season, participating in cancer walk-a-thons,
15 helping cleaning the streets of East Chicago during
16 Christmas in April celebration, reading to grade school
17 children at local libraries and elementary schools. These
18 and many other community activities reflect the involvement
19 and commitment of the Harrah's organization's most
20 important assets, its people.

21 I've said this many times. The Harrah's East Chicago
22 is the adopted child of the community. We will continue to
23 be involved in our community and in all of its
24 redevelopment and charitable efforts.

25 Lastly, we have a responsibility to the shareholders



1 of Harrah's Entertainment. As I mentioned, the initial
2 capitalization of what was a Showboat facility was a
3 hundred and ninety-five million dollars. We have invested
4 an additional \$80,000,000. Obviously, our shareholders
5 expect to see a return for such a significant investment.
6 Since the acquisition by Harrah's we have been able to grow
7 gross gaming revenues each year along with the associated
8 earnings to our shareholders. This is a result of
9 incorporating the East Chicago facility into the Harrah's
10 brand. The Harrah's brand allows each operating unit to
11 call upon significant corporate resources that impact each
12 aspect of our Code of Commitment. It has allowed us to
13 bring significant success to the East Chicago facility
14 along with exceeding initial commitments of the Showboat
15 organization.

16 We are proud of our accomplishments and hope you
17 recognize the positive impact that Harrah's has had with
18 the State of Indiana and the East Chicago community.

19 In closing we appreciate the continued cooperation of
20 the Commission staff and on-site agents under the
21 leadership of Jack Thar. Jack creates the balance
22 necessary to allow the industry to manage its business
23 while ensuring the integrity of operations throughout the
24 State of Indiana. Thanks again.

25 Before I turn the program over to our Eastern Division



1 President Tim Wilmott I would like to show a brief video we
2 have prepared in conjunction with our annual community
3 review we sponsored last month.

4 (A videotape was shown to the Commission.)

5 MR. WILMOTT: Good afternoon Mr. Chairman, Commission
6 members, Mr. Thar, Commission staff. As Joe introduced me,
7 I just wanted to reintroduce myself. I'm Tim Wilmott,
8 President of Harrah's Eastern Division. It is a great
9 pleasure for myself and my team members to appear before
10 you today on this occasion of our Indiana casino license
11 renewal request. Although we're here for strictly the
12 legal purpose of renewing our license that enables us to do
13 business in the State of Indiana I think that the occasion
14 is also important in a ceremonial sense as a forum to renew
15 our commitment as a company publicly to the people of the
16 State of Indiana, of Lake County and of the City of East
17 Chicago.

18 I'm sure you know that Harrah's is a publicly-traded
19 company owned by thousands and thousands of shareholders
20 which does business in many jurisdictions throughout the
21 United States. Harrah's acquired Showboat in a merger in
22 1988 which resulted in our ownership here in East Chicago.
23 I can tell you as a member of the team that worked on that
24 transaction that the potential we saw at the time in East
25 Chicago was one of the most compelling reasons that we



1 completed the deal to acquire Showboat. Over the last four
2 years after converting the East Chicago property to a
3 Harrah's property, improving the landside facilities and
4 most recently building a hotel to facilitate our business
5 and accommodate our customers we have seen our expectations
6 for East Chicago greatly exceeded. And I can say without
7 hesitation that we made the right decision.

8 Joe Domenico has told you today a lot about Harrah's,
9 what kind of company we are, our Code of Commitment and our
10 specific contributions to the East Chicago community. I
11 concur in Joe's comments completely and would like to add
12 two items for your consideration.

13 First is the cause and effect relationship between
14 good government and local prosperity. Harrah's has 25
15 casino properties throughout the United States. Each of
16 these properties competes for scarce capital resources for
17 purposes of refurbishment and expansion. Nationally it is
18 our obligation as management to direct the shareholders'
19 resources to those jurisdictions and to those operations
20 which will maximize shareholder utility. Because of the
21 favorable business climate and a warm welcome we have
22 received from the state and local governments here in
23 Indiana Harrah's has had no hesitation whatsoever in
24 investing capital dollars in the East Chicago facility and
25 I congratulate and commend your agency, state government



1 and the City of East Chicago government for creating the
2 climate in which this investment has been encouraged. And
3 in the end we believe this benefits the citizens for whom
4 the government serves.

