

LGCB Board of Directors' Meeting, (Pages 1:1 to 140:24)

1: 1 LOUISIANA GAMING CONTROL BOARD

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4 BOARD OF DIRECTORS' MEETING

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9 Tuesday, May 18, 2010

10 Natchez Room

11 Galvez Building

12 602 North Fifth Street

13 Baton Rouge, Louisiana

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15 TIME: 10:00 A.M.

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1 APPEARANCES:

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3 DANE K. MORGAN

4 Chairman

5

6 MAJOR CLAUDE MERCER

7 Vice-Chairman

8

9 VELMA ROGERS

10 Board Member

11

12 AYRES BRADFORD

13 Board Member

14

15 ROBERT G. JONES (DELAYED APPEARANCE)

16 Board Member

17

18 MARK STIPE

19 Board Member

20

21 JERRY JUNEAU (DELAYED APPEARANCE)

22 Board Member

23

24 JAMES SINGLETON

25 Board Member

3

1 APPEARANCES CONTINUED:

2

3 JACKIE BERTHELOT

4 Board Member

5

6 MAJOR NOEL

7 Ex-Officio Board Member

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9

10 LANA TRAMONTE

11 Executive Assistant to the Chairman

12

13 REPORTED BY:

14 SHELLEY G. PAROLA, CSR, RPR

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1 I. CALL TO ORDER

2 CHAIRMAN MORGAN: Good morning, come
3 to order. I know we have two members
4 that will be here a little later.
5 They're stuck on the interstate. Call
6 the roll, please.

7 THE CLERK: Chairman Morgan?

8 CHAIRMAN MORGAN: Here.

9 THE CLERK: Major Mercer?

10 MAJOR MERCER: Yes.

11 THE CLERK: Miss Rogers?

12 MS. ROGERS: Yes.

13 THE CLERK: Mr. Bradford?

14 MR. BRADFORD: Yes.

15 THE CLERK: Mr. Jones?

16 MR. JONES: (No response.)

17 THE CLERK: Mr. Stipe?

18 MR. STIPE: Yes.

19 THE CLERK: Mr. Juneau?

20 MR. JUNEAU: (No response.)

21 THE CLERK: Mr. Singleton?

22 MR. SINGLETON: Yes.

23 THE CLERK: Mr. Berthelot?

24 MR. BERTHELOT: Yes.

25 THE CLERK: Colonel Edmonson?

10

1 MAJOR NOEL: Major Noel for Colonel

2 Edmonson.

3 THE CLERK: Secretary Bridges? (No

4 response.)

5 II. COMMENTS FROM THE CHAIR

6 CHAIRMAN MORGAN: We have a quorum.

7 One of the first orders of business,

8 Comments: I just wanted to make

9 everyone aware that the Gaming Control

10 Board will be moving offices. We have

11 some cards in the front at the main

12 table with our new address. It also

13 will be posted on the website. Please

14 make note of that. It will be effective

15 at the end of June, and we will have the

16 mail routed. But if you come visit us

17 and we're not there, it's not because of

18 budget cuts, we assure you.

19 III. APPROVAL OF THE MINUTES

20 CHAIRMAN MORGAN: Item III, the

21 minutes. Have the members had an

22 opportunity to read the minutes? Are

23 there any questions on the minutes?

24 MR. SINGLETON: Move approval of the

25 minutes.

1 CHAIRMAN MORGAN: We have a motion
2 by Mr. Singleton to waive formal
3 reading.

4 MR. BRADFORD: Second.

5 CHAIRMAN MORGAN: Seconded by
6 Mr. Bradford. Any objections? (No
7 response.)

8 IV. REVENUE REPORTS

9 CHAIRMAN MORGAN: Item IV, Revenue
10 Reports. Good news?

11 COURT REPORTER: Are your mikes on?

12 CHAIRMAN MORGAN: Can you hear me
13 now?

14 MR. GROS: Always good news.

15 MR. SINGLETON: Remember that next
16 meeting.

17 MR. GROS: Good morning,
18 Mr. Chairman, Board Members. My name is
19 Collin Gros with the Louisiana State
20 Police Gaming Audit Section.

21 The following is the riverboat
22 revenue report for April 2010. During
23 April, the 13 operating riverboats
24 generated Adjusted Gross Receipts of
25 \$135,726,343, a decrease from April 2009

12

1 of almost \$4 million or 3 percent.
2 Adjusted Gross Receipts for fiscal year
3 2009-2010 to date are \$1 billion,

4 366 million, a decrease of 7 percent or
5 \$110 million from fiscal year 2008-2009.
6 During April, the State collected fees
7 totaling \$29,181,164. As of April 30,
8 2010, the State has collected almost
9 \$294 million in fees for fiscal year
10 2009-2010.

11 Next is the summary of the
12 April 2010 gaming activity for Harrah's
13 New Orleans found on page three. During
14 April, Harrah's generated \$31,976,969 in
15 gross gaming revenue. This represents
16 an increase from last month of \$2.3 or
17 8 percent, and an increase of \$2.5
18 million or almost 9 percent from
19 April 2009.

20 Fiscal year-to-date gaming revenues
21 for 2009-2010 are \$290 million, down
22 \$16 million or other 5 percent from
23 fiscal year 2008-2009. During April,
24 the State received \$4.9 million in
25 minimum daily payments. As of

13

1 April 30th, 2010, the State has
2 collected almost \$65 million in fees for
3 fiscal year 2009-2010.

4 Slots at the Racetracks revenues are
5 shown on page four. During April, the
6 four racetrack facilities combined

7 generated Adjusted Gross Receipts of
8 \$32,846,679, a decrease from last month
9 of \$1.6 million or 5 percent, and a
10 decrease of almost \$700,000 or 2 percent
11 from April 2009.

12 Adjusted Gross Receipts for fiscal
13 year 2009-2010 are \$321 million, a
14 decrease of 5 percent or \$18 million
15 from fiscal year 2008-2009. During
16 April, the State collected almost \$5
17 million in fees. As of April 30th,
18 2010, the State has collected almost
19 \$49 million in fees for fiscal year
20 2009-2010.

21 Are there any questions?

22 CHAIRMAN MORGAN: Any questions?
23 Harrah's is off.

24 MR. GROS: Yes.

25 CHAIRMAN MORGAN: Video Gaming.

14

1 MR. BOSSIER: Good morning, Mr.
2 Chairman, Board Members. My name is Jim
3 Bossier with the Louisiana State Police
4 Gaming Audit Section. I'm reporting
5 video gaming information for April 2010,
6 as shown on page one of your handout.

7 During April 2010, 28 new licenses
8 were issued: 14 bars, 12 restaurants
9 and 2 device owners. Eighteen

10 applications are currently pending in
11 the field: Six bars, one restaurant and
12 one device owner.

13 During April 2010, the Gaming
14 Enforcement Division assessed zero
15 dollars in penalties. The Gaming
16 Enforcement Division collected \$8,000 in
17 penalties. There are currently no
18 outstanding penalties. Please refer to
19 page two of your handout.

20 There are presently 14,705 video
21 gaming devices activated at 2,256
22 locations. Net device revenue for
23 April 2010 was \$51,943,349, a
24 \$3.7 million decrease or 6.7 percent
25 when compared to the net device revenue

15

1 for March 2010, and \$3.1 million
2 decrease or 5.7 percent when compared to
3 April 2009.

4 Net device revenue for fiscal year
5 2009-2010 to date is \$507,562,258, a
6 \$60.5 million decrease or 10.7 percent
7 when compared to net device revenue for
8 fiscal year 2008-2009. Page three of
9 your handout shows a comparison of net
10 device revenue.

11 Total franchise fees collected for
12 April 2010 were \$15,445,470, a

13 \$1.1 million decrease when compared to
14 March 2010, and a \$914,000 decrease when
15 compared to April 2009. Total franchise
16 fees collected for fiscal year 2009-2010
17 to date are \$151,233,921, a \$17.6
18 million or 10.4 percent decrease when
19 compared to last year's franchise fees.
20 Page four of your handout shows a
21 comparison of franchise fees. Does
22 anybody have any questions?

23 CHAIRMAN MORGAN: Any questions?

24 Thank you.

25 V. CASINO GAMING ISSUES

16

1 A. Consideration of renewal of riverboat
2 license for Louisiana Casino Cruises,
3 Inc., d/b/a Hollywood Casino Baton Rouge
4 - License No. R011700193

5 CHAIRMAN MORGAN: Consideration of
6 Renewal of License for Louisiana Casino
7 Cruises doing business as Hollywood
8 Casino Baton Rouge, license number
9 RO11700193.

10 MR. THOMPSON: Mr. Chairman, Board
11 Members, I'm Buddy Thompson, Assistant
12 Attorney General. With me is State
13 Police Trooper Michael Daniel and
14 Auditor Collin Gros. Also present are
15 representatives of Hollywood Casino

16 Baton Rouge.

17 We're here in the matter of the
18 renewal of riverboat license of
19 Louisiana Casino Cruises, Incorporated,
20 doing business as Hollywood Casino Baton
21 Rouge. As you're aware, riverboat
22 licenses are issued for five-year terms,
23 and the license of Louisiana Casino
24 Cruises, Incorporated, d/b/a Hollywood
25 Casino Baton Rouge, is due to expire on

17

1 July 18th of this year and is now up for
2 renewal.

3 At this time, Auditor Collin Gros
4 will present his findings to the Board.

5 MR. GROS: Good morning, Mr.
6 Chairman, Board Members. My name is
7 Collin Gros with the Louisiana State
8 Police Gaming Audit Section.

9 Licensee, Louisiana Casino Cruises,
10 Inc., doing business as Hollywood
11 Casino, an indirectly wholly owned
12 subsidiary of Penn National Gaming,
13 Inc., seeks renewal of its license to
14 conduct gaming operations. Hollywood
15 operates in the Baton Rouge market, the
16 smallest gaming market in Louisiana.

17 In fiscal year 2008-2009, Hollywood
18 had adjusted gross receipts of,

19 approximately, \$135.4 million. In 2009,
20 Penn spent, approximately, \$3 million in
21 maintenance capital for the property.
22 In 2010, Penn forecast that it will
23 spend, approximately, \$4.2 million in
24 capital expenditures at Hollywood.

25 In fiscal year 2008-2009, Penn was

18

1 the fourth smallest casino operating in
2 Louisiana as measured by gaming revenue
3 generated with, approximately, \$135 or
4 5 percent of total gaming revenue
5 generated.

6 In conclusion, no financial issues
7 came to our attention to preclude the
8 Board from approving Hollywood's license
9 for a period of five years effective
10 July 18th, 2010.

11 MR. THOMPSON: Trooper Michael
12 Daniel will now present his findings to
13 the Board.

14 TROOPER DANIEL: Good morning, Mr.
15 Chairman, Board Members. I'm Trooper
16 Michael Daniel with the Louisiana State
17 Police Gaming Division. I was assigned
18 to conduct the suitability investigation
19 regarding the license renewal of Penn
20 National Gaming, Incorporated, doing
21 business as Hollywood Casino Baton

22 Rouge.

23 An updated suitability investigation
24 was conducted on Penn National Gaming,
25 Incorporated, and the associated

19

1 companies and key personnel. This
2 consists of inquiries from federal,
3 state and local law enforcement
4 agencies, computerized criminal history
5 databases, financial and civil
6 institutions and gaming regulatory
7 agencies. Tax clearance were obtained
8 from the Internal Revenue Services and
9 the Louisiana Department of Revenue to
10 ensure the applicants are current in
11 their tax filing.

12 During the suitability
13 investigation, I discovered no
14 information which would adversely the
15 applicants.

16 MR. THOMPSON: A review of the file
17 compiled as a result of the
18 investigation conducted by State Police
19 revealed no information that would
20 preclude the renewal of the license of
21 Louisiana Casino Cruises, Incorporated,
22 d/b/a Hollywood Casino of Baton Rouge.
23 I've prepared a suggested resolution
24 authorizing the renewal of the license

25 until July 18th, 2015, if the Board

20

1 approves the renewal. We'd be happy to
2 answer any questions.

3 CHAIRMAN MORGAN: Okay, thank you.
4 I do have a few questions mainly for
5 information purposes. On page six of
6 your report on the management agreement,
7 you indicate there's \$4.3 million --
8 \$3.9 million paid for -- to the parent
9 company for the management agreement.
10 What services were provided?

11 MR. GROS: That basically is a whole
12 bunch of functions, mostly back office,
13 design and development, information
14 technology, human resourcing, marketing
15 purposes, regulatory affairs, public
16 affairs, legal and business affairs. So
17 it's basically, I guess, back office
18 type stuff.

19 CHAIRMAN MORGAN: And that doesn't
20 seem to --

21 MR. GROS: No, not by other
22 agreements that I've seen. It's a
23 standard.

24 CHAIRMAN MORGAN: And on the next
25 page -- you might not be -- we might

21

1 have to have the licensee to answer it,

2 but tech capital expenditures in the
3 technology area, do you have any
4 information on what that is?

5 MR. GROS: No, sir. When they
6 projected, it was basically like a back
7 office form. It was not very, very
8 detailed. It had detail in it, but it
9 was not extremely detailed.

10 CHAIRMAN MORGAN: We'll ask them and
11 see. And then on page nine of your
12 report under Operating Expenses, I
13 notice there's a 20 percent reduction in
14 the journal in administrative expenses?

15 MR. GROS: Yeah. When I inquired,
16 what happened was, was in 2008, the
17 costs were inflated somewhat because
18 they included the marketing expenses for
19 the Pinnacle opposition. So I think
20 that was \$1.8 million, and also what
21 happened was, was the items that they
22 included in 2008, they put them in a
23 different category. Like, valet in 2008
24 was in general administrative, and in
25 2009 it was in food and beverage. And

22

1 then it was also marketing expenses in
2 eight that were put in another category
3 in nine. It was put in gaming expenses
4 in nine. So that was, basically, the

5 difference.

6 I think when you went in and
7 adjusted the 2008 number and took out
8 those items, it was \$21.1 million. So
9 there was still a little increase, but
10 that increase was due to the increase in
11 spending and marketing for that
12 opposition of Pinnacle's riverboat in
13 2008.

14 CHAIRMAN MORGAN: And you testified
15 there's no pending administrative action
16 that would need approval?

17 TROOPER DANIEL: Correct.

18 CHAIRMAN MORGAN: Any questions,
19 Board Members?

20 MR. STIPE: This particular -- this
21 particular facility, patrons are
22 primarily from the Baton Rouge gaming
23 market?

24 MR. GROS: Yes. It's generally a
25 local market.

23

1 MR. STIPE: And what -- how do you
2 define the Baton Rouge gaming market?
3 And the reason I ask is you have got Old
4 Evangeline Downs.

5 MR. GROS: And that was a difficult
6 one. We put it in the Baton Rouge
7 market because theoretically from our --

8 from our perspective, it's the closest
9 market. We actually handle it out of
10 the Baton Rouge market, so that's why we
11 put it in there. It's kind of raw, but
12 that one kind of sticks out. Sometimes
13 it's hard to decide if it's Lake Charles
14 or Baton Rouge, but we handled it out of
15 Baton Rouge market, so we put in the
16 Baton Rouge market.

