

**INDIANA GAMING COMMISSION
BUSINESS MEETING
9:30 a.m., May 13, 2002
777 Harrah's Blvd.
East Chicago, IN 46312-1847**

Present: Commission members: Donald R. Vowels, Chair; Ann Bochnowski, Vice-Chair; Thomas Milcarek Dr. David Ross, Richard Darko, David Carlton, and Dale Gettelfinger, Staff: Jack Thar, Cynthia Dean, Billy L. Hamilton, Jennifer Arnold, Susan Brodnan, Jennifer Chelf, Michelle Marsden, Major Mark Mason and members of the public.

Call to Order and Roll Call

Chairman Donald Vowels called the meeting to order at approximately 9:30 a.m. local time. A quorum was present.

Approval of the Minutes

Upon motion by Ann Bochnowski, second by Dr. David E. Ross, and unanimous vote of those present, the minutes of the March 15, 2002 business meeting were approved.

Upon motion by David Carlton, second by Dr. David E. Ross, and unanimous vote of those present, the minutes of the April 10, 2002 business meeting were approved.

Report of the Executive Director

Executive Director Thar provided a brief report on the activities of the licensees. The legislature will begin a special session May 14, 2002 to address budget and tax restructuring issues. The possibility exists that the legislature may amend the Riverboat Gambling Act.

New Business

Occupational License Matters

**Felony Waiver Request of Mr. James Drago
Case Number MS-FEL-02-1**

On or about January 2, 2002, James Drago submitted an application for a level 3 occupational license for employment as an Able-Bodied Seaman at Majestic Star Casino. Mr. Drago's application was denied because he revealed a 1970 felony conviction for Possession of Marijuana. Mr. Drago's request for a felony waiver was submitted on or about January 24, 2002. Susan Brodnan, previously appointed as a review officer conducted a hearing on the property of Majestic Star Casino on February 21, 2002 to consider Mr. Drago's request for a felony waiver. Mr. Drago was present at the hearing. The review officer has issued written Findings of Fact and Recommendation to the Commission that the Request for Felony Waiver of James Drago be granted.

Action: Upon motion by Richard Darko, second by Dr. David Ross, and unanimous vote of those present, the Commission adopted the recommendation of the review officer approving the Request for Felony Waiver of Mr. James Drago.

Che'Reese Johnson
HH-DEN-02-1

Che'Reese Johnson applied for an occupational license, level 2, for employment as a cage cashier at Harrah's Casino. During Ms. Johnson's employment it was discovered that she was involved in a credit card fraud scheme. She admitted to Commission agents that she agreed to process a fraudulent credit card transaction, but that the transaction never occurred. Ms. Johnson resigned from her position at Harrah's on January 24, 2001. Ms. Johnson submitted an application for a level 2 temporary occupational license to work at Horseshoe Casino as a cage cashier on or about April 10, 2002. Commission staff denied Ms. Johnson's application for a temporary occupational license based on the fact that Ms. Johnson engaged in conspiracy to commit credit card fraud during the performance of her duties as a cage cashier at Harrah's.

Action: Upon motion by Ann Bochnowski, second by Thomas Milcarek, and unanimous vote of those present, the Commission denied Ms. Johnson's application for an occupational license, level 2. Pursuant to IC 4-21.5-3-5, the order will become effective fifteen (15) days after it is served.

Linda Roberts
BT-DEN-02-2

Linda Roberts applied for an occupational license, level 2, for employment as a cage cashier at Belterra Casino and Resort on or about October 24, 2001. During her employment, Belterra Surveillance observed Ms. Roberts taking \$120. Ms. Roberts's employment was terminated and charges were filed.

Action: Upon motion by Thomas Milcarek, second by Dr. David Ross, and unanimous vote of those present, the Commission denied Ms. Roberts' application for an occupational license, level 2. Pursuant to IC 4-21.5-3-5, the order will become effective fifteen (15) days after it is served.

Sherry Hunter
BT-DEN-02-1

Sherry Hunter applied for and received an occupational license level 2 on or about October 14, 2000 for employment as a cage cashier at Belterra Casino and Report. During her employment, it was discovered that Ms. Hunter had stolen \$10,000. Ms. Hunter's employment was terminated as a result of this incident.