5 The second commentary I would like to make is the flip
6 side of the first; that is, the responsibility of
7 corporations to police themselves such as state and local
8 governments can justify a business-friendly approach to
9 government. Whether this responsibility is called
10 corporate governance or due diligence we at Harrah's have
11 had for quite some time and before it became fashionable a
12 rigorous self-policing program we call the compliance
13 system review and reporting system. This system applies to
14 all operating subsidiaries and controlled affiliates. Our
15 system consists of the following.

16 First, the system is overseen by a corporate
17 compliance committee which reports directly to the audit
18 committee of the Board of Directors of Harrah's
19 Entertainment, Inc. The committee was created in 1994 and
20 its role is to assist senior management in reviewing the
21 practices and conduct of the company and its employees and
22 protecting the integrity and reputation of the company.
23 The committee is empowered to investigate, evaluate and
24 report facts and make recommendations of possible responses
25 or initiatives for senior management's consideration. The



1 operation of the compliance system is the responsibility of
2 our corporate compliance officer, Mr. Dennis Gallagher,
3 from Las Vegas who unfortunately due to personal reasons
4 couldn't be here today. He is an attorney who reports to
5 the compliance committee on material findings relevant to
6 all reports received, investigations conducted,
7 recommendations for actions and related matters. His
8 specific responsibilities include the review of material
9 transactions with suppliers, suitability of members of the
10 board of directors, officers, highly-compensated employees,
11 material shareholders, lobbyists and agents and certain
12 alleged acts of wrongdoing including violations of the
13 compliance policies.

14 And finally this entire compliance system is covered
15 by a policy manual distributed to ranking company
16 executives which includes prohibitions on conflicts of
17 interest, prohibited payments and receipts, company
18 political activity and contributions and currency
19 transaction reporting. We believe our compliance system,
20 although like anything else it is not perfect, has served
21 Harrah's well and has allowed us to enjoy the reputation
22 that I believe we do today as a responsible corporate
23 citizen in the various jurisdictions which we do business
24 in.

25 Naturally the importance of communication with



1 regulators cannot be overstated in any compliance system
2 and we have made a conscious effort to facilitate and
3 continuously improve communication with this regulatory
4 body. In conclusion I'd like to state that it's been a
5 great pleasure for us to do business in Indiana over the
6 last four years and look forward to even greater success
7 here over the long term to which I personally and our
8 company as a whole are committed to. Thank you very much.

9 With that I'd like to ask Joe Domenico to come on up
10 again.

11 MR. DOMENICO: We have four speakers, like to turn it
12 over to John Artis, Executive Director of Housing and
13 Redevelopment for the City of East Chicago.

14 MR. ARTIS: Thank you, Joe. As Joe has indicated I am
15 the Executive Director of the Department of Housing and
16 Redevelopment. I'd like to first say good afternoon to the
17 commissioners and I'd like to begin as I have been
18 instructed by the Honorable Robert A. Pastrick, the Mayor
19 of the City of East Chicago, by first of all extending to
20 you his sincere regrets at his not being able to attend
21 this session this afternoon and offer to you his personal
22 greetings, not only to you as a Commission, but also to
23 verbalize his strong and heartfelt support of the Harrah's
24 casino operation here in the City of East Chicago.
25 Circumstances beyond his control which could not be changed



1 prohibits his being with us this afternoon, but he did want
2 me to convey those sentiments to you this afternoon.

3 Much of what I'm about to say is going to be
4 redundant. Much of it had been said by those who preceded
5 me to this podium and also in the visual presentation that
6 you heard here from Harrah's, but my father used to say
7 anything worth saying is worth repeating so bear with me in
8 this regard.