17 MR. STIPE: But the Baton Rouge
18 market would be what? How would you
19 define it?

20 MR. GROS: I would define it as the
21 parishes, river parishes, and coming
22 maybe a little bit north, but with New
23 Orleans it's kind of hard because, you
24 know, people have different choices.
25 And it's not a very broad; I wouldn't

24

1 define it as very broad in my mind, but
2 a general vicinity of probably the river
3 parishes and the regional -- you know,
4 East, West Baton Rouge Parishes,
5 Iberville, stuff like that.

6 MR. STIPE: Okay, thanks.

7 MR. SINGLETON: I don't know if
8 anybody here can answer. I don't see
9 Miss Brown here today, but I'm
10 interested in knowing about: Are they

11 meeting their goals and objectives that
12 was set in terms of employment goals in
13 terms of participation?

14 CHAIRMAN MORGAN: Can someone answer
15 that? We do have the licensee here. Do
16 you want to get the licensee up and let
17 them answer?

18 MR. SINGLETON: Yeah. Miss Brown's
19 not here today, huh? She's usually
20 conducting all this, I think.

21 CHAIRMAN MORGAN: We put the
22 quarterly reporting off until the next
23 meeting.

24 MR. SINGLETON: Okay. But we're
25 approving it today?

25

1 CHAIRMAN MORGAN: Yes; that's
2 correct.

3 MR. SINGLETON: I'm trying to get an
4 answer before I vote.

5 CHAIRMAN MORGAN: Do you have that?
6 Is there any other questions for the
7 State Police or the Attorney General's
8 Office? Again, just to commend you on
9 the report. It's very well written.

10 We'll have the licensee come up, and
11 then maybe they can address Mr.
12 Singleton. If not, then we'll -- we can
13 defer until we get --

14 MR. SINGLETON: That's fine.

15 CHAIRMAN MORGAN: -- the Attorney
16 General's Office and Miss Brown in.

17 MR. BARBIN: My name is Jeff Barbin
18 with Phelps Dunbar representing Penn
19 National Gaming and your local licensee,
20 Louisiana Casino Cruises, Inc. To my
21 left is Richard Neil. Richard's been
22 acting general manager for several
23 months now. As of today, he's actually
24 general manager at Boomtown Biloxi, and
25 to his left is John Chaszar, who has

26

1 been General Manager at Hollywood Bay
2 St. Louis and as of today is the new
3 general manager of Hollywood Baton
4 Rouge. And also in the audience with us
5 today is Tom Burke, who is the Senior
6 Vice-President of regional operations
7 for Penn National Gaming, and Tom
8 Auriemma, who is the vice-president and
9 chief compliance officer of Penn.

10 We have a couple of questions. Do
11 you want to take -- Richard has some
12 information on the general area.

13 CHAIRMAN MORGAN: Yeah.

14 MR. NEIL: With respect to our
15 procurement goals, we have a goal in
16 Louisiana purchasing, minority

17 purchasing and female purchasing. On
18 Louisiana purchasing, our voluntary goal
19 is 80 percent. Our 12-month average is
20 65 and a half percent. On minority
21 purchasing our goal is 10 percent, and
22 our 12-month average is 13.8 percent.
23 And on female procurement, our goal is
24 10 percent, and our 12-month average is
25 22 percent.

27

1 CHAIRMAN MORGAN: What was the first
2 one?

3 MR. NEIL: On Louisiana purchase
4 procurement, the goal is 80 percent, and
5 we've achieved 65 and a half for the
6 last 12 months. It's a very difficult
7 one for us to achieve.

8 CHAIRMAN MORGAN: How about
9 employment?

10 MR. NEIL: Employment: Our minority
11 employment goal is 49.4, and 12-month
12 average is 65.4.

13 MR. SINGLETON: How much?

14 MR. NEIL: 65.4 is our 12-month
15 average. Our female employment, it's
16 51.9 percent goal with 49.1, a little
17 bit low on female. Louisiana employment
18 our goal 80 percent, and we're at 98.6.

19 CHAIRMAN MORGAN: You heard my

20 question with regard to the general
21 administrative under operating expenses?

22 MR. NEIL: Yes.

23 CHAIRMAN MORGAN: I calculate about
24 a 20 percent reduction. Do you want to
25 elaborate?

28

1 MR. NEIL: Yeah. What you're
2 speaking to is correct. It went from
3 \$23.2 million, I think, to \$18.7
4 million. Part of that was some
5 reclassifications, as he mentioned. We
6 previously included marketing expense
7 and GNA on our audit statement for 2008.
8 That was 1.7 million. To be consistent
9 with the other Penn property
10 classifications that was moved to gaming
11 expense in 2009. It appears as if
12 there's a decrease. The same is true of
13 our valet department, which was at
14 \$400,000 in '08. It was moved from
15 food, beverage and other expenses over
16 to -- from GNA to food, beverage and
17 others.

18 So if you exclude those two things,
19 the decline was \$2.1 instead of -- oh,
20 \$2.3 million, I'm sorry, instead of \$4.5
21 million. Two factors there, one of
22 which you mentioned, was we spent about

23 \$1.2 million in our efforts to oppose
24 the ballot measure on the riverboat
25 license here in Baton Rouge. The other

29

1 was we have gains and losses on sales of
2 assets in that general administrative
3 account. We had gains of about \$600,000
4 in 2009, and losses of about a half
5 million in 2008. So it appeared -- it
6 creates a \$1.1 million decline, and that
7 accounts for all of, about, a hundred
8 thousand.

9 CHAIRMAN MORGAN: What is the status
10 of the underpass?

11 MR. NEIL: The underpass is moving
12 along. They're actually ahead of
13 schedule. By contract, the underpass
14 should be completed by the end of
15 November, and I think they're -- they're
16 on schedule.

17 CHAIRMAN MORGAN: Have y'all
18 tabulated what the effect would be?

19 MR. NEIL: We don't have a precise
20 calculation, but the train has a big
21 impact on our business. On average, the
22 average day, the train blocks passengers
23 or customers from coming into our
24 property for an hour and 42 minutes. So
25 while that train is blocking the tracks,

1 we think we're losing customers.
2 They're going down the street or
3 choosing not to come.

4 CHAIRMAN MORGAN: And do y'all have
5 a position on the -- I notice in the
6 paper, there's a potential for new
7 development next to you that's state
8 funded, I believe.

9 MR. NEIL: The agreement we have now
10 is to share the costs of the underpass,
11 our share of the underpass including
12 land, construction of the underpass and
13 some miscellaneous costs related to
14 landscaping and things like that. Our
15 share of that is right at \$10 million,
16 and that will be -- we've already
17 purchased the land. We're probably into
18 it about \$7 million now, and by the time
19 the project's down, we'll be in at \$10
20 million.

21 We don't have any firm agreements
22 with the development property on the
23 north side of us; but we're looking
24 forward to what he does, and once his
25 plan come to fruition, we'll try and

1 work with him as best we can.

2 CHAIRMAN MORGAN: It's supposed to

3 be a hotel?

4 MR. NEIL: He has an entertainment
5 district plan for just north of our
6 parking lot, and just north of that he
7 has a hotel.

8 CHAIRMAN MORGAN: Would you like to
9 make some comments? And welcome to
10 Louisiana.

11 MR. CHASZAR: Thank you very much.
12 Looking forward to the opportunity here.

13 CHAIRMAN MORGAN: Are you going to
14 make money?

15 MR. CHASZAR: We're going to make
16 money.

17 CHAIRMAN MORGAN: How are you going
18 to do that? That was a loaded question.

19 MR. CHASZAR: We're going to make
20 money by being smart about what we do
21 and keep doing the great job that John
22 and Richard are doing.

23 CHAIRMAN MORGAN: Good to have you.

24 MR. CHASZAR: Thank you very much.

25 CHAIRMAN MORGAN: I'll spend some

32

1 time talking to you. Mr. Bradford?

2 MR. BRADFORD: If there's no other
3 questions, I move approval of this
4 license renewal.

5 CHAIRMAN MORGAN: We have a motion

6 to approve by Mr. Bradford.

7 MR. SINGLETON: I second.

8 CHAIRMAN MORGAN: Seconded by -- are
9 you satisfied?

10 MR. SINGLETON: I'm satisfied.

11 MR. SMITH: I've got the information
12 from Mesa, if you want.

13 CHAIRMAN MORGAN: Do y'all mind
14 entertaining -- we have a motion on the
15 floor, but we'll entertain it if you
16 want to introduce it into the record.
17 Thank you very much.

18 MR. SMITH: James Smith from the
19 Attorney General's Office. The
20 information I obtained from Miss Brown
21 is that Hollywood had exceeded its goals
22 for total Louisiana and minority
23 employment. They were below on female
24 employment. The goal is 51.86; the
25 actual was 48.20. So it's not a big

33

1 difference.

2 On procurement, they were short on
3 Louisiana. The goal is 80 percent. The
4 actual is 57.87 percent, and they're
5 above on minority and female
6 procurement.

7 CHAIRMAN MORGAN: Okay. We have a
8 motion and a second. Call the roll.

9 THE CLERK: Major Mercer?

10 MAJOR MERCER: Yes.

11 THE CLERK: Miss Rogers?

12 MS. ROGERS: Yes.

13 THE CLERK: Mr. Bradford?

14 MR. BRADFORD: Yes.

15 THE CLERK: Mr. Stipe?

16 MR. STIPE: Yes.

17 THE CLERK: Mr. Singleton?

18 MR. SINGLETON: Yes.

19 THE CLERK: Mr. Berthelot?

20 MR. BERTHELOT: Yes.

21 THE CLERK: Chairman Morgan?

22 CHAIRMAN MORGAN: Yes.

23 Congratulations. And I learn as I
24 go as Chairman here. So you brought up
25 a good point: We only have one more

34

1 renewal, but we will have that
2 information in the report, State Police,
3 if y'all want the information with
4 regards to the procurement. And if it's
5 in there, I missed it, but it's probably
6 in there. Thank you.

7 You know, Lana, do we need to read
8 the resolution?

9 THE CLERK: Yes.

10 CHAIRMAN MORGAN: Why don't you go
11 ahead and read the resolution for the

12 record.

13 THE CLERK: On the 18th day of May,
14 2010, the Louisiana Gaming Control Board
15 did, in a duly noticed public meeting,
16 consider the issue of Louisiana Casino
17 Cruises, Incorporated, doing business as
18 Hollywood Casino Baton Rouge' license
19 renewal, and upon motion duly made and
20 seconded, the Board adopted the
21 following resolution: Be it resolved
22 that the riverboat casino license of
23 Louisiana Casino Cruises doing business
24 as Hollywood Casino Baton Rouge, be
25 renewed for a term of five years

35

1 commencing on July 18th, 2010, subject
2 to all conditions previously placed upon
3 the license. This done and signed in
4 Baton Rouge, Louisiana, this 18th day of
5 May 2010.

6 CHAIRMAN MORGAN: And I will execute
7 that resolution on behalf of the Board.

8 B. Consideration of request by Grand Palais
9 Casino for approval of reconfiguration
10 of gaming space - License No. R011000841

11 CHAIRMAN MORGAN: Item B,
12 Consideration of request for Grand
13 Palais Casino for approval of
14 reconfiguration of gaming space.

15 SGT. WATTS: Good morning, Chairman
16 Morgan, Members of the Board. I'm
17 Sergeant Jeff Watts with the Louisiana
18 State Police Gaming Enforcement
19 Division.

20 Isle of Capri Grand Palais is
21 requesting a change to their designated
22 gaming area. The requested
23 configuration consists of a net gain of
24 13 slot machines, which would be from
25 1,298 to 1,311. The change also is a

36

1 net game of four table games from 48 to
2 52. With these change, it results in a
3 decrease of 853 square feet.

4 The floor plan was prepared by
5 Gerald McCann with Arthur Dardenne,
6 Incorporated. ABS Consulting approved
7 the changes. The Division has approved
8 the proposed floor plan changes, and
9 concur with Mr. McCann and ABS
10 Consulting.

11 With these changes, the last time
12 you asked a player position. I have
13 those numbers. It increased by 22 from
14 1,626 to 1,648.

15 CHAIRMAN MORGAN: Any questions of
16 Sergeant Watts? Do we have a motion?

17 MS. ROGERS: I so move.

18 CHAIRMAN MORGAN: Motion by Miss
19 Rogers to approve the reconfiguration.

20 MAJOR MERCER: Second.

21 CHAIRMAN MORGAN: Second by Major
22 Mercer. Is there any objection. (No
23 response.) Hearing none, it's approved.

24 C. Consideration of request by Delta Downs
25 Race Track Casino for approval of

37

1 reconfiguration of gaming space -
2 license No. T011002086

3 CHAIRMAN MORGAN: Item C,
4 Consideration of request by Delta Downs
5 Race Track Casino for approval of the
6 reconfiguration of gaming space.

7 SGT. WATTS: Chairman Morgan,
8 Sergeant Watts, again, with the
9 Louisiana State Police.

10 Delta Downs is requesting a change
11 to their designated gaming area. This
12 particular request doesn't require any
13 movement or change in number of EGDs.
14 It's strictly slot ticket redemption
15 devices, 18 quick cash machines. It did
16 reduce the square foot footage by 65
17 square foot.

18 The floor plan was prepared by John
19 Sparrow of YWS Architects in Las Vegas.
20 Thomas Landry, the Louisiana State Fire

21 Marshal, approved the changes. The
22 Division reviewed the floor plan changes
23 and concurred with Mr. Sparrow and the
24 Louisiana State Fire Marshal.

25 The current number of EGDs will
38

1 remain the same as the player position,
2 which is 1,620.

3 MR. WEST: Paul West representing
4 Delta Downs, and we would ask for
5 favorable consideration.

6 CHAIRMAN MORGAN: Any questions?

7 MR. BRADFORD: I move for approval.

8 CHAIRMAN MORGAN: Motion by
9 Mr. Bradford to approve the
10 reconfiguration.

11 MR. SINGLETON: Second.

12 CHAIRMAN MORGAN: Seconded by Mr.
13 Singleton. Is there any objection? (No
14 response.) Hearing none, it's approved.
15 You earned your money, Paul.

16 MR. WEST: Sure.

17 D. Consideration of Certificate of
18 Compliance for the Riverboat Gaming
19 Vessel Alternate Inspection Program for
20 PNK-Bossier (Mary's Prize) - License No.
21 R016500701

22 CHAIRMAN MORGAN: Consideration of
23 Certificate of Compliance for Riverboat

24 Gaming Vessel Alternate Inspection
25 Program for PNK-Bossier (Mary's Prize) -

39

1 License No. R016500701.

2 Good morning.

3 MR. TYLER: Good morning, I'm

4 Assistant Attorney General, Michael

5 Tyler, and today I am joined by John

6 Franscic of a ABSC.

7 Today we come before you seeking the

8 acceptance of the alternate inspection

9 report of the St. Mary's Prize as

10 performed and prepared by ABSC, as well

11 as the issuance of a Certificate of

12 Compliance for Boomtown Bossier.

13 Since the adoption of the alternate

14 riverboat inspection standards by the

15 Board, various licensees have inquired

16 about opting into the Louisiana Gaming

17 Control Board's Alternate Riverboat

18 Inspection Program. On or about

19 October 22nd, 2009, St. Mary's Prize

20 began the process of becoming an

21 official Alternate Inspection Vessel.