Action: Upon motion by Richard Darko, second by David Carlton, and unanimous vote of those present, the Commission denied Ms. Hunter's application for an occupational license level 2. Pursuant to IC 4-21.5-3-5, the order will become effective fifteen (15) days after it is served.

Supplier's License Matters

Resolution 2002-10

A Resolution Granting a Supplier's License to ServiceMaster by Wallace, Inc.

Action: Upon motion by Dr. David Ross, second by Ann Bochnowski, and unanimous vote of those present, the Commission granted a Supplier's License to ServiceMaster by Wallace, Inc. The Supplier's License will be valid for a period of one (1) year, from May 13, 2002 through May 12, 2003.

Resolution 2002-11

A Resolution Concerning the Renewal of Suppliers' Licenses issued to Hasgoe Cleaning Systems, Inc. and Konami Gaming, Inc.

Action: Upon motion by Richard Darko, second by Ann Bochnowski, and unanimous vote of those present, the Commission grants the renewal of the suppliers' licenses listed above. The renewed suppliers' licenses will be valid for a period of one (1) year from the date of issuance.

Resolution 2002-12

A Resolution Concerning the Request of Silicon Gaming Indiana, Inc. to Withdraw its Application for a Supplier's License. Pursuant to correspondence dated April 11, 2002 Silicon Gaming, Inc. advised the Commission that since being purchased by International Game Technology, it has ceased to provide Indiana riverboat licensees with goods or services.

Action: Upon motion by Thomas Milcarek, second by Ann Bochnowski, and unanimous vote of those present, the Commission granted the request of Silicon Gaming to withdraw its application for a supplier's license.

Financing

Resolution 2002-13

A Resolution Concerning Financing by Trump Indiana, Inc. Mr. Robert Pickus, Executive Vice President and General Counsel of Trump Hotels Casino and Resorts Mr. Greg Hahn, Tabbert Hahn Law Firm of Indianapolis; Mr. Frank McCarthy, Chief Financial Officer of Trump Hotels Casino and Resorts appeared on behalf of Trump Indiana to discuss Trump's request for approval of a \$3.1 million secured loan with the maturity date of March 31, 2004 and their request of a waiver of the two meeting rule.

Action: Upon motion by David Carlton, second by Richard Darko, and unanimous vote of those present, the Commission approved Trump Indiana's request for a waiver of 68 IAC 5-3-2(b)(3), the two meeting rule.

Action: Upon motion by Richard Darko, second by Dr. David Ross, and unanimous vote of those present, the Commission approved the request for the approval of Trump Indiana's secured loan in an amount of \$3.1 million subject to review and approval of the terms of the final draft and associated documents by the Commission staff.

Resolution 2002-15

Trump Indiana submitted a preliminary request for approval to refinance existing debt and to simplify the financial and capital structure of the parent company as well as a number of its subsidiaries including Trump Indiana. A new entity, Trump Casino Holdings, would issue mortgage notes for a total of \$470 million. \$340 million would be issued under a first mortgage with the remaining \$130 million notes issued under a second mortgage. The consolidation would extend the maturity date on existing debt and result in a lower interest rate. Trump requested a waiver of 68 IAC 5-3-2(b)(3), the two meeting rule and requested that the Commission delegate to staff the ability to approve the final transaction. Should staff determine that the new due dates and covenants are not favorable to the company it would become necessary for Trump Indiana to present this issue before the Commission at a telephonic business meeting.

Action: Upon motion by Ann Bochnowski, second by Richard Darko, and unanimous vote of those present, the Commission approved Trump Indiana's request for a waiver of 68 IAC 5-3-2(b)(3), the two meeting rule and authorized Commission staff the authority to review and approve the new transaction not to exceed \$470 million.

Resolution 2002-14

Kay Fleming, Ice Miller, local counsel for Boyd Gaming and Michael Driggs, Vice President and General Manager of Blue Chip appeared before the Commission to discuss Boyd's request for approval to replace a prior credit facility originally approved by the Commission in Resolutions 1999-38, 2001-14 and 2001-18. The new credit facility consists of two components: a revolving loan commitment of \$400 million, maturing June 1, 2001 and the term loan of \$100 million due June 2008. Boyd has the ability to increase borrowing under the revolver and/or term loan by \$200 million for a total authorized borrowing of \$700 million. This appearance is the second meeting at which Boyd has appeared before the Commission requesting approval of the debt transaction in accordance with 68 IAC 5-3-2(b)(3). The first appearance occurred on April 10, 2002.