9 Some of you may recall that several years ago I stood
10 before this Commission and talked about the benefits the
11 awarding of a gaming license for the City of East Chicago
12 would bring to the city, a city that at that time was
13 desperately in need of new hope. Well, I stand before you
14 this afternoon proud to say that because of the involvement
15 of Harrah's corporate family and the City of East Chicago
16 and its working relationship with the City of East Chicago
17 that hope and progress in the City of East Chicago is alive
18 and well and on the increase.

19 The Harrah's corporate family, as had already been
20 indicated, has demonstrated its willingness to partnership
21 with the City of East Chicago and show its concern for and
22 responsibility to the City of East Chicago and its
23 citizens. In August of 2000 the Harrah's Corporation
24 entered into an agreement with the City of East Chicago
25 which, in essence, continue the existing economic



1 development payment agreements initially negotiated with
2 its predecessor, Showboat Marina Partnerships, here in the
3 City of East Chicago. The -- the efforts or the result of
4 that agreement provides for the continued funding of two
5 community foundations which you've already heard spoken
6 about earlier which has resulted in thousands of dollars
7 being provided to carry out community-based projects,
8 programs and events benefiting the citizens of the City of
9 East Chicago. This further demonstrates Harrah's concern
10 for and responsibility to the City of East Chicago and its
11 residents.

12 The provision of the home ownership assistance program
13 to employees of Harrah's wherein they're providing \$5,000
14 in down payment assistance to any employee wishing to
15 purchase a home in the City of East Chicago, and as has
16 already been indicated 22 employees have benefited from
17 this program today, is a further demonstration of Harrah's
18 concern for and responsibility to the City of East Chicago
19 and its citizens.

20 The recent development of a \$5,000,000 loan guarantee
21 program which is currently being administered by Mercantile
22 Bank, a local bank here in the City of East Chicago, but
23 will also avail itself to all lending institutions within
24 the City of East Chicago and will eventually result in
25 hundreds of families having an opportunity to purchase new



1 homes here in the City of East Chicago again is a
2 demonstration of Harrah's concern for and responsibility to
3 the City of East Chicago and its citizens.

4 Harrah's continued funding of the local development
5 corporation you folks heard spoken about earlier, Second
6 Century Development, further solidifies the partnership and
7 the responsibility Harrah's has to the City of East
8 Chicago. Now this partnership will ultimately result in
9 the development of hundreds of new housing units in the
10 City of East Chicago, thousands of square feet of new
11 office and retail developments and thousands of square feet
12 of new industrial flex space being developed in the City of
13 East Chicago over the next five years or so.

14 Currently Second Century Development, Inc. is in
15 partnership with the city's Department of Redevelopment in
16 implementing a community-approved and supported
17 redevelopment plan for the Carrie/Drummond Streets
18 neighborhood of our city. This redevelopment plan is
19 designed to provide 65 to 70 new affordable housing units
20 of mixed income and tenure types; that is, home ownership
21 and rental housing.

22 Additionally, new open space, new retail and social
23 service amenities are also going to be developed as a part
24 of this plan. Two new housing developments, or housing
25 units rather, have been developed as models in the Carrie/



1 Drummond Streets neighborhood, one of which has already
2 been sold. Since the construction of those two models
3 there has been a high interest on the part of city
4 residents interested in locating in that particular
5 neighborhood as a result of not only the partnership with
6 the City of East Chicago, but the partnership also includes
7 the Community Reinvestment Project and the East Chicago
8 Urban Enterprise Association, both of whom are providing
9 incentive down payment assistance to those who -- those
10 persons who wish to purchase loans in that particular
11 neighborhood. Because of that partnership we envision a
12 very successful venture as it relates to the redevelopment
13 of the Carrie/Drummond Streets area.