22 For more information on this process and

23 the findings of the alternate inspection

24 of the St. Mary's Prize, I turn this

25 presentation over to John Franscic of

40

1 ABSC.
2 MR. FRANSCIC: Good morning,
3 Chairman and Board Members. I'm John
4 Francic, ABS Consulting, and I'm here
5 to report the inspection results for the
6 Boomtown Bossier Casino for the
7 riverboat Mary Prize. This was a joint
8 inspection conducted with the Coast
9 Guard and ABS Consulting on
10 October 22nd, 2009. The inspection was
11 conducted in accordance with marine
12 safety standards and the State's
13 Alternative Riverboat Gaming Inspection
14 Program.

15 The inspection resulted in reported
16 deficiencies issued by the Coast Guard
17 for fire doors not properly sealed. The
18 vessel was reinspected on April 15th,
19 2010, by the Coast Guard, and all
20 deficiencies were cleared. The
21 riverboat Mary's Prize was accepted by
22 ABS Consulting meeting the standards of
23 the State's alternative program.

24 It is our recommendation that Mary's
25 Prize Boomtown Bossier be accepted into

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1 the State's alternative certificate for
2 riverboat gaming.

3 MR. TYLER: We now present these

4 findings to this honorable board for
5 acceptance and request that the Board
6 move for the issuance of a Certificate
7 of Compliance to Boomtown Bossier.

8 CHAIRMAN MORGAN: Thank you. Are
9 there questions of the Board?

10 MR. SINGLETON: I have one. An 835,
11 tell me, what is that?

12 MR. FRANSCIC: I'm sorry. An 835 is
13 a Coast Guard issued deficiency. It's a
14 form that they put 835, so it's just a
15 report of a deficiency is what it is.
16 That's what the Coast Guard normally
17 issues.

18 CHAIRMAN MORGAN: Mr. Stipe?

19 MR. STIPE: I have some questions.
20 I guess if you could explain kind of
21 your methodology. I've looked through
22 three of these that we have up, and in
23 one -- for one of the facilities you
24 conducted a fire drill; for another one
25 of the facilities I see where you didn't

42

1 conduct one. I mean, what's the
2 criteria that you're using?

3 MR. FRANSCIC: Well, we go onboard
4 for annual and semi-annual exam, so
5 basically we conduct a fire type of
6 drill whether it's a rescue boat drill

7 or a fire drill. So it's usually
8 conducted either at the annual or
9 semi-annual, so it's not done every
10 time.

11 MR. STIPE: Okay.

12 MR. FRANSCIC: Basically, when we go
13 onboard, we have an open meeting with
14 the crew members and explain what we're
15 going to proceed to do this period. We
16 kind of have a set standard for that.

17 MR. STIPE: Okay. And, I mean, the
18 type -- I'll ask my questions for the
19 last two.

20 MR. FRANSCIC: Okay. That's all I
21 have, Mr. Chairman.

22 CHAIRMAN MORGAN: Okay. Are there
23 any other questions? (No response.) So
24 our motion would be to accept them into
25 the program, to approve?

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1 MR. TYLER: To approve the issuance
2 of the Certificate of Compliance.

3 CHAIRMAN MORGAN: Do we have a
4 motion?

5 MR. BRADFORD: So moved.

6 CHAIRMAN MORGAN: Motion by
7 Mr. Bradford. Do we have a second?

8 MS. ROGERS: I second.

9 CHAIRMAN MORGAN: Miss Rogers. Is

10 there any objection? (No response.)

11 Hearing none, it's approved.

12 E. Consideration of Certificate of
13 Compliance for the Riverboat Gaming
14 Vessel Alternate Inspection Program for
15 Treasure Chest Casino - License No.
16 R012600098

17 CHAIRMAN MORGAN: Item E,
18 Consideration of Certificate of
19 Compliance for the Riverboat Gaming
20 Vessel Alternate Inspection Program for
21 Treasure Chest Casino, License No.
22 R012600098.

23 MR. TYLER: Again, Chairman Morgan,
24 Board Members, I'm Assistant Attorney
25 General, Michael Tyler, and I'm joined

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1 today by John Francisc of ABSC. And
2 today we come before you seeking the
3 acceptance of the alternate inspection
4 report of Treasure Chest Casino as
5 performed by ABSC, as well as the
6 issuance of the Certificate of
7 Compliance for Treasure Chest Casino.

8 Since the adoption of the alternate
9 riverboat inspection standards by the
10 Board, various licensees have inquired
11 about opting into the Louisiana Gaming
12 Control Board's Alternate Inspection

13 Program. On or about April 21st, 2010,
14 the Treasure Chest Casino began the
15 process of becoming an official
16 Alternate Inspection Vessel. For more
17 on this process and the findings of the
18 alternate inspection of the Treasure
19 Chest Casino, I turn this presentation
20 over to John Francisc of ABSC.

21 MR. FRANSCIC: Good morning, Mr.
22 Chairman and Board Members, I'm John
23 Francisc, ABS Consulting, and I'm here
24 to report the inspection results for the
25 Treasure Chest Casino. This was a joint

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1 inspection with the Coast Guard and ABS
2 Consulting conducted on April 21st,
3 2010. The inspection was conducted in
4 accordance with the marine safety
5 standards and the State Alternative
6 Riverboat Gaming Inspection Program in
7 response acceptable for its river -- for
8 intended purpose.

9 Full cooperation from the crew made
10 this inspection go very smoothly, and no
11 deficiencies were noted. It is
12 recommended that the Treasure Chest
13 Casino be accepted into the State
14 Alternative Certification for riverboat
15 gaming vessels.

16 MR. TYLER: We now present these
17 findings to this honorable board for
18 acceptance and request that the Board
19 move for the issuance of a Certificate
20 of Compliance to Treasure Chest Casino.

21 CHAIRMAN MORGAN: Mr. Stipe?

22 MR. STIPE: I need you to -- I
23 looked at these, and maybe I'm not
24 reading them correctly. When I look at
25 three the reports, they all say, "Annual

46

1 Survey."

2 MR. FRANSCIC: Correct.

3 MR. STIPE: And so for the first
4 one, the first one you had a random
5 inspection. For this particular
6 facility, you actually did a fire drill.

7 MR. FRANSCIC: Okay.

8 MR. STIPE: Is that --

9 MR. FRANSCIC: Yeah, that's correct.

10 MR. STIPE: All right. Was the
11 entire -- I mean, tell me what kind of
12 fire drill y'all did.

13 MR. FRANSCIC: The fire drill
14 consists of crew members, basically
15 containing the fire situation to where
16 they call the fire department. The fire
17 department wasn't called. It was just,
18 you know, a drill purpose. So we just

19 want to make sure the evacuation of the
20 people onboard, and the crew could
21 contain the fire and have enough basic
22 knowledge of firefighting skills.

23 So the hoses are -- they're not
24 activated, because with a fully charged
25 hose -- you know, we just make sure they

47

1 pull out the hoses. They set fire
2 boundaries; they secure electric, you
3 know, power in that vicinity, and they
4 basically contain the fire.

5 MR. STIPE: Did you actually have
6 patrons leave the vessel?

7 MR. FRANSCIC: I don't know in this
8 particular situation.

9 MR. NAQUIN: It was actually prior
10 to opening. We opened.

11 CHAIRMAN MORGAN: Can you state your
12 name for the Board?

13 MR. NAQUIN: I'm sorry. Dean
14 Naquin, Director of Marine Operations
15 for Treasure Chest.

16 CHAIRMAN MORGAN: Go ahead.

17 MR. NAQUIN: We actually had the
18 inspection prior to the boat opening, so
19 we didn't have patrons onboard, and
20 actually the fire drill was held in
21 place. It was a non-public area to

22 start with down in the hole by -- so
23 they were able to witness our guys
24 reacting to the fire and contained it,
25 and then went to abandon an ship drill

48

1 after that.

2 MR. STIPE: And all of your
3 employees were there or....

4 MR. NAQUIN: Yes. We did have, I
5 think, dealers onboard, cage people and
6 security onboard. So just prior to
7 11:00 we have passengers onboard.

8 MR. STIPE: And that type of drill
9 meets the criteria from your standpoint?

10 MR. FRANSCIC: Yes. Yeah, basically
11 we try not to interfere with the
12 operation of the gaming facility. So if
13 we can do things early in the morning
14 before anybody gets onboard, then, you
15 know, we just want to make sure the
16 crew's capable of doing what they're
17 supposed to be doing, their job.

18 MR. STIPE: All right, thank you.

19 CHAIRMAN MORGAN: I'll entertain a
20 motion to approve the Certificate of
21 Compliance.

22 MAJOR MERCER: I'll move approval.

23 CHAIRMAN MORGAN: Moved by Major
24 Mercer. Is there a second?

25 MR. BRADFORD: Second.

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1 CHAIRMAN MORGAN: Second by
2 Mr. Bradford. Is there any objection?
3 (No response.) Hearing none, that's
4 approved.

5 F. Consideration of Certificate of Compliance for
6 the Riverboat Gaming Vessel Alternate
7 Inspection Program for L'Auberge du Lac
8 Casino - No. R011001707

9 CHAIRMAN MORGAN: Item F,
10 Consideration of the Certificate of
11 Compliance for the Riverboat Gaming
12 Vessel Alternate Inspection Program for
13 L'Auberge du Lac Casino, R011001707.

14 MR. TYLER: Chairman Morgan, Board
15 Members, again, I'm Assistant Attorney
16 General Michael Tyler, and today I'm
17 joined again by John Franscic of ABSC
18 and Ruff Funero (phonetic) of L'Auberge
19 du Lac Casino.

20 Today we come before you seeking
21 acceptance of the alternate inspection
22 report of LDL as performed and prepared
23 by ABSC, as well as the renewal of the
24 Certificate of Compliance of LDL.

25 On May 19th, 2009, LDL became the

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1 first licensee to receive a Louisiana

2 Gaming Control Board issued Certificate
3 of Compliance. On April 12th of 2010,
4 LDL began the renewal process for the
5 certificate of compliance. For more
6 information on this process and the
7 findings of the ABSC, I now turn this
8 matter over to John Francisc.

9 MR. FRANSCIC: Morning, Mr. Chairman
10 and Board Members. I'm John Francisc,
11 ABS Consulting, and I'm here to report
12 the 2010 annual inspection results for
13 L'Auberge du Lac Riverboat Casino.

14 This also included a first five-year
15 special hull survey. The inspection was
16 conducted in accordance with the state's
17 Alternative Riverboat Inspection Program
18 on April 12th and 13th of 2010. We had
19 the full corporation of the staff and
20 vessel crew with respect to responding
21 to compliance with the state's
22 alternative program. The divers
23 examined the hull of the riverboat and
24 found it in good condition. It is our
25 recommendation that the L'Auberge du lac

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1 Casino be reissued the state Certificate
2 of Compliance.

3 MR. TYLER: We now present the
4 findings to this honorable board for

5 acceptance and request that the board
6 move to renew the Certificate of
7 Compliance for LDL.

8 CHAIRMAN MORGAN: Any questions?

9 MR. STIPE: I do. When I read your
10 report, this is -- I guess what I'm
11 asking you to comment on -- you say the
12 emergency power and lighting systems
13 tests were not conducted since the
14 facility requested the test be conducted
15 during the upcoming semi-annual survey
16 to allow more time for the various
17 operation departments to prepare.

18 MR. FRANSCIC: Yes, sir. Normally
19 during the first annual exam, we have --
20 like I said, annual and semi-annual. We
21 normally secure power to the riverboat
22 to make sure all the emergency lighting
23 is working, and at this time, I think
24 they requested to hold off on that to
25 the semi-annual because they wanted to

52

1 wait until they were better prepared for
2 that?

3 MR. STIPE: But this is the annual
4 survey?

5 MR. FRANSCIC: Correct.

6 MR. STIPE: And what their request
7 was, was to wait until the semi-annual?

8 MR. FRANSCIC: Semi-annual.

9 MR. STIPE: And then for this
10 particular facility, I don't believe --
11 let's see, you did not conduct the fire
12 drill for this particular facility in
13 this particular inspection?

14 MR. FRANSCIC: That's correct.

15 MR. STIPE: Okay. Why was that?

16 MR. FRANSCIC: They're going to wait
17 until the semi-annual to do that. You
18 know, in conjunction with the loss of
19 power, sometimes they go into a fire
20 drill after that, but at the request of
21 the general manager, they wanted to hold
22 off on securing the power to the vessel.

23 MR. STIPE: But it's your
24 recommendation to this board that they
25 approve -- they met the requirements?

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1 MR. FRANSCIC: Yes, sir. They met
2 all the other safety standards, and
3 based on the examiner's walk-thru of the
4 vessel and testing of other equipment,
5 it met the safety standards for that
6 vessel.

7 MR. STIPE: Okay, thank you.

8 MS. ROGERS: Is that a normal
9 request that you postpone it for another
10 six months?

11 MR. FRANSCIC: Not normally. We --
12 I think the person to explain, I think,
13 they went a little off on that.

14 MR. MARIONNEAUX: Mr. Chairman and
15 Board Members, Lucien Marionneaux here
16 on behalf of L'Auberge du Lac. On -- as
17 we prepared for -- we had a pretty major
18 inspection process, because in
19 conjunction with our annual inspection
20 from ABSC, we had a dive crew there on
21 property there also to do our five-year
22 hull examination, which that took, I
23 think, a little over a day. I think it
24 carried into the next day. So we had
25 divers there doing their operations, as

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1 well, and then ABSC came in and did
2 their follow-up.

3 A little bit of a surprise to us,
4 the inspectors told us that they
5 wanted -- that their inspection was
6 going to require us to shut the power to
7 the boat, which means to kill the power
8 completely to the vessel in order that
9 they test emergency -- the minimal
10 emergency lighting.

11 We, throughout our entire
12 negotiation of this process in bringing
13 the alternative inspection program in,

14 we had talked about this because it is
15 such a major disruption to our business,
16 to the State's flow of revenue and also
17 to our equipment for us to do that type
18 of power break to that vessel. When you
19 kill the power to everything in the
20 vessel and you don't run the backup
21 generators and you don't run emergency
22 power generators, then the risk of
23 damage to the equipment on the vessel is
24 severe.

25 We were not anticipating that type

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1 of inspection. We were not anticipating
2 having to kill the power. So in order
3 for us to prepare for that, if that is,
4 in fact, what they want to do, we need a
5 little bit of time to prepare for that,
6 because we want to minimize -- we want
7 to be able to bring the system down
8 appropriately, have personnel in place.
9 Then when we have to bring it back up,
10 that we've got some backup personnel,
11 because it is a major undertaking in
12 order to do this to kill the system.

13 You know, we probably will seek some
14 intervention from the Board to see if
15 this is really necessary that we do this
16 with the type of redundancy that we have

17 in the backup generation system and in
18 our emergency lighting, but at this
19 time, you know, we just simply weren't
20 prepared for this type of disruption in
21 our business. So we did ask that they
22 hold off on that.