Action: Upon motion by Dr. David Ross, second by David Carlton, and unanimous vote of those present, the Commission approved Boyd's debt transaction in a total amount of up to \$700 million subject to review and approval of the terms of the final draft and associated documents by the Commission staff.

Minority/Women's Business Enterprise Issues

Trump Indiana

Keith Rogers, Trump Indiana appeared before the Commission to provide an update on the Minority and Women's Business Enterprise Issues. During the 1st quarter (and April) of 2002 Trump MBE development was 11.83 percent and WBE development was 6.9 percent.

Majestic Star

David Wolfe, General Manager, Majestic Star and Karry Rogers, MBE/WBE Procurement Specialist appeared before the Commission regarding WBE/MBE numbers for the 1st quarter of 2002. Mr. Wolfe reported that MBE development was 14.8 percent and WBE development was 10.7 percent which is an increase over the same period in 2001.

Belterra Casino and Resort

Kay Fleming, Ice Miller; Todd George, Director of Finance, and Alain Uboldi, General Manager appeared before the Commission to provide an update on Minority and Women's Business Enterprise Issues. Ice Miller reported that the percentages submitted by Belterra were incorrect. Mr. George explained that the percentages for the first quarter of 2001 were overstated by 2 percent for MBE and WBE. The year end percentages remained the same. Belterra exceeded the requirements for MBE/WBE development during the 1st quarter of 2002, due to the fact that Belterra is using one minority vendor for food products. The increase in MBE development during the first quarter reflected a minority vendor selected to complete construction on the vessel.

Belterra has entered into a contract with TJ Foods, Inc. which calls for a seven percent mark-up, but further documentation stated the actual markup is six percent. Belterra's internal controls with regard to MBE/WBE said five percent. The Commission requested a rationale as to why Belterra should be permitted to exceed five percent. Belterra submitted a letter, dated May 9,

2002 which outlines volume purchasing, credit history and payment terms, transportation and insurance costs. Staff recommended that these conditions be accepted and that Belterra be allowed to use TJ's as a minority vendor.

Consideration of License Renewal

Three considerations of license renewal were before the Commission; Trump, Majestic Star, and Horseshoe Hammond. After their first five years of operation each company underwent a background investigation and a public hearing was held. The Commission made a determination that during the interim years of the three year cycle (years one and two) the renewals will be administrative in nature.

Trump Casino

Mr. Robert Pickus, Executive Vice President and General Counsel of Trump Hotels Casino and Resorts appeared before the Commissioners to discuss Trumps' request to renew their Riverboat Owner's license for the upcoming year. Mr. Pickus confirmed that Trump continued to meet all statutory requirements and all requisite fees have been paid.

Action: Upon motion by Ann Bochnowski, second by Dr. David Ross, and unanimous vote of those present, the Commission granted the renewal of Trump'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 August 23, 2001. The renewal of the Riverboat Owner's License shall be valid for a period of one year from June 2, 2002 to June 1, 2003.

Majestic Star

David Wolf, General Manager of Majestic Star appeared before the Commission. Majestic Star continues to meet all statutory requirements and all fees have been paid.

Action: Upon motion by Ann Bochnowski, second by Dr. David Ross, and unanimous vote of those present, the Commission granted the renewal of Majestic Star'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 on August 23, 2001. The renewal of the Riverboat Owner's License will be valid for a period of one year from June 2, 2002 to June 1, 2003.

Horseshoe Hammond

Miss Carolyn Marsh of Whiting, Indiana appeared before the Commission to speak in support of the bird sanctuary designated in the original development agreements between Empress Casino and the city of Hammond.

Ms. Marsh's concerns include:

- Wetlands being filled in.
- Development Agreements and Horseshoe's failure to follow through on agreements made when the original license was issued.
- Proposed construction of the Hammond Shoreland Improvement Trail which would have a negative impact on the bird sanctuary.
- Proposed development by Horseshoe which would impact the sanctuary and the green space.

- Interagency agreements; specifically, distribution of money that Horseshoe is required to pay the city of Hammond.
- Security issues relating to the parking lot adjacent to the bird sanctuary. This parking lot is owned by the city and used by Horseshoe Hammond for overflow and valet services.