14 Second Century, through a partnership with the city
15 Department of Redevelopment and the civil city which is
16 providing development of land and the Foundations of the
17 City of East Chicago, which will be providing some limited
18 financing for this new development, will begin construction
19 of a 60-unit, affordable rental housing development on
20 scattered sites in the north harbor section of our city.
21 North harbor is bounded on the south by Columbus Drive, on
22 the northwest by Michigan Avenue and on the northeast by
23 Cline Avenue extended.

24 It should be noted that the north harbor development,
25 the Carrie Street, Drummond development and the Washington



1 Square development which is a market rate home ownership
2 development that is currently under construction by Second
3 Century Development which has completed 20 units of housing
4 already sold, is a part of a much larger redevelopment
5 action plan development for the entire north harbor section
6 of East Chicago.

7 The city's plan calls for the development of
8 approximately 600 units of affordable housing, 4,000 square
9 feet of retail space, 5,000 -- 500 -- excuse me, 400,000
10 square feet of retail space, 500,000 square feet of flex
11 space and 100,000 square feet of new office space. And
12 this development plan, which covers a-hundred-and-eighty
13 acre tract of property in the north harbor area will be
14 successful largely due to the partnership we're forging
15 with Second Century Development which, as you've already
16 heard, is funded to a great extent or a hundred percent by
17 Harrah's casino property here in the City of East Chicago.
18 Therefore that partnership is paying big dividends as it
19 relates to redevelopment in the City of East Chicago.

20 Now, if you will, I'd like to now turn my attention
21 away from the Harrah's capital investment partnership with
22 the City of East Chicago and speak to the -- but which is a
23 vital and valuable partnership as you well might expect as
24 it relates to the city's rebirth -- but I'd also like to
25 kind of highlight what has already been identified in terms



1 of Harrah's volunteerism program here in the City of East
2 Chicago. Harrah's encourages its employees at all levels
3 of management to become actively involved in our community
4 and that's been demonstrated as you have seen earlier
5 through their video, but I'd like to highlight one specific
6 project and that project being the Christmas in April
7 program, a nationally-developed, not-for-profit effort
8 designed to assist less fortunate residents through cleanup
9 and repair efforts in various neighborhoods in the City of
10 East Chicago. This assistance comes through the donation
11 of materials and volunteer efforts on the part of local
12 people in the community. This is but one of the many
13 projects, as you've already seen, that Harrah's has been
14 involved with -- in locally. Each year Harrah's has
15 donated supplies and materials and hundreds of hours of
16 volunteer time on the part of their employees to assist the
17 city in carrying out this worthwhile project which has
18 benefited hundreds of people in our particular community
19 and we're quite pleased with that, that effort.

20 Further evidence of Harrah's partnership with the city
21 is also demonstrated by the creation of its own community
22 partnership award. Harrah's has created this award which
23 is presented to an individual or organization which is
24 recognized for contributions made to the improvement of a
25 quality of life in the City of East Chicago. I'm proud to,



1 to state that I was the first recipient of this award
2 representing the city's Department of Redevelopment a
3 couple years ago. The most recent recipient of the award
4 is a Mr. Lou Martinez of the Lake Area United Way, an
5 organization, as you've already seen, that is heavily
6 supported by Harrah's local property not only in financial
7 contributions, but also in their volunteer efforts through
8 their employee and volunteer program.

9 Commissioners, I, I can say without hesitation or
10 doubt and I echo the sentiments of the mayor and the City
11 of East Chicago when I say that Harrah's partnership with
12 the City of East Chicago has been extremely beneficial to
13 the City of East Chicago. We expect that this partnership
14 will grow and continue and that each of us will truly be
15 able to say this is a true win win proposition for both
16 entities. Their involvement in the social fabric of our
17 community has been extremely beneficial and we recognize
18 that at this particular time.

19 I thank you for allowing me to once again come before
20 you and make comments and I appreciate this opportunity.
21 Thank you.