23 CHAIRMAN MORGAN: This program was
24 established prior to me becoming
25 Chairman, but I'm certainly in support

56

1 of it. But I'm following suit with some
2 of the questions that were asked: Who
3 sets the criteria for your inspections?

4 MR. FRANSCIC: There's a surveyor
5 that goes onboard. He usually has the
6 set standards.

7 CHAIRMAN MORGAN: Is there a
8 national standard, or is there --

9 MR. FRANSCIC: They go by the
10 riverboat gaming guidelines that we
11 established for the State.

12 CHAIRMAN MORGAN: Okay. And it's
13 your testimony today that y'all's
14 inspection and your recommendation were
15 within the parameters of those
16 guidelines?

17 MR. FRANSCIC: Yes, sir.

18 CHAIRMAN MORGAN: So the
19 evacuation -- emergency evacuation was

20 not part of that criteria?

21 MR. FRANSCIC: I don't understand.

22 CHAIRMAN MORGAN: It is not part of
23 the inspection requirements?

24 MR. FRANSCIC: Yes, it is.

25 CHAIRMAN MORGAN: But I guess the
57

1 concern I have is the licensee that
2 shouldn't -- shouldn't there be better
3 communication between y'all.

4 MR. FRANSCIC: Correct.

5 CHAIRMAN MORGAN: And, you know, the
6 other thing is, probably want to do this
7 early in the morning, you know, Sunday
8 morning at two in the morning or
9 something. You know, you can't be -- I
10 understand the concern for the licensee
11 of shutting down the casino, the impact
12 it would have, not to mention the
13 mechanical issues, but my question is,
14 is that there should be better
15 communication, but also I don't think
16 the licensee can cherry pick what they
17 want you to inspect and not inspect. I
18 mean, you're doing that on the Board's
19 behalf.

20 MR. FRANSCIC: Yes, sir, we are.

21 And, basically, they have their
22 inspection checklist that they go down

23 through.

24 CHAIRMAN MORGAN: That's my
25 question: Was the emergency evacuation

58

1 part of the checklist?

2 MR. FRANSCIC: Yes, sir.

3 CHAIRMAN MORGAN: And y'all did not
4 perform that?

5 MR. FRANSCIC: Like, we normally
6 secure the power, the annual exam, and
7 we did the first time we went onboard
8 for the L'Auberge, we did secure the
9 power. And, again, Lucien had a lot of
10 concerns at that period of time; and so
11 we went to reissue the certificate, and
12 this time he, again, had concerns. And
13 so based on -- we had the divers there
14 and a lot of things going on, I believe
15 the surveyors were just refraining from
16 doing the emergency shutdown, just held
17 off to the semi-annual exam to do that.
18 It gives us a little leeway, you know,
19 to split the inspections; instead of
20 doing everything at the annual, to
21 adjust and do things at the annual and
22 semi-annual exam since we inspect them
23 twice a year.

24 CHAIRMAN MORGAN: And you come
25 before the board twice a year?

1 MR. FRANSCIC: No, sir. We just do
2 it -- the annual we issue a certificate,
3 and then the inspections that go on six
4 months from now, and they will reinspect
5 the vessel, you know, and sign a
6 certificate that they've met everything.

7 CHAIRMAN MORGAN: So you're before
8 the Board wanting our approval on the
9 annual inspection, but it's your
10 testimony that all the checks weren't
11 done for the annual?

12 MR. FRANSCIC: Yes, sir. And the
13 semi-annual was complete six months
14 prior to, so we -- we did the inspection
15 six months prior to this one.

16 CHAIRMAN MORGAN: And you did an
17 emergency evacuation then, or you said
18 you did not?

19 MR. FRANSCIC: On the semi-annual?

20 CHAIRMAN MORGAN: Yeah.

21 MR. FRANSCIC: I'll have to go back
22 on the report and see if it was done,
23 and I think it was done the first time,
24 the annual.

25 MR. MARIONNEAUX: Mr. Chairman, I

1 believe that the issue that we -- the
2 issue that we had concerns with at the

3 semi-annual, also shutting the power to
4 the vessel; it was not the evacuation
5 drills or fire drills or anything like
6 that. We conduct those on an ongoing
7 basis, and we also do it our quarterly
8 self checks.

9 CHAIRMAN MORGAN: In other words,
10 shutting the power? It doesn't matter
11 which it is. Is that part of the
12 inspection criteria?

13 MR. FRANSCIC: Securing the power to
14 the vessel, yes, sir.

15 MR. JUNEAU: What is it going to do
16 to our video machines, all those
17 computers if you just shut the power
18 slap off? Do they have battery backup
19 on them, or are you just going to kill
20 everything? And how is the State Police
21 going to report in on the meters and
22 with that much surge? How many backups
23 do you usually run, Mr. Marionneaux, in
24 the casino? You have got two
25 generators, or one?

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1 MR. MARIONNEAUX: We have main
2 backup generators, and then on top of
3 that we also, I believe, have emergency
4 backup generators, as well. So we have
5 a redundant -- over-redundant system for

6 our backup.

7 MR. JUNEAU: Have y'all got a plan
8 for what they're going to do with the
9 video machines in the building? How
10 many you run, 15, 1,600 in there?

11 MR. MARIONNEAUX: I believe it's
12 just over 1,600 slot machines.

13 MR. JUNEAU: My concern is: Do
14 y'all got any kind of plan in case they
15 start spiking a couple of them and
16 running the count on some of them?

17 MR. FRANSCIC: Basically, when the
18 vessel loses power to -- when the gaming
19 vessel loses electricity, they have
20 systems and an emergency generator kicks
21 in within certain -- you know, within
22 ten seconds, and it supplies the vessel
23 with the emergency lighting. Now, I
24 don't know if the lighting -- if that
25 emergency power is supplement to the

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1 surge -- to the video.

2 CHAIRMAN MORGAN: I don't want to
3 debate -- you make a point: We don't
4 want to interrupt -- we don't want to
5 cause more damage, and I understand --
6 you know, certainly understand the
7 licensee's concern. We don't want to
8 cause more damage than what's necessary

9 or potential for it, but my problem I'm
10 dealing with is there's a criteria that
11 apparently was some standard and
12 apparently agreed upon; and if that's
13 the case, it's for the safety measures,
14 we need to make sure we adhere to that.

15 MR. MARIONNEAUX: I believe -- I'm
16 going to address that. At our last
17 semi-annual inspection, I believe that
18 there was fire drills, evacuation
19 drills, things of that nature that were
20 conducted. So that has been within the
21 past year, and I think as long as these
22 are done, you know, within a -- within
23 the past 12-month cycle, then we've met
24 the alternative inspection criteria.
25 And I don't believe that they all have

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1 to be done on the annual. It can be
2 either the annual or the semi-annual.

3 So, you know, we did ask for --
4 because of all of things that were going
5 on, that we push some of this off to the
6 semi-annual just because of disruption
7 in business that we were already seeing
8 with the other inspections that were
9 happening at the same time. We do
10 conduct quarterly self exams where we do
11 these evacuation drills and fire drills,

12 as well, and we do report those findings
13 to ABSC, or we do hold those reports for
14 their examination when they come and do
15 the annual or semi-annual.

16 CHAIRMAN MORGAN: I think this
17 Board's -- you know, we understand all
18 of the licensees are due-diligent in
19 life safety issues; and you have to be,
20 and we appreciate that. The predicament
21 the Board's in is -- and I appreciate
22 Mr. Stipe bringing it to our attention,
23 is that, you know, making sure that what
24 was approved by this board previously is
25 being conducted and accurately conducted

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1 and accurately reported so we can act on
2 it and not having the licensee being
3 able to say, well, we can't do that
4 right now. To me that needs to be more
5 communication and your company and
6 licensee or change the criteria if it's
7 within the national standards or -- I'm
8 not an expert at that. We have to defer
9 to your folks; you're our contractor.

10 MS. ROGERS: I'd like to ask him a
11 question. How much time is between your
12 notification and your actual appearance
13 at the casino? It seems like there's a
14 lack of communication.

15 MR. FRANSCIC: We send out a letter
16 a month before we're there. We try to
17 schedule that exam within their --

18 MS. ROGERS: And there's not a whole
19 lot of other stuff going on.

20 MR. FRANSCIC: Correct. We try to
21 work --

22 MS. ROGERS: This was just a
23 coincidence?

24 MR. FRANSCIC: I mean, this exam, it
25 was in conjunction with a hull exam, so

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1 I think were the divers that were in the
2 water performing the underwater survey
3 part, I believe that it was because of
4 too many things going on at the same
5 time.

6 MS. ROGERS: That's why I'm asking
7 you.

8 CHAIRMAN MORGAN: Does the Coast
9 Guard require you to interrupt power?

10 MR. FRANSCIC: Yes, yes. It's a
11 standard procedure step by the Coast
12 Guard that it's basically to check out
13 the emergency generator to make sure it
14 kicks in and all the emergency lighting
15 is working, because we try to make it as
16 real as possible so if the vessel loses
17 that power, that the emergency generator

18 kicks in. Lighting is provided so that
19 the patrons can evacuate and see where
20 they're going.

21 CHAIRMAN MORGAN: Get us back on
22 target then. If we take action and
23 approve this today, when will you
24 inspect this vessel again?

25 MR. FRANSCIC: In six months from

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1 today.

2 CHAIRMAN MORGAN: And y'all will
3 conduct --

4 MR. FRANSCIC: Yes.

5 MR. SINGLETON: Mr. Chairman, why do
6 we have to approve this?

7 MR. FRANSCIC: The certificate
8 expires tomorrow, so we need to get them
9 a certificate.

10 MR. SINGLETON: What does that mean?

11 CHAIRMAN MORGAN: They will have to
12 cease gaming.

13 MR. SINGLETON: You ought to treat
14 this different from everything else.
15 You come here with, you make your
16 recommendation and there will be a fine,
17 and I can understand it. This one I
18 don't understand because it's
19 incomplete, as far as I'm concerned, and
20 you're making something in terms of to

21 allow them to get a new certificate, or
22 can we approve a temporary as opposed to
23 a permanent?

24 MR. GAUTREAU: I'm Leonce
25 Gautreaux, Assistant Attorney General.

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1 If I could make a suggestion: The
2 trouble is, this alternate certificate
3 takes the place of the COI of the Coast
4 Guard, which by statute they're required
5 to have a COI or the certificate. If
6 they don't have it, they don't qualify
7 as a gaming vessel, and they will have
8 to shut down. My suggestion may be to
9 ask them or direct them to conduct this
10 inspection within a two-week period or
11 set given time and report back to the
12 Board the results of that inspection
13 subject to approving this alternate
14 certificate.

15 CHAIRMAN MORGAN: Well, I would
16 like, if the Board would allow me, to
17 have a meeting with you --

18 MR. FRANSCIC: Yes, sir.

19 CHAIRMAN MORGAN: -- and industry,
20 and let's get to the bottom of this,
21 because it's not fair to industry nor
22 this Board until I better understand the
23 program, and maybe look at some industry

24 standards if the Board is willing to
25 accept --

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1 MR. SINGLETON: Are you asking to
2 allow -- you or me based on your -- I'm
3 looking for something where we're going
4 to approve something that's based on
5 something, and I don't know if I have a
6 -- if you're going to meet with them and
7 come up with something that's
8 satisfactory --

9 CHAIRMAN MORGAN: I think --

10 MR. SINGLETON: -- to move forward,
11 or can we find some way to approve it
12 for a month --

13 CHAIRMAN MORGAN: You can.

14 MR. SINGLETON: -- until we come
15 back to the next board meeting? Because
16 I'm just a little leery about doing this
17 and the Board approving something and
18 then it's not correct.

19 CHAIRMAN MORGAN: I would assume
20 that that's permissible. Mr. Gautreaux
21 -- is it permissible to do a --
22 conditionally approve for 30 to 60 days?

23 MR. GAUTREAU: Yeah, I think you
24 can do that, approve it conditioned on
25 the inspection of the -- satisfactory

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1 completion of the inspection on the
2 emergency evacuation.

3 MR. GAUTREAU: Whatever they have.

4 MR. FRANSCIC: It's just securing
5 the electrical power to the vessel.

6 MR. JUNEAU: How long are you going
7 to be down? When you flip the switch,
8 are you going to leave the switch down
9 five minutes, ten minutes, an hour?

10 MR. FRANSCIC: It's no more than 15
11 minutes to walk through the vessel.

12 MR. JUNEAU: No generators can come
13 on during that?

14 MR. FRANSCIC: No. No, emergency
15 generator will come on to supply
16 emergency power.

17 MR. JUNEAU: That's what I mean. I
18 understand a while ago you're going to
19 kill the power, and you've got two
20 backup generators; one in case the other
21 one goes out, that it's all going to
22 come back -- I'm worried about the video
23 machines.

24 MR. MARIONNEAU: I believe it's two
25 separate generators. They have the main

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1 backup generator, which will supply
2 power to the entire vessel, and then on
3 top of that, there is an emergency

4 backup generator that will supply the
5 basic emergency lighting ingress and
6 egress that is necessary upon a power
7 failure.

8 MR. JUNEAU: Are you going to run
9 both generators or just light
10 generators?

11 MR. MARIONNEAUX: I believe it's
12 just the light generators.

13 MR. FRANSCIC: It's emergency
14 generators.

15 MR. JUNEAU: Not for the machines or
16 nothing else?

17 MR. FRANSCIC: Correct.

18 MR. JUNEAU: You going to have the
19 State Police there in case the machines
20 go messing up?

21 MR. FRANSCIC: I'm sure there are
22 State Police there.

23 MR. JUNEAU: You're opening a can of
24 worms on your criteria.

25 CHAIRMAN MORGAN: I think they do it

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1 on every property, so this is not
2 something that --

3 MAJOR MERCER: They do on the Coast
4 Guard inspection, and y'all basically
5 adopted the same criteria as the Coast
6 Guard had; is that correct?

7 MR. FRANSCIC: That's correct.

8 MAJOR MERCER: This is something
9 they've done all along.

10 CHAIRMAN MORGAN: Mr. Stipe?

11 MR. STIPE: Is it your testimony
12 that this particular inspection meets
13 the criteria?

14 MR. FRANSCIC: Yes, sir. It meets
15 the criteria. We feel that the vessel
16 is safe to operate. There's no major
17 deficiencies associated with that
18 inspection. So if there was concerns
19 with life safety issues, then we would
20 recommend the Board not to reissue it,
21 and hopefully they would satisfy it 30
22 days after our notification. But based
23 on our inspection, there is no major
24 concerns. We feel that the vessel meets
25 the Certificate of Compliance.

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1 MR. STIPE: And your testimony is
2 that your examination was conducted in
3 accordance with the applicable standards
4 for these type of inspections?

5 MR. FRANSCIC: Yes, sir.

6 MR. STIPE: Mr. Chairman, I just
7 would move to approve. I have another
8 suggestion if we have another inspection
9 later, but this particular -- I just

10 move to approve it.

11 MR. BRADFORD: Second.

12 CHAIRMAN MORGAN: Okay. We have a
13 motion to approve the original
14 Certificate of Compliance for the
15 L'Auberge du Lac, the motion by Mr.
16 Stipe, seconded by Mr. Bradford.