Miss Marsh requested that Ann Bochnowski meet with concerned citizens to discuss issues relating to contracts between Horseshoe, the Hammond Private Redevelopment Corp. and the port authority and developments proposed by Horseshoe.

In answer to Ms. Marsh's' concerns:

- It is improper for the Commission to meet with any groups to discuss issues which may potentially be brought before the Commission in the future. However, the commission directed Executive Director Thar, a member of Commission staff to meet with Miss Marsh and her group to explain the statutory responsibilities of the Commission and its area of jurisdiction. Mrs. Bochnowski will attend as an observer.
- The Commission has statutory authority to see that Horseshoe complies with the initial development agreements made at the time of licensure. Commission staff will review with Horseshoe their obligations at the time of licensure and determine if those obligations have been met.
- The Indiana Gaming Commission has no jurisdiction over the distribution of money that Horseshoe is required to pay the city.

The Honorable Kathy Kazmierczak, city councilwoman for the City of Hammond appeared before the Commission. Ms. Kazmierczak submitted a request for information about monies that are a part of the development agreement, but are sent to groups other than the city to the Chief Legal Counsel for Horseshoe. The Commission does not have authority over funds once they are distributed. Executive Director Thar suggested Ms. Kazmierczak resubmit her request to the Chief Legal Counsel of Horseshoe; Rick Mazer, General Manager; and carbon copy the request to Executive Director Thar.

Mr. Rick Mazer, General Manager of Horseshoe Hammond appeared before the Commission. Mrs. Bochnowski asked Mr. Mazer to address the issue raised about security at the parking lot. The parking lot is owned by the city and was used by Horseshoe employees and for overflow for guests. However, a new lot was constructed and the employees have been moved there. Plans are to move overflow parking and valet parking services to the new lot once construction is finished. The lot is also used by the marina and general public. Horseshoe security patrols the lot. Executive Director Thar inquired if Mr. Mazer had received a copy of Ms. Kazmierczak's request. Mr. Mazer replied that he had not received a copy of Ms. Kazmierczak's request. Mr. Thar asked that Mr. Mazer give Ms. Kazmierczak his card and asked that future requests be carbon copied to Mr. Mazer.

Action: Upon motion by Richard Darko, second by Thomas Milcarek, and unanimous vote of those present, the Commission granted the renewal of Horseshoe Hammond, Inc. 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 August 24, 2001. The renewal of the Riverboat Owner's License shall be valid for a period of one year from June 20, 2002 to June 19, 2003.

A Short break was taken.

Settlement Agreement in Lieu of a Disciplinary Action

On Friday, January 25, 2002 Belterra converted two slot machines to \$10 machines but failed to convert the bill validators. The incorrectly converted bill validator caused the machines to register a \$10 bill as two credits, rather than one credit. The problem was not detected until January 28, 2002. Belterra acknowledged that some of the deductions taken on their RG-1 for hopper fills and jackpots for the days when the machines were malfunctioning were not all proper deductions in light of the operational mistakes made by Belterra employees. Belterra adjusted the amount of deductions on their tax return by \$104,960 resulting in \$20,992 in additional wagering taxes collected by the State. The Commission agreed with Belterra's assessment that an adjustment of \$104,960 was appropriate in this case. Belterra provided detailed information to the Commission audit staff detailing the additional procedures that will be implemented to ensure that the procedural violations that led to the incident will not recur. Belterra further outlined the internal disciplinary action that it would take against each of the employees who contributed to the procedural violations. The Commission staff and Belterra agree that Belterra will pay a monetary fine in the amount of eighteen thousand dollars (\$18,000.00) pending Commission approval.

Action: Upon motion by Dr. David Ross, second by Ann Bochnowski, and unanimous vote of those present, the Commission approved the proposed terms of the Settlement Agreement executed with Belterra Casino and Resorts.

Pinnacle Entertainment, Inc.

Three separate disciplinary matters are before the Commission. Each action stems from activities that occurred at the Belterra Casino and Resort beginning June 26, 2001 and ending June 29, 2001 during the course of an event called "The Hubbard Invitation Golf Classic" which was held at that facility. During the course of that classic, women, referred to as "Hookers", were flown in to Belterra to be with the guests. Mr. Hubbard directed Belterra Casino employees to provide money to the invitees for gambling and to pay other fees without the necessary paperwork being provided in accordance with IGC rules and Belterra internal controls.