22 MR. VOWELS: Thank you.

23 MR. DOMENICO: Jack, we just have one more speaker,
24 Guy Spencer, owner of Guaranteed Printing.

25 MR. SPENCER: Good evening, Commission. My name is



1 Guy Spencer. I'm the owner of Guaranteed Printing. We're
2 a printing company located here in Northwest Indiana.
3 We've been doing business with the casino since they've
4 really originated in this area. We have a lot of
5 experience with a variety of casinos. And I came to speak
6 in behalf of the other nine, nine employees that work at
7 Guaranteed Printing.

8 We're a minority-owned company certified with the
9 State of Indiana. Our experience with the casinos have
10 been since 1996 when they first started showing up in our
11 state. I'd like to say that Harrah's Casino plays a very
12 major role at our company with the onslaught of steel in
13 this area. What's really come into Guaranteed Printing and
14 picked up the pace has been casino work and specifically,
15 Harrah's Casino.

16 We've been in business since, I would say, 1988. I
17 should remember that, but it's been quite a while and I've
18 been here for a little while. Their operation in this area
19 plays a really significant role and I've had an opportunity
20 to work with all the casinos and I find Harrah's to be not
21 a reactive casino, but a proactive casino when it comes to
22 doing business with minorities and with women and that
23 they've actually been out and had on-site visits to our
24 location. They've come out and made sure that we were able
25 to handle the volume of business that was necessary for



1 them. What they found was that we're capable of handling
2 it. They actually brought the business to us. As opposed
3 to sending people to the unemployment line for the State of
4 Indiana we've been able to maintain our employees that used
5 to work in behalf of the steel industry who have been able
6 to stay with us and work in behalf of the casino industry.

7 So it plays a really major role and I know we've all
8 been here for a long time so I'm not gonna take up a lot of
9 time here for everybody, but as far as doing business with
10 minority businesses and definitely doing business with
11 Guaranteed Printing they have made a tremendous difference
12 in everything that we do. I can speak of a lot of other
13 things they've done for us as a company and for our
14 community and that, but you've heard a tremendous amount of
15 representation for them, but I can say that they definitely
16 do an excellent job as far as we're concerned and we're
17 proud to have them in this area. We're proud to have Joe
18 and the Purchasing Department and all the managers, Ed
19 Harris, working with our people at Guaranteed Printing and
20 I'd just like to thank you.

21 No questions, right?

22 MR. VOWELS: We know everything by now.

23 MR. DOMENICO: Jack, thank you. That concludes our
24 presentation.

25 MR. THAR: One question, if I may --



1 MR. DOMENICO: Sure.

2 MR. THAR: -- at this point. Who would the other two
3 speakers have been?

4 MR. DOMENICO: Would have been Russ Taylor, the
5 Executive Director of the Twin Cities Foundation of East
6 Chicago and Seda Turan-Yahne, co-owner of Design Studio 203
7 -- 303, excuse me.

8 MR. THAR: Russ can you summarize the two foundations
9 in two minutes or less?

10 MR. TAYLOR: Yes.

11 MR. THAR: Thank you. Don't mean to cut in, but the
12 Foundations is something that we follow. Appreciate it.

13 MR. TAYLOR: Thank you very much, Mr. Chairman,
14 commissioners, Mr. Thar. Last time I spoke before you I
15 was the city planner and at that point in time we had no
16 idea of the good things that would come. The ideas of the
17 foundations were just a figment of our creativity and we
18 were awaiting approval for you to act on the license.
19 Since that time we have taken the money given from us from
20 the first Showboat and then Harrah's and done some
21 wonderful things with some pretty wonderful board members
22 and terrific staff that support us.

23 We measure our success basically in the fact in most
24 foundations they give five percent of their net value. If
25 we were gonna run along that rule we would give only



1 \$600,000 last year. As a result of Harrah's commitments to
2 us and perpetuity through that renegotiated memo of, of
3 understanding we had an assumed value of \$47,000,000
4 because of that healthy cash flow and we gave over 2.3
5 million dollars last year in grants.