17 THE CLERK: How long? Is this for a
18 year?

19 CHAIRMAN MORGAN: Yeah, the agenda
20 item to approve.

21 MR. SINGLETON: I'm trying to
22 understand: Is this permanent?

23 CHAIRMAN MORGAN: It will be for a
24 year, the motion will be for a year.

25 MR. SINGLETON: I'll object based on

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1 the Attorney General said we could do
2 this -- I'm just looking for something
3 either where you go in and take a look
4 and then come back and tell us
5 everything's okay and approve it. I
6 just have a problem voting to approve
7 this for a year without -- with the
8 other things that we talked about that
9 have not been met, and we're changing
10 our standard on this one different from
11 the others the way that -- what I'm
12 hearing. Maybe I'm hearing the wrong

13 thing.

14 CHAIRMAN MORGAN: Well, we have a
15 motion and a second, and we have an
16 objection by Mr. Singleton. We -- I
17 will say for the record, I am going to
18 meet with you in the very near future to
19 make sure I understand and Mr. Duty and
20 whoever else with the Casino
21 Association, and we'll report back to
22 the Board, because this is a very
23 important issue. And I want to make
24 sure that we're all consistent with
25 their application.

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1 MS. ROGERS: Would an amendment be
2 in order?

3 CHAIRMAN MORGAN: You can have a
4 substitute motion.

5 MS. ROGERS: Can we make this motion
6 to cover 30 days until the Chairman can
7 meet with these people? Would that
8 satisfy Mr. Singleton?

9 CHAIRMAN MORGAN: We have a
10 substitute motion.

11 MR. GAUTREUX: What would the
12 motion be?

13 MS. ROGERS: Thirty days rather than
14 a year.

15 MR. GAUTREUX: The problem you're

16 still facing is an expiration date of
17 this certificate tomorrow and a possible
18 shutdown thereafter.

19 MR. STIPE: Mr. Chairman, if I may,
20 to be direct, my concern is with your
21 inspection, and I am concerned about it.

22 And I hope the Chairman will be -- I
23 hope you'll meet with the Chairman. I
24 don't want this particular facility -- I
25 don't want, frankly, to create any

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1 issues with this particular facility,
2 which by all indications has cooperated
3 with you in your inspection.

4 But I do have concerns about this
5 particular -- about these type of
6 inspections and the subcontracting out
7 of these inspections and the
8 thoroughness of them, and, you know, the
9 Chairman indicated that he'll meet with
10 you; I hope he will, and I hope we'll
11 work through that. But my concern with
12 the amended is to create an issue for
13 this particular facility, so I would
14 just ask that a motion that I made be
15 withdrawn.

16 MS. ROGERS: I will withdraw my
17 motion.

18 CHAIRMAN MORGAN: Okay. So we have

19 a motion to approve and seconded to
20 approve the annual -- the renewal of the
21 inspection for L'Auberge du Lac, and we
22 have an objection from Mr. Singleton.

23 Call the roll.

24 THE CLERK: Major Mercer?

25 MAJOR MERCER: Yes.

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1 THE CLERK: Miss Rogers?

2 MS. ROGERS: Yes.

3 THE CLERK: Mr. Bradford?

4 MR. BRADFORD: Yes.

5 THE CLERK: Mr. Jones?

6 MR. JONES: Yes.

7 THE CLERK: Mr. Stipe?

8 MR. STIPE: Yes.

9 THE CLERK: Mr. Juneau?

10 MR. JUNEAU: Yes.

11 THE CLERK: Mr. Singleton?

12 MR. SINGLETON: No.

13 THE CLERK: Mr. Berthelot?

14 MR. BERTHELOT: Yes.

15 THE CLERK: Chairman Morgan?

16 CHAIRMAN MORGAN: Yes.

17 It's approved.

18 MR. SINGLETON: Mr. Chairman, maybe

19 a suggestion at this point: I just feel

20 like we're not following our own rules

21 in terms of the way we handled this

22 situation, and it seems to me that
23 hopefully you can get with the Attorney
24 General and the others and make sure
25 that our procedures apply across the

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1 board to everybody, the same identical
2 ones.

3 CHAIRMAN MORGAN: I guarantee you I
4 will meet and become more informed on
5 it, and if it means changing of the
6 procedures, we'll address them. Thank
7 you.

8 G. Consideration of Ratification of Escrow
9 Agreement for PNK (Baton Rouge)
10 Partnership

11 CHAIRMAN MORGAN: Item G is
12 Consideration of Ratification of Escrow
13 Agreement for PNK Baton Rouge
14 Partnership. Mr. Gautreaux, do you want
15 to...

16 Members, I had sent you a memorandum
17 with the escrow agreement. It has been
18 executed. I think Mr. Gautreaux's
19 briefed us, and the action of the Board
20 would be to ratify.

21 MR. GAUTREAUX: Chairman and Members
22 of the Board, Leonce Gautreaux,
23 Assistant Attorney General. Just to
24 briefly remind you that last board

25 meeting this Board passed the condition

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1 that PNK Baton Rouge escrow \$25 million
2 as a condition of nonperformance should
3 they either decide not to go with the
4 Baton Rouge Project, surrender the
5 license, or the Board revoke the license
6 prior to the project being substantially
7 completed as defined by the conditions
8 which are accepted to.

9 In the course of the last month --
10 and it also authorized the entering of
11 an escrow agreement, which this is.
12 \$25 million has been deposited; I just
13 confirmed that. It will be in a bank
14 account with a JP Chase Morgan out of
15 California, and should any of the PNK
16 violate any of the conditions that were
17 imposed last month, then they would
18 surrender the \$25 million as a
19 nonperformance condition of this
20 project. If the project gets completed
21 under the conditions, then the \$25
22 million will revert back to Pinnacle.

23 CHAIRMAN MORGAN: Are there any
24 questions? Do we need a motion to
25 ratify?

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1 MR. STIPE: I so move.

2 MAJOR MERCER: Second.

3 CHAIRMAN MORGAN: Motion by Mr.

4 Stipe, seconded by Major Mercer to

5 ratify the escrow agreement. Can I get

6 a roll call vote.

7 THE CLERK: Major Mercer?

8 MAJOR MERCER: Yes.

9 THE CLERK: Miss Rogers?

10 MS. ROGERS: Yes.

11 THE CLERK: Mr. Bradford?

12 MR. BRADFORD: Yes.

13 THE CLERK: Mr. Jones?

14 MR. JONES: Yes.

15 THE CLERK: Mr. Stipe?

16 MR. STIPE: Yes.

17 THE CLERK: Mr. Juneau?

18 MR. JUNEAU: Yes.

19 THE CLERK: Mr. Singleton?

20 MR. SINGLETON: Yes.

21 THE CLERK: Mr. Berthelot?

22 MR. BERTHELOT: Yes.

23 THE CLERK: Chairman Morgan?

24 CHAIRMAN MORGAN: Yes.

25 Part of that agenda item, very

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1 briefly, can State Police come up and

2 tell us about the construction progress.

3 Jeff, I'm looking at you, but I don't

4 know if you're the one. Captain? I

5 think, members, we have handout.

6 CHAIRMAN MORGAN: Very brief.

7 CAPTAIN HALE: It will be very

8 brief. I'm Captain Glenn Hale with

9 State Police. A few of my guys went out

10 and took some photographs of the site.

11 You should have a copy of that in this

12 handout. It appears right now that they

13 have minimum construction going on. It

14 appeared to be just land clearing. They

15 put up a security fence, if you will. I

16 think they're doing some excavation

17 right now, just as far as artifacts and

18 things.

19 I believe it an old plantation site

20 that they're -- LSU is going over. They

21 should start -- I was advised by the

22 people there they should start having

23 heavy equipment out there, they had said

24 last week or this week. As of Friday, I

25 haven't seen it. So I'm not sure

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1 exactly where they are. But the

2 pictures here indicate that there's some

3 progress, but it's minimal.

4 CHAIRMAN MORGAN: I'm going to ask

5 that y'all at least present something

6 like this, if not every meeting, at

7 least every other meeting so we can stay

8 on top of this.

9 CAPTAIN HALE: Okay.

10 CHAIRMAN MORGAN: Any questions?

11 (No response.) Maybe we'll see some
12 activity.

13 CAPTAIN HALE: Okay.

14 CHAIRMAN MORGAN: Anything else?

15 MR. GAUTREAUX: No.

16 H. Discussion of Application Procedures for
17 available Riverboat Gaming License

18 CHAIRMAN MORGAN: Item H, Discussion
19 of the Application Procedures for the
20 available Riverboat Gaming License.
21 Members, you should have received a
22 memorandum from Mr. Gautreaux. I just
23 want to compliment you. It's very, very
24 good.

25 MR. GAUTREAUX: Thank you.

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1 CHAIRMAN MORGAN: You saved us a lot
2 of time researching, so excellent work
3 by you and your staff. If you can
4 briefly go over the process and any
5 other comments, and then we'll have the
6 board members...

7 MR. GAUTREAUX: I'll try to pick the
8 highlights. I know there was a lot of
9 information presented there, and that
10 was just a summary hopefully to aid the

11 Board in seeing how the process evolved.
12 Obviously, the statutes and rules
13 provide much more detail than that, but
14 I think it does provide a good overview.

15 First, just start off with a little
16 historical background: This license
17 that was surrendered is actually the
18 fourth license that was issued
19 originally by the Division on
20 December 6th, 1993. It was issued to
21 Players Lake Charles, LLC, for a berth
22 site on Lake Charles, and if you
23 remember, it was right there off of
24 I-10. Right before you cross the bridge
25 was the original berth site for this

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1 license.

2 In March of 2000, Harrah's acquired
3 that operation, plus the sister
4 operation, Star Partnership, which
5 operated next-door from Players Lake
6 Charles; and if you recall, in September
7 of 2005, Rita hit and did a lot of
8 damage to that property, to the barges
9 and the shore facilities. It did some
10 damage to the two riverboats, and the
11 property was shut down. It never
12 reopened there at that point.

13 In May of 2006, Pinnacle and

14 Harrah's entered into an agreement where
15 Pinnacle agreed to acquire those two
16 licenses that had operated there. One
17 of the licenses, as you know, they asked
18 the Board and got permission to move to
19 Baton Rouge, which is the Baton Rouge
20 Project. The other license they wanted
21 to relocate to the Calcasieu River
22 adjacent to L'Auberge for what was the
23 Sugarcane Bay Project, and the Board
24 approved that relocation. And
25 November 7th, 2006, the citizens of

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1 Calcasieu Parish approved that berth
2 site relocation in the local option
3 election. Then, of course, as you know,
4 on April 14th, 2010, Pinnacle
5 surrendered that license as they -- the
6 board made a decision not to continue
7 with that project.

8 Just as an overview, Louisiana is a
9 limited license state. The legislature
10 determined that there will be up to 15
11 riverboat licenses available. It
12 actually says in 65(A) that the Board
13 may issue up to 15 license to conduct
14 riverboat gaming, which is obviously
15 permissive but not mandatory.

16 In 73(A), sort of as a guiding

17 principle, the qualified applicant can
18 get a license if the Board determines,
19 one, that all licensing requirements are
20 met; and, two, determines if issuance of
21 the license is in the best interest of
22 the state and consistent with the
23 legislative intent.

24 The legislature, as you know, did
25 place certain limitations on where these

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1 licenses can be located. One, it has to
2 be on a designated river and waterway
3 which is set forth in the statute. The
4 second one: It has to be in the parish
5 that authorized riverboat gaming in the
6 1996 local option elections. And if you
7 remember on November 5th, 1996, every
8 parish got a chance to vote on whether
9 they wanted a particular form of gaming.

10 And for riverboat gaming, every parish
11 which bordered a designated river
12 waterway got a chance to vote up or down
13 if they wanted riverboat gaming. If a
14 parish voted no in that election, the
15 Board is prohibited from issuing any
16 license in that parish.

17 Just as a couple of examples, St.
18 Tammany was a parish that voted no, so
19 there's a prohibition from issuing the

20 license there. Concordia was a parish
21 that voted no, so if somebody wanted to
22 put something across the river from
23 Natchez, the Board couldn't award that
24 license there, because it's in a no
25 parish. They do have an opportunity to

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1 revote, but it would require an act of
2 the legislature to authorize a new local
3 option election in those parishes that
4 voted no.

5 As you know, just generally other
6 requirements for licensing, the Board
7 would have to consider suitability,
8 which I know y'all are familiar with all
9 the other licenses that come through
10 here. There's also a requirement,
11 27:71, that the Board consider what I
12 sort of summarized as operational
13 requirements. One, that the applicant
14 is capable of operating a casino and all
15 that is involved with it; and, two, that
16 they can obtain financing adequate for
17 whatever project is they propose and
18 from a suitable source. Simply said,
19 that they can do what they promised to
20 do and can fund what they promised to
21 do. And then there is just the general
22 economic development aspect of the

23 legislative intent that riverboat gaming
24 is meant as an economic development tool
25 for the state.

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1 Briefly, the application process, as
2 you can see from the summary, I think
3 there's two and a half, three pages of
4 -- set forth exactly what's required in
5 the application. So it's quite
6 extensive: You know, disclosure of
7 ownership, your financing, your project
8 and riverboat design, your location,
9 requires a promotion and advertising
10 plan, how you are going to sell
11 yourself, a feasibility study which
12 would also include an analysis of the
13 market, and an economic development and
14 utilization plan and construction
15 scheduling timeline. All of this has to
16 be supplied with the application.

17 Once an application is filed, the
18 Division has seven days to determine if
19 the application is complete or not. If
20 it's incomplete, then they have to give
21 notice of those things that it's still
22 lacking.

23 Then at that point, when you have a
24 complete application, the investigative
25 process begins, the normal investigative

1 process where they go out and look at
2 the applicant, do a suitability
3 background and all of other things that
4 go forth in an application. When that's
5 complete, then there will be a report to
6 the Board; and then in a public meeting,
7 the Division will make a report on their
8 investigation, and the applicant will
9 have an opportunity to publicly present
10 its project. After that, then as I
11 stated earlier, the determination before
12 the Board would be if the applicant met
13 all licensing requirements and if it's
14 in the best interest of this state to
15 award the license.

16 The final requirement in the process
17 that I think we have to talk about,
18 should the Board vote to issue --
19 reissue the license to an approved
20 applicant, is there have to be yet
21 another local option election. The
22 Louisiana Constitution, Article 12,
23 Section 6C requires -- and this was
24 amended in 1996 after the people adopted
25 the resolutions to amend the

1 constitution -- to add a local option
2 requirement on gaming.

3 No new form of gaming without a
4 local option election; no existing form
5 of gaming may be conducted in a parish
6 where it is not heretofore being
7 conducted without that parish having a
8 local option election; and more
9 importantly for our purposes is to move
10 a riverboat license from a previously
11 authorized site to another site requires
12 a local option election. Specifically,
13 and to paraphrase the specific section
14 of the Constitution: No license,
15 regardless of when issued, shall be
16 reissued to authorize the holder to
17 conduct riverboat gaming activities at a
18 berth site different from that
19 authorized in the license unless a local
20 referendum is held.