Mr. R. D. Hubbard

Mr. Ted Nicholas, counsel representing Mr. Hubbard appeared before the Commission. Mr. Hubbard was not present. Pending Commission the settlement agreement contained the following stipulations:

- Mr. Hubbard has resigned his position as Chairman of the Board of Directors of Pinnacle Entertainment, Inc. on April 10, 2002 and retired from the board on April 21, 2002.
- Mr. Hubbard has agreed to voluntarily relinquish his Indiana licenses as a key owner and a substantial owner. Pending Commission approval this resignation and retirement occurred during the course of an Investigation by the Indiana Gaming Commission. Mr. Hubbard acknowledges that at the time of his resignation, retirement and relinquishment of his Indiana licenses he was aware of the possibility of the finding of unsuitability.
- At the time the investigation began, Mr. Hubbard was the single largest owner of Pinnacle stock owning approximately 10 percent of the stock. Mr. Hubbard voluntarily agrees to place all of his Pinnacle stock in either a voting or non-voting trust and to sell

all of the stock within the time period agreed to between Mr. Hubbard and the Commission, the time period is to remain confidential so as not to unduly affect the price of the stock.

- Mr. Hubbard voluntarily agrees to pay a total of Seven Hundred Fifty Thousand Dollars (\$750,000); Ten Thousand dollars (\$10,000) in investigative costs and Seven Hundred Forty Thousand (\$740,000.) in fines.
- Mr. Hubbard voluntarily agrees not to apply for any license issued by the Indiana Gaming Commission at any time in the future.
- Mr. Hubbard agrees to cooperate with the Indiana Gaming Commission investigation and to provide further information and testimony that may be requested.

Commission Staff will add Paragraph 6, stating that the acceptance of the stipulation of settlement is conditioned upon final approval by the Commission staff of all documents called for in the settlement agreement, to the order.

Action: Upon motion by Dale Gettelfinger, second by Dr. David Ross, and unanimous vote of those present, the Commission approved the staff continuing to negotiate a settlement agreement, between the Indiana Gaming Commission and R. D. Hubbard.

Pinnacle Entertainment, Inc. and Belterra Hotel and Casino

Daniel Lee, Chairman and CEO of Pinnacle Entertainment; Kay Fleming with Ice Miller representing Pinnacle and Belterra; Alain Uboldi, VP and General Manager of Belterra; Lacy Johnson with Ice Miller representing Pinnacle and Belterra; Loren Ostrow, General Counsel with Pinnacle Entertainment; Wade Hundley, Chief Operating Officer of Pinnacle Entertainment; Al Segel, Outside General Counsel of Pinnacle; Gary Miller, Director; Tim Parrott, member of the board; Lynn Reitnouer, director; Marlon Torgeson, board of directors; James Martineau, a member of the board of directors. Michael Ornest was unable to attend. Mr. Michael Jones of the Switzerland County Council appeared before the Commission to urge them to consider the contributions that Belterra has made to Switzerland County and to take into consideration any economic impacts that a disciplinary action would have on the county as well as the employees.

Daniel Lee, CEO, spoke on behalf of Pinnacle Entertainment and expressed his commitment to making Belterra a successful and profitable property. Mr. Lee expressed pride at the energy and enthusiasm shown by Belterra employees since his arrival.

Actions which have been taken to correct concerns include improving communication between the Chief Executive Officer and the Board of Directors. Monthly meetings will be held. Changing the corporate culture to one of openness.

Commission staff does not have a resolution or settlement agreement with respect to this issue. Commission staff requested direction from the Commission as to how they should proceed based on the information which has been provided to each Commissioner.

Each Commissioner offered their thoughts as to how Commission staff should proceed. The Commissioners directed Executive Director Thar to explore in greater depth the settlement which would contain a substantial fine, probationary license, the items included in Belterra's submission of a proposed settlement, explore whether or not a suspension or an equal monetary amount to the fine would be a better alternative.

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 Harrah's East Chicago would begin at 3:15 p.m.

Minutes

Pamela J. Beauvais transcribed the May 13, 2002 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 Karen M. Price & Associates, 7863 Broadway, Suite 118, Merrillville, Indiana (219-756-0702).

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


Thomas Milcarek, Secretary