6 Our original outlook has blossomed to more than we
7 could ever have hoped because of that renegotiated memo.
8 We've done some wonderful things. We've helped fund bonds
9 so that real estate taxes aren't increased. We're
10 investing our endowment dollars in real estate so as to
11 show a way that other philanthropy organizations may be
12 able to do the same thing and we've given our commitment to
13 almost \$1,000,000 in scholarships since we've begun.

14 That's a brief characterization for what we have done
15 and it's all primarily due to the fact that Harrah's
16 believes in us and will continue to fund us and we're glad
17 the Commission gave us a chance to exist.

18 Thank you very much.

19 MR. THAR: And is it, did you say Jaseta Teran?

20 MR. DOMENICO: Seda Turan-Yahne, Y-a-h-n-e.

21 MR. VOWELS: What's one more?

22 MR. THAR: Can you abbreviate your statement to about
23 two minutes?

24 MS. TURAN-YAHNE: Yeah.

25 MR. THAR: Thank you.



1 MS. TURAN-YAHNE: Good afternoon. My name is Seda
2 Turan-Yahne. I'm here on behalf of my company, Design
3 Studio 303. We're a design agency and advertising agency
4 that serves the full range of commercial enterprises. We
5 are WBE for the State of Indiana. My partner and I started
6 my -- our company in 1998 in my basement. Thankfully, we
7 have experienced rapid growth and long since moved out of
8 the basement development which is very much appreciated by
9 my family.

10 MR. VOWELS: Are you up to the kitchen now or what?

11 MS. TURAN-YAHNE: We are now located in Northwest
12 Indiana in a spacious office and including Gina and myself
13 Design Studio 303 is now employing five people. Harrah's
14 has been an extremely valuable partner in our success. We
15 first started working with Harrah's during 1999 and we have
16 steadily expanded that partnership ever since.

17 Our growth and ability to take on additional employees
18 is largely attributable to the employees of Harrah's.
19 Also, without Harrah's we could not have made those capital
20 expenditures necessary to take our business to the next
21 level.

22 Harrah's has been a tremendous partner to my company.
23 We look forward to enhancing that relationship as we
24 continue development growth.

25 Thank you for your time.



1 MR. THAR: Thank you.

2 MR. VOWELS: Thank you. Okay. I've had an order in
3 front of me. Do we want to look at it?

4 MR. THAR: I wish to ask one question, if I may. And
5 that -- I'm gonna make this observation. I don't know if
6 Miss Fauke and H.E.R.E. are 100 percent correct, but
7 they're not a hundred percent wrong. There were certain
8 commitments made to jobs with benefits at the time that the
9 license was issued and obviously while the economic
10 climates may change, costs will go up and employees may
11 need to share more. The question is to what extent is the
12 burden pushed onto that employee and then eventually onto a
13 taxpayer. That's an issue I think that we need to look
14 at. I would ask you to give me an answer to their
15 statements with no more than two minutes.

16 MR. DOMENICO: In regards to the, the representations
17 made by the union, Jack, what we are asking from the union
18 is no different than what our nonunion employees step up to
19 the plate right now, and we have a very viable package on
20 the table we have negotiated in good faith. We were not
21 able to validate any statistics that were asked today
22 concerning who's on state, state-provided Medicaid or local
23 assistance, they were not able to provide that information
24 to us as well. I do know that 40 percent of our employees
25 are on the tip income and while I cannot emphatically say



1 how much they're making, you know, on an annual basis I've
2 had comments made to me from time to time by our employees
3 telling me that they're doing very well in that respect.

4 So I can't go out there and say what their income is,
5 but I can say that given all these studies that, you know,
6 that were done external to Harrah's we've provided a pretty
7 good place to work for every employee here to be a nonunion
8 and we're not asking anything more from the union than we
9 already have from our nonunion employees.

10 MR. THAR: I would ask this. If the Commission
11 approves it, at the time that Harrah's took over from
12 Showboat you knew what percentage of employee dollars were
13 going towards health care. And you know today what
14 percentage of employee dollars you're asking to go towards
15 health care. We would require that you provide us that
16 information.