21 Do you remember, as I said earlier,
22 this fourth license, the last authorized
23 berth site was at a site on the
24 Calcasieu River adjacent to L'Auberge du
25 Lac, which was approved and put in the

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1 condition, the Sugarcane Bay project was
2 approved. So under 26(C)2, any other
3 berth sight other than that site would
4 require another local option election.

5 As an added twist here, the statute,

6 which tells you how to have this local
7 option election, requires first that the
8 Board must approve the license, and then
9 the election is authorized either by
10 active legislature, or the local
11 governing authority can do it by
12 resolution or ordinance. And we faced
13 this three or four times before when
14 somebody wanted to move a riverboat.
15 They actually had to come to the Board
16 with the project and the submissions and
17 get the Board's approval before the
18 local authority could even call the
19 local option election.

20 That being said, I just have one
21 other thing that raises an issue in this
22 local option scenario, and let me
23 specifically read you the proposition
24 that was put before the citizens of
25 Calcasieu Parish which they voted on

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1 November 7th, 2006.

2 Shall Sugarcane Bay Resort & Casino,
3 to be owned and operated by subsidiary
4 of Pinnacle Entertainment, Inc., be
5 allowed to conduct riverboat gaming
6 within the City of Lake Charles at a
7 location adjacent to Pinnacle's existing
8 L'Auberge du Lac Resort along the

9 Calcasieu River pursuant to an existing
10 license issued by the Louisiana Gaming
11 Control Board authorizing relocation of
12 the berth without the facility of the
13 license from another site within the
14 City of Lake Charles to Sugarcane Bay
15 Resort & Casino, all in accordance with
16 the Louisiana Gaming Control Law?

17 It has all the elements, relocation
18 of the thing, but it does specifically
19 identify Sugarcane Bay as a subsidiary
20 of Pinnacle who is going to do the
21 project to be moved. We all know that's
22 not going to be the case because they
23 turned in that license. So I do
24 think -- and I think it's only fair to
25 relay to the Board -- that this would

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1 present an issue for litigation.

2 Should, say, the Board approve an
3 applicant for that same site and not
4 require the local option election as the
5 constitution reads, then somebody says,
6 no, no, the citizens of Lake Charles
7 approved Pinnacle at their site; we've
8 got to have another election because
9 that's not what we voted on instead. I
10 think that goes beyond the requirements
11 of the constitution, but in the same

12 vain, somebody could come and argue that
13 you're taking away the people's right to
14 vote. They voted on Sugarcane Bay
15 Pinnacle at that site, and that's not
16 what we're getting so we need another
17 election.

18 Honestly, the safest thing to do
19 would probably be if that is awarded to
20 somebody at that site, they have another
21 election. Just because y'all know how
22 long litigation takes, and I can't make
23 any guarantees that one side or the
24 other would prevail on the conflict of
25 those two issues.

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1 As a wrap-up, I'd just like to point
2 out that the Board is the one who will
3 control this process of license --
4 application and licensing. 15(B)3 gives
5 the authority of the Board to establish
6 a plan to administer the granting of a
7 license; in this case, the reissuance of
8 this fourth license. I know I pointed
9 out in the memo that I did that Missouri
10 actually has one that they're -- have up
11 for issuance right now, and they
12 solicited what they call a Notice of
13 Interest to have people just express
14 interest initially to see if there was

15 any interest in the license. I believe
16 I read this morning that they had 15
17 projects interested in that license.
18 That may be something the Board may want
19 to consider or not. The statutes don't
20 say when you have to open up the
21 application process. It doesn't give a
22 timeline on how long you have to apply.
23 I think all those can be, you know,
24 determined by the Board as to set up the
25 process at the Board's discretion.

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1 CHAIRMAN MORGAN: Mr. Gautreaux, I
2 want to reiterate: The Board is not
3 mandated to issue the license. It's
4 discretionary.

5 MR. GAUTREAU: It is up to 15.

6 CHAIRMAN MORGAN: And the other
7 issue: Having been on the State Police
8 side, I can tell you that having -- it's
9 a very laborious process for the
10 Attorney General's Office and the Office
11 of State Police for these applicants,
12 and so I -- when we get to the
13 appropriate time, I would like for the
14 Board to entertain your recommendation
15 of a having a period of time of public
16 notice just to gauge the interest in the
17 license. Because of that fact, because

18 State Police and the Attorney General's
19 Office is really going to have to really
20 ramp up personnel and others to
21 adequately vet these applicants, and so
22 to get an idea of what the impact would
23 be and how many people are interested in
24 this available license and where, I
25 think would be prudent of this board.

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1 And then further clarification, I
2 think I understand what you folks said:
3 If we decide -- for us to place this
4 license in an area that is not currently
5 approved by local option would be an act
6 of legislation; the legislature would
7 have to authorize that parish to even
8 have a vote on local option, right?

9 MR. GAUTREAUX: Correct, and the
10 Board would be prohibited from even --

11 CHAIRMAN MORGAN: Considering it.

12 MR. GAUTREAUX: -- considering it or
13 reissuing it in that parish until they
14 had that election.

15 CHAIRMAN MORGAN: And then for the
16 current location or thereabout, no
17 prohibition other than it needs to be
18 local option, and the manner in which
19 that was done is we would receive the
20 applicants and then determine the

21 appropriate place, you know, what's best
22 for State of Louisiana, I would hope,
23 and award the license; and then they
24 would have to have a local option?

25 MR. GAUTREAUX: Correct.

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1 MS. ROGERS: Who would be
2 responsible for that election, the local
3 governing body?

4 MR. GAUTREAUX: The local governing
5 body. In this case, the local governing
6 body can authorize it by resolution, and
7 the ones we've had -- and I think we've
8 done four or five since I've been here.
9 It's usually done by the local governing
10 body passed the resolution to hold the
11 proposition. And, in fact, a lot of
12 times, and the majority of the times
13 that I can recall, the Board knew --
14 there was some support from the local
15 authority even during the Board's
16 process, either by a resolution passed
17 or something that they submitted to the
18 Board saying, we are in support of this
19 project and will call the election if
20 it's authorized by the Board.

21 So a lot of times we know what
22 they're thinking ahead of time.

23 MR. BRADFORD: Leonce, the document

24 that you read from from Lake Charles
25 concerning where it specifically named

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1 Sugarcane Bay, was that a resolution or
2 a law or an ordinance?

3 MR. GAUTREAUX: That was a -- it was
4 a resolution. It was passed.

5 MR. BRADFORD: Is that not trumped
6 by the state constitution?

7 MR. GAUTREAUX: My argument would be
8 the state constitution only requires the
9 approval of the relocation of a
10 riverboat. And I went back; and I
11 listened to a lot of the tapes from the
12 committee hearings in 1996, and it was
13 obvious that their concern was a
14 riverboat moving from one location to
15 another, not a specific riverboat, not a
16 project being approved. And there is
17 some argument that that specificity
18 impinges on the obligations of the Board
19 as the licensing authority and the State
20 who is, under the constitution, solely
21 responsible for gaming and licensing of
22 gaming.

23 That being said, you know, if -- the
24 other side, there's nothing to say that
25 a judge or a court may not find, well,

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1 you're taking away their opportunity to
2 vote because that proposition, that
3 resolution read that, and that's not
4 what's happened. That's the unknown
5 factor, and I can't guaranty nobody
6 might try to stop it by filing no
7 lawsuit. I've experienced that in past,
8 too.

9 MR. BRADFORD: Generally speaking,
10 we -- or at least I was under the
11 assumption that we had the opportunity
12 to issue another license for that same
13 berthing site without another local
14 option election.

15 MR. GAUTREUX: I think --

16 MR. BRADFORD: Generally speaking.
17 Now you're making the point that if
18 someone would want to block that, they
19 could file a suit saying it had to be
20 Sugarcane Bay?

21 MR. GAUTREUX: It seems to me when
22 I got a copy of that and read a copy of
23 that, that's the first thing that
24 occurred to me. That provides an
25 opportunity for somebody to delay even

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1 further through lawsuit. Whether they
2 win or not ultimately, who knows by the
3 time the delay is done.

4 MR. BRADFORD: But the local option
5 election can be called over there
6 without the legislature?

7 MR. GAUTREAU: Yes. And that may
8 be ultimately -- if that happens, the
9 safe thing to do is just go ahead and
10 have another one. Nothing would
11 prohibit that.

12 CHAIRMAN MORGAN: Any other
13 questions? Members, would you
14 entertain -- Mr. Gautreaux's provided --
15 I think all of you have a public notice
16 document that leaves a very abbreviated
17 time that's due by June 7th, 2010, but
18 it just asks for some basic information
19 for a potential applicant, and I think
20 this would allow the Board to at least
21 have one -- a better understanding of
22 the interest in this available license
23 and the locations of the potential
24 applicants.

25 I will -- I will tell you that --

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1 Mr. Dees is in the back. I've received
2 a letter from the Southwest Louisiana
3 Legislative Delegation asking to keep
4 the license in the Lake Charles area,
5 and also a resolution from the Parish of
6 Calcasieu, and a resolution from the

7 City of Lake Charles. So that falls in
8 line with what we're soliciting for,
9 really, potential applicants.

10 Mr. Dees, would you want to make any
11 comment?

12 MR. DEES: No.

13 CHAIRMAN MORGAN: And certainly
14 anyone else with that regard. But it's
15 like Leonce said: It's like what
16 Missouri did, and I think it gave them
17 clarification on potential location of
18 applicants and interest.

19 MR. BRADFORD: Mr. Chairman, I'd
20 like to make a motion that we -- that
21 this board open itself for letters of
22 interest in the license surrendered by
23 Pinnacle.

24 MR. SINGLETON: I'll second it.

25 CHAIRMAN MORGAN: We've got a motion

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1 by Mr. Bradford, seconded by Mr.
2 Singleton to publish the public notice,
3 and we would report back -- this will
4 give us enough time to report back to
5 the board next month, next meeting, and
6 then we will -- depending on the
7 interest -- I hope we have 15 applicants
8 or people interested -- we can move
9 pretty rapidly on opening up the

10 application process.

11 Is there any objection to that
12 motion? (No response.) Hearing none,
13 that motion's adopted.

14 VI. VIDEO GAMING ISSUES

15 1. Spanish Lake Truck & Casino Plaza, LLC,
16 d/b/a Spanish Lake Truck & Casino Plaza -
17 No. 5000514417 (transfer of interest)

18 CHAIRMAN MORGAN: Item VI, Video
19 Gaming Issues. And for the public, we
20 have this available today if you're
21 interested, the public notice. This is
22 consideration of the following truckstop
23 applications. Number one, go ahead and
24 introduce the applications.

25 MR. WAGNER: Good morning, Mr.

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1 Chairman, Members of the Board, I'm
2 Assistant Attorney General, Jonathan
3 Wagner, in regard to the transfer of
4 interest in Spanish Lake Truck & Casino
5 Plaza, LLC, doing business as Spanish
6 Lake Truck & Casino Plaza.

7 Spanish Lake is a Type 5 video poker
8 license, number 5000514417, located in
9 New Iberia, Louisiana, and is currently
10 owned as follows: Gardner Investments
11 Limited owns 35 percent; Kerry Denny
12 owns 30 percent and Bryan Bush, III,

13 owns 35 percent as well.
14 Prior to the transfer being
15 reported, Scott Plantowsky 5 percent of
16 the Spanish Lake; however, on
17 February 19th, 2010, he and Bryan Bush,
18 III, entered into a exchange of shares
19 whereby Mr. Bush acquired Mr. Plantowsky
20 shares of Spanish Lake in exchange of
21 Mr. Bush's shares in ES Leasing Limited
22 Partnership. ES Leasing is a
23 Texas-based limited partnership and does
24 not hold an interest in any video poker
25 licensed entity.

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1 Trooper Vincent Lenguyen conducted
2 an investigation of the reported
3 transfer and is here to present the
4 Office of State Police's findings.

5 MR. LENGUYEN: Good morning,
6 Chairman and Members of the Board, my
7 name is Trooper Vincent Lenguyen with
8 Louisiana State Police Gaming
9 Enforcement Division. I conducted a
10 investigation of the transfer of
11 5 percent membership interest of Spanish
12 Lake Truck & Casino Plaza, LLC, from
13 Scott Plantowsky to Bryan Bush, III. My
14 investigation revealed no information to
15 preclude continued licensing of the

16 truckstop.

17 MR. WAGNER: The Office of the
18 Attorney General has also reviewed the
19 file compiled as a result of the Office
20 of State Police's investigation. Our
21 review indicates that no information has
22 been found which would preclude Spanish
23 Lake Truck & Casino Plaza, LLC, from
24 continuing to participate in Louisiana's
25 gaming industry.

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1 At this time, we would be happy to
2 field any questions you may have.

3 CHAIRMAN MORGAN: Thank you. Any
4 questions? (No response.)

5 MS. ROGERS: I move.

6 CHAIRMAN MORGAN: We have a motion
7 by Miss Rogers to approve the transfer
8 of interest. Is there a second?

9 MR. JUNEAU: Second.

10 CHAIRMAN MORGAN: Second by
11 Mr. Juneau. Is there any objection?
12 (No response.) Hearing none, that's
13 approved.

14 2. TA OPERATING, LLC, D/B/A TRAVELCENTERS OF
15 AMERICA - EGAN - NO. 0100515849 (transfer
16 of interest); GREENWOOD - NO. 0906515551
17 (transfer of interest); SHREVEPORT - NO.
18 0904515852 (transfer of interest);

19 TALLULAH - NO. 3301515851 (transfer of
20 interest)

21 CHAIRMAN MORGAN: Item two.

22 MR. PITRE: Morning, Chairman
23 Morgan, Board Members, I'm Assistant
24 Attorney General, Earl Pitre, Jr. I was
25 wondering if I could present Items two

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1 through five, all TA Operating -- TA
2 Operating, LLC, doing business as
3 TravelCenters of America in Egan; TA
4 Operating, LLC, doing business as
5 TravelCenters of America in Greenwood;
6 TA Operating, LLC, doing business as
7 TravelCenters of America in Shreveport,
8 and TA Operating, LLC, doing business as
9 TravelCenters of America. This concerns
10 added officers and a transfer of
11 ownership to its institutional investor.

12 The licensee is a Delaware limited
13 liability company organized on July 8th,
14 1993. TravelCenters of America Holding
15 Company, LLC, owns 100 percent of the
16 applicant -- of the licensee, TA
17 Operating, LLC. TravelCenters of
18 America, LLC, owns 100 percent of
19 TravelCenters of America Holding
20 Company, LLC, and TravelCenters of
21 America is a publicly traded company.

22 Renaissance Technologies, LLC,
23 acquired, at the time of Louisiana State
24 Police's report, a 6.19 percent shares
25 of TravelCenters of America, LLC, the

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1 remote parent company of the licensee.
2 Renaissance Technologies, LLC, is
3 presumed suitable because they qualify
4 as an institutional investor as defined
5 in Louisiana Revised Statute 27:310(G)1.

6 Barry Richards and Ara Bagdasarian
7 were appointed as executive
8 vice-presidents for TA Operating, LLC,
9 TravelCenters of America Holding
10 Company, LLC, and TravelCenters of
11 America, LLC.

12 Trooper Vincent Lenguyen conducted
13 the suitability investigation of the
14 added officers. He will present the
15 Office of State Police's findings.

16 MR. LENGUYEN: Good morning, Mr.
17 Chairman, Board Members. My name's
18 Trooper Vincent Lenguyen with the
19 Louisiana State Police Gaming
20 Enforcement Division. I conducted a
21 suitability investigation on Barry
22 Richards and Ara Bagdasarian and found
23 no information that would preclude them
24 from participating in the video gaming

25 industry.

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1 MR. PITRE: The Office of the
2 Attorney General has reviewed the file
3 compiled as a result of the
4 investigation conducted by the Office of
5 State Police. Our review indicates that
6 no information has been found which
7 would preclude Barry Richards, Ara
8 Bagdasarian or Renaissance Technologies,
9 LLC, from participating in the video
10 gaming industry.

11 CHAIRMAN MORGAN: Okay. Are there
12 any questions? The motion to approve
13 would be for Items two through five?

14 MR. PITRE: Yes, sir.

15 MAJOR MERCER: I move we approve.

16 CHAIRMAN MORGAN: Motion by Major
17 Mercer, second by --

18 MR. JUNEAU: Second.

19 CHAIRMAN MORGAN: -- Mr. Juneau that
20 we approve the transfer of interest. Is
21 there any objection? (No response.)
22 Hearing none, that's approved.

23 6. River Port Truck Stop, LLC, d/b/a River
24 Port Casino - No. 6100511383 (transfer of
25 interest)

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1 CHAIRMAN MORGAN: Item VI, River

2 Port Truck Stop.

3 MR. PITRE: Chairman Morgan, Board
4 Members, I am Assistant Attorney
5 General, Earl Pitre, Jr., here in the
6 matter of River Port Truck Stop, LLC,
7 doing business as River Port Casino.

8 The licensee is a Louisiana limited
9 liability company organized on
10 April 14th, 1998. There were two
11 transfers of interest to report. The
12 first transfer of interest occurred on
13 November 7th, 2007, when John Jurewicz
14 acquired 100 percent of the membership
15 interest of the licensee from The 146,
16 LLC, through an assignment of membership
17 interest.

18 The second transfer of interest
19 occurred on August 22nd of 2008, when
20 Port Au Prince, LLC, acquired 90 percent
21 of the membership interest of the
22 licensee from John Jurewicz through an
23 assignment of membership interest; thus
24 leaving John Jurewicz with 10 percent
25 and Port Au Prince, LLC, with

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1 90 percent. Port Au Prince, LLC's, sole
2 member is John S. Turner, Jr. The
3 licensee is located at 940 South Lobdell
4 Road in Port Allen, Louisiana, in West

5 Baton Rouge Parish. The licensee leases
6 the truck stop facility from T. Joe
7 Calloway and River Port Land, LLC. This
8 was due to a change -- it was an amended
9 lease. Before the previous lessors had
10 revenue recipients. The current ones
11 will not be revenue recipients.

12 Trooper Vincent Lenguyen conducted
13 the suitability investigation of the
14 relevant persons associated with the
15 licensee and also conducted an on-site
16 inspection of the facilities. He will
17 present the Office of State Police's
18 findings to the Board.

19 MR. LENGUYEN: Good morning, Mr.
20 Chairman, Board Members, my name is
21 Trooper Vincent Lenguyen with the
22 Louisiana State Police Gaming
23 Enforcement Division. I conducted a
24 suitability investigation on the
25 relevant persons associated with the

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1 license, and also conducted an on-site
2 inspection of the facility. I conducted
3 an updated civil and criminal check and
4 found no information that would preclude
5 the following persons from
6 participating: John Jurewicz; Cynthia
7 Jurewicz; John S. Turner, Jr.; and

8 Carolyn Turner.

9 Due to the installation of the
10 monitoring wells, the truckstop parking
11 lot had to be repaired and resurfaced.
12 A reinspection was conducted, and it was
13 determined that the establishment meet
14 all criteria set forth in the video
15 gaming law as a qualified truck stop
16 facility.

17 Tax clearance certificate and
18 inquiries revealed the licensee and its
19 members are current in the filing and
20 payment of the all required taxes and
21 returns. All applicable state and local
22 permits were posted. The establishment
23 consists of at least five contiguous
24 acres, and the truckstop also has a
25 separate gaming area that is restricted

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1 to adult patrons.

2 MR. PITRE: The Office of the
3 Attorney General has reviewed the file
4 compiled as a result of the
5 investigation conducted by the Office of
6 State Police. Our review indicates that
7 no information has been found which
8 would preclude John Jurewicz, Cynthia,
9 John S. Turner, Jr., and Carolyn Turner
10 from participating in the video gaming

11 industry.

12 CHAIRMAN MORGAN: Okay. Any
13 questions?

14 MR. STIPE: I do have a couple. If
15 this transfer occurred in 2007, why is
16 it just now getting to you?

17 MR. LENGUYEN: During the -- working
18 on the transfer, we ran into a problem
19 with some environmental issues because
20 of the soil contamination and stuff, and
21 they couldn't repair the lot until those
22 contaminations was completed. So it
23 took them until early March to complete
24 that full assessment and everything
25 before we finished up the transfer.

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1 MR. STIPE: When they -- they went
2 back and restated the lease; is that
3 right? Before -- originally, the lease
4 was what?

5 MR. PITRE: The original lease was
6 between Mr. Day and Mr. Calloway. They
7 were revenue recipients.

8 MR. STIPE: Okay.

9 MR. PITRE: And Mr. Day sold his
10 membership interest to the River Port
11 Land, LLC.

12 MR. STIPE: Okay.

13 MR. PITRE: And when they redid the

14 amended lease, they decided not to do a
15 revenue share, but receive a certain
16 dollar amount, which is 11,500 per
17 month.

18 MR. STIPE: Okay.

19 MR. LENGUYEN: And River Port Land
20 is owned by the majority shareholder,
21 Mr. John S. Turner, in the same
22 instance, so that's why it made it
23 easier for him to just do a straight
24 lease like that.

25 MR. STIPE: Okay. And these lawsuit

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1 that you mentioned, those are --

2 MR. LENGUYEN: Anticipating right
3 now. They haven't resolved it or
4 anything, but like I say, those lawsuits
5 only occurred beforehand. When they
6 bought the transfer of the stock, it --
7 basically they took over the lawsuit,
8 too, so they trying to work it out to
9 see what they have to do it stop the
10 lawsuit from, you know, going any
11 further or anything like that.

12 MR. STIPE: Their environmental
13 remediation is complete?

14 MR. LENGUYEN: Yes.

15 MR. STIPE: And subsequent to that
16 remediation, they meet all the criteria?

17 MR. LENGUYEN: Yes, they did.

18 MR. STIPE: And your recommendation
19 is to approve this transfer of
20 ownership?

21 MR. LENGUYEN: Yes, sir.

22 MR. STIPE: That's all I have.

23 CHAIRMAN MORGAN: Any other
24 questions? What's the pleasure of the
25 Board?

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1 MR. BRADFORD: I move for approval.

2 CHAIRMAN MORGAN: Motion by Mr.
3 Bradford. Seconded by --

4 MS. ROGERS: Second.

5 CHAIRMAN MORGAN: -- Miss Rogers.

6 Was there any objection for approval?

7 (No response.) Hearing none, it's

8 approved. Thank you.

9 VII. RULEMAKING

10 A. Adoption of amendments to LAC

11 42:III.2521, 2522, 2523, 2524, 2525,

12 2526; LAC 42:VII.2521, 2523, 2524; LAC

13 42:IX.2521, 2522, 2523, 2524; LAC

14 42:XIII.2521, 2523 & 2524 (Transfers of
15 Interest; Loans and Restrictions).

16 CHAIRMAN MORGAN: Item VII,
17 Rulemaking.

18 MR. WAGNER: Again, good morning,
19 Mr. Chairman, Board Members, Jonathan

20 Wagner, Assistant Attorney General.
21 At the Board's meeting on
22 January 19th, 2010, a motion was passed
23 to initiate ruling procedures for casino
24 debt transactions. As part of the
25 promulgation progress, the

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1 Administrative Procedure Act requires
2 that our office receives public comments
3 or concerns about a proposed rule for 20
4 days following its publication as a
5 notice of intent in the Louisiana
6 Register. This is why each notice of
7 intent contains a paragraph directing
8 those who wish to voice their opinion to
9 call me directly. I am then required to
10 report the substantive comments or
11 questions to the Board so that you can
12 consider whether or not they rise to the
13 level of requiring action.

14 Normally, I receive neither comment
15 nor concerns about the proposed rules;
16 however, for these particular rules, I
17 received one of each. The question
18 asked separately by three different
19 attorneys on behalf of their clients
20 was: Will these rules apply to
21 manufacturers and non-gaming suppliers?
22 The answer's no. These provisions apply

23 only to licensees. As such,
24 manufacturers and other similar entities
25 will not be subject to the rules as they

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1 conduct their business under a permit,
2 and are, therefore, permittees and not
3 licensees.

4 The comment received concerned the
5 proposed Part Three, Section 2525, which
6 will enable qualifying licensees or
7 their affiliates to apply for shelf
8 approval for financing projects. In
9 essence, they will apply to the Board
10 for approval bar up to a certain amount
11 of funds. They can then borrow up to
12 that amount in order to finance their
13 operations without having to seek Board
14 approval for each and every loan, so
15 long as the cumulative amount borrowed
16 remains below the shelf.

17 The comment made was that -- and I
18 quote -- it would be difficult to comply
19 with this requirement in that a licensee
20 would need to assess a specific amount
21 for a certain time period while
22 attempting to forecast what economic
23 conditions would exist during the
24 specified time period. The Board should
25 note that this concern was raised during

1 the drafting stage for this rule, and it
2 was decided that it was unnecessary to
3 include provisions to address the matter
4 as, one: Applicants for shelf approval
5 are not required to assess any specific
6 amounts prior to making their
7 application. They are required only to
8 state a reasonable ballpark maximum they
9 might have to borrow in order to
10 complete their intended goals.

11 For example, if the casino is
12 entertaining a project that their
13 analyst believes will cost \$300 million,
14 they are free to request shelf approval
15 for a reasonably higher amount to cover
16 the chances that market conditions may
17 fluctuate and thus drive up cost of
18 their proposed project. Obviously, they
19 shouldn't ask for a trillion or some
20 other exorbitant amount, but the
21 provisions do allow them to request more
22 than is actually needed.

23 Second, in the event that the cost
24 of a project does eventually exceed the
25 shelf limit requested from the Board,

1 the licensee is free to return to the
2 Board and request that its limit be

3 raised so that additional financing may
4 be obtained.

5 And finally, applying for shelf
6 approval will not be mandatory. If a
7 particular licensee does not feel
8 comfortable applying for shelf approval,
9 they can continue under the current
10 system, which is they come before the
11 Board for each an every loan as they
12 have in the past.

13 Again, since this issue was
14 addressed during the drafting stage, we
15 do not believe that it warrants making
16 changes to the rule as doing so would
17 restart the promulgation progress and
18 create a six-month delay to get us back
19 to the point where we now. The better
20 alternative would be for the Board to
21 approve these measures, and then if a
22 problems arise, to address them
23 accordingly.

24 Any questions?

25 MR. STIPE: I do have a couple,

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1 actually.

2 MR. WAGNER: Yes, sir.

3 MR. STIPE: And I take what you're
4 saying to mean that this is a method of
5 getting financing --

6 MR. WAGNER: Correct.

7 MR. STIPE: -- it's not the
8 exclusive method?

9 MR. WAGNER: Correct.

10 MR. STIPE: In your notice, 2523
11 under B7.

12 MR. WAGNER: Okay.

13 MR. STIPE: The language that you've
14 got is, a transaction modified the terms
15 of an existing debt transaction which
16 was previously approved and does not
17 substantially alter such terms. How are
18 these factors analyzed; how mechanically
19 is this substantially altered?

20 MR. WAGNER: I'm sorry. I'm not
21 finding -- you said 2525?

22 MR. STIPE: I'm sorry, 2523(B)7.

23 MR. WAGNER: Are we looking at the
24 same a notice of intent, sir?

25 MR. STIPE: I hope so. Notice of
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1 debt transaction board.

2 MS. ROGERS: Page two.

3 MAJOR MERCER: You need a copy?

4 MR. WAGNER: Yes, sir. This is not
5 what you're looking at?

6 MR. STIPE: Here you go.

7 MR. WAGNER: Okay, sir. What is
8 your question?

9 MR. STIPE: In number seven, it
10 talks about whether it substantially
11 alters the existing debt. How is that
12 determination made mechanically; who
13 evaluates that?

14 MR. WAGNER: It's my understanding
15 that prior to them applying for a loan,
16 that it's evaluated by State Police, and
17 depending on what they say, it may or
18 may not qualify substantial. If it is
19 not, then they would be eligible to
20 require the written approval -- I mean,
21 they would not be required to obtain
22 written approval.

23 MR. STIPE: So administratively,
24 State Police will receive this,
25 evaluate -- make some evaluation as to

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1 whether this substantially alters the
2 existing debt structure?

3 MR. WAGNER: That is my
4 understanding, but I will say I am not
5 100 percent certain about the clerical
6 process that goes into that.

7 MR. STIPE: Okay. And then
8 secondly, in terms of the -- I guess
9 related to 2526, the last section that
10 you're insert in terms of these -- I
11 mean, again, mechanically these

12 financing and incurring debts, and how
13 mechanically is this administered? I
14 mean, who is going to make the
15 evaluation of whether the -- the
16 interest payable on the indebtedness
17 is -- the pretax cash flow exceeded by
18 125 percent the amount of annual
19 interest payable? I mean, mechanically
20 who is the --

21 MR. WAGNER: That's almost the same
22 question as before. Again, I believe
23 State Police evaluates it.
24 Mr. Gautreaux, if he was available,
25 would be more in a position to answer

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1 the question.

2 MR. STIPE: All right. And
3 presumably --

4 THE CLERK: It's actually the
5 auditors.

6 MR. STIPE: The auditors?

7 CHAIRMAN MORGAN: I think these
8 rules were mirrored after Nevada.
9 There's another jurisdiction.

10 MR. WAGNER: Yes. From what I
11 gather is Mr. Gautreaux is the primary
12 author of these, and in the drafting
13 process, he met with industry, as well
14 as surveyed several other jurisdictions

15 for their process. And in January, he
16 made the presentation to you, and at
17 that time, I believe he did say he
18 mirrored Nevada.

19 CHAIRMAN MORGAN: Well, that's a
20 good point to bring up because,
21 apparently, State Police needs to make
22 sure they have the internal process.
23 Mr. Traylor is the Audit Director. Put
24 him on the hot seat.

25 MR. TRAYLOR: Morning, Jeff Traylor.

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1 I'm the auditing director for the Gaming
2 Division; and I have Lana Willingham,
3 who handles most of this. What they do,
4 they review -- when we do a credit -- or
5 a line of credit or anything, any kind
6 of a loan, some of the examples would
7 be, say, they extended a year or two and
8 they -- some of the companies that were
9 involved in extending the credit go out,
10 some come in, and that wouldn't really
11 change anything detailed about it. So
12 that -- that would be one that we can
13 handle quickly. Lana can help
14 provide --

15 MR. STIPE: And we're getting
16 attestations or some types of affidavit
17 from the debtors that their revisions to

18 the credit facility meet all the
19 criteria for this regulation? They're
20 the ones asserting in writing that these
21 thresholds are met?