17 MR. DOMENICO: Okay.

18 MR. THAR: We do not wish to enter into union
19 negotiations. We will not enter into union negotiations,
20 but we do have a responsibility to satisfy ourselves that
21 one of the companies under our regulatory power is not
22 passing business costs on to the taxpayer and we will look
23 into that issue, if that's all right with the
24 commissioners.

25 MR. VOWELS: That's fine.



1 MR. THAR: That's the only question I have. Other
2 than that I have to say to the Commission that you guys
3 have done a fine job here since you took over.

4 MR. DOMENICO: Thank you.

5 MR. THAR: There's nothing second rate about the
6 improvements that you've made or anything else about the
7 project. You can't please all the employees all the time,
8 I understand that, but we want to please all of them some
9 of the time. See what we can get on that issue. That's
10 the only observation I have.

11 MR. VOWELS: Any thoughts or any questions?

12 MS. BOCHNOWSKI: You know, I have -- could I ask Russ
13 Taylor, when you said that you granted -- you've made
14 grants to keep property taxes low, is that across the board
15 for the entire city or how did -- what exactly did that
16 involve?

17 MR. TAYLOR: Indiana created a quality zoning academy
18 for school districts that would benefit school property and
19 improve programs. Those grants came up to \$2,000,000 a
20 piece. What they required was a 10 percent match by local
21 participants and both foundations gave five percent so the
22 total awards came to improve two schools was 4.4 million
23 dollars of which we gave 400,000 and because of that
24 participation no taxes in the community went up to retired
25 bonds.



1 MS. BOCHNOWSKI: Okay, okay. I wasn't sure if you
2 were giving me -- or how that was working, okay.

3 MR. MILCAREK: Did you say your net worth for your
4 organization was 47,000,000 now?

5 MR. TAYLOR: No, that's, that's calculated at the,
6 the, the amount of giving that we're, we're presenting.
7 We're giving about 2.3 million dollars of grants last year.
8 That would equate to a \$47,000,000 organization of
9 philanthropy based on that five percent ratio. So the IRS,
10 if we were \$47,000,000 of value would require us to give
11 2.3 million dollars worth of grants. We are only required
12 to give 600,000 so we've -- because we can invest less in
13 our endowment we are still keeping our endowment alive so
14 that should gaming ever stop we'll be -- we'll have that
15 wealth. But the point of it is that we can exceed because
16 we don't have to worry about fund-raising, we don't have to
17 worry about our securities. We can put all that money back
18 into the community.

19 MR. VOWELS: Anything else? All right then. Mr. Thar
20 in, in reference to this order dealing with renewal my
21 understanding is there is a change in Paragraph 2?

22 MR. THAR: That is correct. Presently the order reads
23 a bond in the amount of \$1,000,000. That should be changed
24 and penciled in at 2.765 or \$2,765,000 as the bond which
25 would allow Harrah's to reduce their bond from the present



1 12?

2 MR. DOMENICO: It's 15 million.

3 MR. THAR: Fifteen million to \$2,765,000 with the
4 bonding agent approved by the Commission staff.

5 MR. VOWELS: All right. So the order that I have in
6 front of me has six paragraphs. Have you seen this?

7 MS. FLEMING: No.

8 MR. VOWELS: They have not. All right. Let me just
9 recite these to you and see if they are agreeable to you.
10 I don't know who wants to answer. If the license would be
11 renewed it would be renewed upon the following conditions,
12 subject to the following conditions. That you would
13 provide the Commission staff with a remote dial-in to your
14 slot and account management system. Are you agreeable with
15 that?

16 MR. DOMENICO: Yes, we are.

17 MR. VOWELS: And that you would post a bond in the
18 amount of 2.7 -- 67 million to secure your economic
19 obligations?

20 MR. DOMENICO: Yes.

21 MR. THAR: 2.765.

22 MR. VOWELS: 2.765, he just saved 20 grand or
23 something. Or maybe two, I don't know. And you're
24 agreeable to that; is that correct?

25 MR. DOMENICO: Yes.



1 MR. VOWELS: And that you will continue to maintain
2 adequate insurance pursuant to 68 IAC 2-1-8. You agreeable
3 with that?

4 MR. DOMENICO: Certainly.

5 MR. VOWELS: That you will continue to maintain your
6 commitment to the goals of Minority and Women's Business
7 participation as set forth in the statute. You agreeable
8 to that?

9 MR. DOMENICO: Yes.

10 MR. VOWELS: That you'll comply with all rules and
11 resolutions that are adopted by and under which the
12 Commission operates pending final promulgation of the
13 rules. You agreeable to that?

14 MR. DOMENICO: Yes.

15 MR. VOWELS: That you will keep the riverboat and
16 pavilion in compliance with all other state and local rules
17 for the lawful operation approved in both gambling --
18 gaming including, but not limited to, Army Corps of
19 Engineer permitting, United States Coast Guard
20 certification, and such other federal, state and local
21 licensing, permitting, and -- or certification requirements
22 as are necessary for alcoholic beverage service, food
23 service, construction, and the overall public health. Are
24 you agreeable with that?

25 MR. DOMENICO: Yes.



1 MR. VOWELS: All right. In front of us are -- is an
2 Order of the Indiana Gaming Commission renewing the --
3 regarding the renewal of the riverboat owner's license held
4 by Showboat Marina Casino Partnership. Is there a motion
5 in reference to this order?

6 MS. BOCHNOWSKI: I would move to renew the license.

7 MR. VOWELS: Is there a second?

8 MR. CARLTON: Second.

9 MR. VOWELS: Any further discussion? All those in
10 favor say "aye."

11 (Ayes -- all. Nays -- none.)

12 MR. VOWELS: We'll show it is renewed.
13 Congratulations.

14 (Applause.)

15 MR. DOMENICO: Jack, one more point, if I may. One of
16 the things I noticed that you do not have down at your
17 office was a, was a rendering of the property and we are
18 not -- we didn't have a rendering here as well because we
19 did so much construction we never took a picture. So if
20 you would please accept our offering here in terms of that
21 official rendering for the IGC offices in Indiana we would
22 gladly have it proudly displayed in your office.

23 MR. THAR: Thank you, we accept and we will display it
24 in our offices. We will ask you to find a method to get it
25 down there.



1 MR. DOMENICO: Certainly. Thank you.

2 MR. VOWELS: Is there a motion to adjourn?

3 DR. ROSS: So moved.

4 MR. VOWELS: Is there a second?

5 MS. BOCHNOWSKI: Second.

6 MR. VOWELS: All those in favor say aye.

7 (Ayes -- all. Nays -- none.)

8 MR. VOWELS: We're adjourned.

9 (The public hearing was adjourned

10 at 4:55 p.m.)

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1 STATE OF INDIANA)
2 COUNTY OF LAKE) SS:
3)
4)

5 REPORTER'S CERTIFICATE

6 I, PAMELA J. BEAUVAIS, do hereby certify and state the
7 above and foregoing 151 pages is a true, correct and complete
8 transcript of the INDIANA GAMING COMMISSION BUSINESS MEETING,
9 taken by me on said date, transcribed by me from my original
10 stenotype notes, and reduced to typewriting by me. I further
11 certify that I am not related to, employed by, or interested in
12 any party to this action.

13 IN WITNESS WHEREOF, I hereby affix my name and seal this

14 6th day of June, 2002.
15

16
17 SEAL

18 *Pamela J. Beauvais*
19 _____
20 PAMELA J. BEAUVAIS, CSR, RPR,
21 Notary Public

22
23 My commission expires May 20, 2007.

**PAMELA J BEAUVAIS
NOTARY PUBLIC STATE OF INDIANA
LAKE COUNTY
MY COMMISSION EXP. MAY 20, 2007**