22 MS. WILLINGHAM: On occasion all
23 they need is a waiver from a lender to
24 say they're off of their financial
25 ratios by a slight amount so that we

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1 consider that a minor adjustment. One
2 of the things we have previously
3 considered significant would be if they
4 want to go beyond what was previously
5 the amount approved by the Board, there
6 will be some flexibility in that now
7 with the passage of this for those who
8 qualify under this new.

9 MR. TRAYLOR: But just to answer
10 your question: We don't just take what
11 they send to us and say, okay, this
12 one's coming in, that one's going out.
13 We confirm with the different lenders to
14 make sure that the information is
15 correct.

16 MS. WILLINGHAM: Yeah. And we -- we
17 review the draft of the amendments, and
18 we get the new financial information.
19 So it goes through the whole process as
20 if we were going to do a full report to

21 the Board.

22 MR. STIPE: That's all I have, Mr.

23 Chairman.

24 CHAIRMAN MORGAN: Any other
25 questions? We need a motion to adopt?

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1 MR. WAGNER: To adopt, yes, sir.

2 MR. BRADFORD: I move for adoption
3 of this rule.

4 CHAIRMAN MORGAN: Mr. Bradford moves
5 to adopt.

6 MR. JUNEAU: Second.

7 CHAIRMAN MORGAN: Seconded by
8 Mr. Juneau. Is there any objection?

9 (No response.) Thank you.

10 VIII. PROPOSED SETTLEMENTS FROM HEARING OFFICERS'

11 DECISIONS

12 1. In Re: The Old Evangeline Downs, LLC,
13 d/b/a Evangeline Downs Racetrack and
14 Casino - Nos. SAR 08-2-54-069-1949, SAR
15 09-2-54-085-1835, SAR 09-2-54-141-2967

16 CHAIRMAN MORGAN: Item VIII,
17 Proposed Settlements from Hearing
18 Officers' Decisions. Number one is Old
19 Evangeline Downs, LLC, doing business as
20 Evangeline Downs Racetrack and Casino.

21 MR. HEBERT: Good morning, Members
22 of the Board. I'm Christopher Hebert,
23 Assistant Attorney General, representing

24 the Louisiana Office of State Police.

25 MR. WEST: I'm Paul West

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1 representing Evangeline Downs.

2 MR. HEBERT: An administrative
3 action notice was issued as a result of
4 three separate significant action
5 reports citing numerous violations of
6 Evangeline Downs' internal control,
7 including counting procedure, cage
8 procedure and in allowing unauthorized
9 access to restricted sensitive keys.

10 In lieu of an administrative action
11 in this matter, Evangeline Downs has
12 agreed to pay a civil penalty of
13 \$120,000; and the hearing officer has
14 signed off on this agreement, and we're
15 here this morning seeking Board approval
16 of such.

17 CHAIRMAN MORGAN: Do you have
18 anything to add?

19 MR. WEST: No, sir.

20 CHAIRMAN MORGAN: These were the
21 same violations that were covered during
22 the renewal that were pending?

23 MR. WEST: Yes.

24 MR. HEBERT: Yes.

25 CHAIRMAN MORGAN: And if I

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1 understand, the property is doing a lot
2 better, I believe, since these
3 violations?

4 MR. WEST: We feel like we are.
5 I'll defer to Major Noel to confirm
6 that.

7 MAJOR NOEL: Yes, sir.

8 CHAIRMAN MORGAN: What was that?

9 MAJOR NOEL: Yes, sir, they are
10 doing much better.

11 CHAIRMAN MORGAN: Of course, the
12 standard might not have been real high.

13 MR. WEST: What we did, as we told
14 you at the renewal, we do have a new
15 compliance committee made up of two
16 people outside of the company who were
17 actually former State Police who were
18 involved in Gaming, and they are much
19 more communicative with State Police,
20 the troopers on the ground and the
21 auditors on the ground at the property.
22 They meet with each other at least, I
23 think, once a week and maybe it's once
24 every two weeks. But there's just a lot
25 more proactive communication going on

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1 and I believe a lot better training
2 going on.

3 CHAIRMAN MORGAN: Any questions? Do

4 we have a motion?

5 MR. JUNEAU: I make a motion.

6 CHAIRMAN MORGAN: Motion by
7 Mr. Juneau to approve.

8 MAJOR MERCER: Second.

9 CHAIRMAN MORGAN: Seconded Major
10 Mercer. Is there any objection? (No
11 response.) Write the check.

12 MR. HEBERT: Thank you.

13 2. In Re: Copeland's of New Orleans, Inc.,
14 d/b/a Copeland's of N.O. #4 - No.
15 2600201988

16 3. In Re: Copeland's of New Orleans, Inc.,
17 d/b/a Copeland's of N.O. #20 - No.
18 09042112623

19 4. In Re: Gulf Ventures Associates d/b/a
20 Landmark Hotel Metairie - No. 2600301978

21 CHAIRMAN MORGAN: Item two is
22 Copeland's of New Orleans d/b/a
23 Copeland's of New Orleans #4. Are these
24 several that you need to take up, or
25 they need to be separate?

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1 MS. BOGRAN: Good morning, Chairman
2 Morgan, Board Members, Olga Bogran,
3 Assistant Attorney General, on behalf of
4 the State Police Gaming Division.

5 All the rest of them are mine, but
6 the first three are related through the

7 parties and the violation, so we can do
8 those three together. So we're looking
9 at Copeland's of New Orleans, d/b/a
10 Copeland's #4; Copeland's of New
11 Orleans, Inc., d/b/a Copeland's of New
12 Orleans #20, and Gulf Ventures
13 Associates, d/b/a Landmark Hotel in
14 Metairie.

15 These settlements arose from the
16 failure of the video poker licensee to
17 disclose the amount of the trust fund
18 fiduciary of the licensee. The
19 settlement has been signed by the
20 parties and the hearing officer and is
21 before you for final approval.

22 CHAIRMAN MORGAN: Are there any
23 questions? So these would be \$500
24 apiece?

25 MS. BOGRAN: Correct.

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1 MR. BRADFORD: I move for approval.

2 CHAIRMAN MORGAN: Motion by
3 Mr. Bradford to approve the proposed
4 settlement. Is there a second?

5 MR. JUNEAU: Second.

6 CHAIRMAN MORGAN: Second by
7 Mr. Juneau. Is there any objection?
8 Hearing none, those are approved.

9 5. Baron Oil Truck Stop, LLC, d/b/a Bayou

10 Casino - No. 2900514867

11 MS. BOGRAN: The next one is Baron
12 Oil Truck Stop, LLC, d/b/a Bayou Casino.
13 This settlement arises from a licensee's
14 failure to augment its security coverage
15 when it increased its video poker
16 machines on the floor. They immediately
17 corrected the problem on the day that
18 they were notified of the violation; and
19 the parties and the hearing officer has
20 signed off, and we now present it to you
21 for final approval.

22 CHAIRMAN MORGAN: Yeah, I'm going to
23 upset the apple cart here, but I do have
24 an observation, not a question. But I
25 don't know, I want to hear from the

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1 licensee. But if I calculated it
2 correctly, it's six weeks they went
3 without a -- six weeks you went without
4 a security?

5 MR. BORSE: That's correct.

6 CHAIRMAN GAUDIN: State your name
7 for the record.

8 MR. BORSE: Tim Borse (phonetic) on
9 behalf of the licensee, Baron Oil, d/b/a
10 Bayou Casino.

11 CHAIRMAN MORGAN: Was the seal
12 opened 24 hours?

13 MR. BORSE: That's correct.

14 CHAIRMAN MORGAN: Just my remedial
15 calculations here, even if you paid \$7
16 an hour, that's a \$7,000 consequence,
17 and we're selling it for \$500.

18 MS. BOGRAN: The penalty amount is
19 consistent with the --

20 CHAIRMAN MORGAN: That's per
21 violation, not for the period, though.
22 I'm not trying to be hard. I'm just
23 saying in the future.

24 MR. BORSE: Well, Mr. Chairman,
25 Members of the Board, we appreciate your

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1 observation, and we'll note this and
2 your generosity.

3 CHAIRMAN MORGAN: Obviously State
4 Police are okay with it, but I just --
5 when I first looked at this, I thought,
6 to be honest with you, it seems pretty
7 low compared to what --

8 MR. BORSE: I will make sure to pass
9 on your concerns and generosity for
10 today. I appreciate everything that
11 you're bringing up.

12 CHAIRMAN MORGAN: Any other
13 questions?

14 MR. STIPE: Move we approve.

15 CHAIRMAN MORGAN: We have a motion

16 by Mr. Stipe to approve. Is there a
17 second?

18 MR. SINGLETON: I'll second and
19 question.

20 CHAIRMAN MORGAN: A second and a
21 question?

22 MR. SINGLETON: I second the -- I'll
23 make the motion. I wanted to ask a
24 question.

25 CHAIRMAN MORGAN: We have a second.

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1 MR. SINGLETON: Based on -- you just
2 raised an interesting question, and is
3 it the Attorney General's Office?

4 MS. BOGRAN: Yes.

5 MR. SINGLETON: And my question, I
6 guess, is, Mr. Chairman: I've noticed a
7 few other inconsistencies that we've
8 approved in the past; and is it time for
9 us to look at the process and procedure
10 and determine how we apply this to each
11 individual based on the seriousness of
12 the issue.

13 CHAIRMAN MORGAN: We have a fine
14 schedule that will be before this board
15 next meeting for video poker to address
16 that.

17 MR. SINGLETON: Okay.

18 CHAIRMAN MORGAN: Even if you've had

19 that in place, though, there's some
20 discretion that's afforded the Office of
21 State Police because they initiate -- if
22 there's a violation over a period of
23 time, technically they can be in
24 violation every day. So the amount of
25 the fine could be every day, and that's

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1 the only thing. You know, I think the
2 State Police and the Attorney General's
3 Office are working towards that end; but
4 if it's just a -- this one came across,
5 and it just seemed like the fine
6 didn't -- I had another question as to,
7 you know, why is a security guard needed
8 for 30 versus 20 machines? But that's
9 gets into a totally different question.

10 So we're reviewing the rules and
11 regulations. We don't have that before
12 you. The fine schedule will be before
13 you next week, and that's in compliance
14 with the legislative auditor's finding
15 that we should have -- the law requires
16 that we have a fine schedule adopted.

17 So I think we're getting there.
18 It's just going to take a little longer
19 than what I just -- so we have a motion
20 and a second.

21 CHAIRMAN GAUDIN: We have a motion

22 and a second to approve.

23 MR. SINGLETON: I'll move.

24 THE CLERK: A motion, not a second.

25 COURT REPORTER: Mr. Singleton

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1 seconded.

2 CHAIRMAN MORGAN: Mr. Singleton

3 seconded. Is there any objection? (No

4 response.) Okay, you got off easy.

5 6. In Re: TAG Businesses, LLC, d/b/a Perfect

6 Fit Bar & Grill - No. 3601215606.

7 MS. BOGRAN: Next is TAG Businesses,

8 LLC, The Perfect Fit Bar & Grill. This

9 settlement arose from the licensee's

10 failure to submit their required annual

11 form, fees and tax clearances. Prior to

12 entering into the settlement agreement,

13 the licensee came into compliance. The

14 settlement is before you for final

15 approval.

16 CHAIRMAN MORGAN: Any questions? Is

17 there a motion?

18 MR. STIPE: I'll make a motion.

19 CHAIRMAN MORGAN: Mr. Stipe made the

20 motion --

21 MR. BERTHELOT: Second.

22 CHAIRMAN MORGAN: -- seconded by

23 Mr. Berthelot. Is there any objection?

24 (No response.) Hearing none, it's

25 approved.

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1 7. In Re: Robert E. Rompon - No. PO20053164

2 CHAIRMAN MORGAN: Item seven.

3 MS. BOGRAN: That's all for the

4 video poker cases. Now I have two

5 casino gaming matters. The first one is

6 Robert Rompon. This settlement concerns

7 Mr. Rompon's failure to timely disclose

8 an arrest. The settlement is before you

9 for final approval.

10 CHAIRMAN MORGAN: Okay. Are there

11 any questions? Do we have a motion?

12 MAJOR MERCER: I'll make a motion.

13 CHAIRMAN MORGAN: Motion by Major

14 Mercer, seconded by --

15 MR. BRADFORD: Second.

16 CHAIRMAN MORGAN: -- Mr. Bradford.

17 Is there any objection? Hearing none,

18 it's approved.

19 8. In Re: Darryl K. Labeaud - No. PO40036842

20 MS. BOGRAN: Okay. We have a

21 similar issue with casino gaming

22 employee Darrel Labeaud. This

23 settlement also concerns a failure to

24 disclose an arrest, and the settlement

25 is before you for final approval.

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1 MR. JUNEAU: Make a motion.

2 CHAIRMAN MORGAN: Okay. Motion by
3 Mr. Juneau to approve. Seconded by --

4 MR. SINGLETON: I'll second.

5 CHAIRMAN MORGAN: -- Mr. Singleton.
6 Is there any objection? Hearing none,
7 it's approved. That's it for
8 settlements?

9 MS. BOGRAN: That's it. Thank you.

10 IX. PUBLIC COMMENTS

11 CHAIRMAN MORGAN: And Public
12 Comments? The only thing I would like
13 to reiterate is that we will have one
14 more meeting in this room, and we are
15 very appreciative for the Public Service
16 Commission to allow us to use it. And
17 then after that, we will be moving back
18 to the Capital. Last chance, Wade,
19 public comment? Do we have a motion to
20 adjourn?

21 X. ADJOURNMENT

22 MR. JUNEAU: I'll make a motion.

23 CHAIRMAN MORGAN: By Mr. Juneau.

24 MR. BRADFORD: Second.

25 CHAIRMAN MORGAN: Seconded by Mr.

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1 Bradford.

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REPORTER'S PAGE

I, SHELLEY PAROLA, Certified Shorthand

Reporter, in and for the State of Louisiana, the

officer before whom this sworn testimony was

taken, do hereby state:

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8 proceeding, where necessary, dashes (--) have been
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12 proceeding, and that dashes (--) do not indicate
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15 That any words and/or names which could not
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Certified Court Reporter #96001

25 Registered Professional Reporter

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1 STATE OF LOUISIANA

2 PARISH OF EAST BATON ROUGE

3 I, Shelley G. Parola, Certified Court

4 Reporter and Registered Professional Reporter, do

5 hereby certify that the foregoing is a true and

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11 Computer-Aided Transcription.

12 I further certify that I am not an
13 attorney or counsel for any of the parties, that I
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16 have no financial interest in the outcome of this
17 action.

18 Baton Rouge, Louisiana, this 22nd day of
19 June, 2010.

20

21

22

SHELLEY G. PAROLA, CCR, RPR
CERTIFICATE NO. 96001

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