



State of Louisiana

Gaming Control Board

M. J. "MIKE" FOSTER, JR.
GOVERNOR

HILLARY J. CRAIN
CHAIRMAN

IN RE: ARGOSY GAMING COMPANY CASE NUMBER: CGD010034 LICENSE NUMBER: R011700009

ORDER

This matter was considered by the Louisiana Gaming Control Board at its meeting of May 19, 2003. The Hearing Officer's order dated April 16, 2003, based on the "Joint Motion for Entry of Stipulation of Facts and Approval of Proposed Settlement" in the matter of "Notice of Violation and Hearing," Case No. CGD010034, by and between Argosy Gaming Company, License No. R011700009, and the Department of Public Safety and Corrections, Office of State Police, Casino Gaming Division, which is attached hereto and incorporated herein, is **APPROVED**.

THUS DONE AND SIGNED on this the 25th day of May, 2003.

LOUISIANA GAMING CONTROL BOARD

BY:

HILLARY J. CRAIN, CHAIRMAN

LOUISIANA GAMING CONTROL BOARD
I HEREBY CERTIFY THAT A CERTIFIED
COPY HAS BEEN MAILED OR SERVED ON
ALL PARTIES THIS 25th DAY
OF May, 2003
APPEAL DOCKET CLERK

STATE OF LOUISIANA
LOUISIANA GAMING CONTROL BOARD
ADMINISTRATIVE HEARING OFFICE

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APR 16 2003

LGCB
ADMINISTRATIVE HEARING OFFICE

CGD010034

IN RE: ARGOSY GAMING COMPANY

**JOINT MOTION FOR
ENTRY OF STIPULATION OF FACTS AND
APPROVAL OF PROPOSED SETTLEMENT**

APR 21 2003

ON JOINT MOTION OF:

1. The Department of Public Safety and Corrections, Office of State Police, Casino Gaming Division (the "Division"); and
2. Argosy Gaming Company, as the owner of Catfish Queen Partnership/Jazz Enterprises, Inc. d/b/a Argosy Casino Baton Rouge ("Argosy"), respectfully represent as follows:

1.

On or about November 18, 2002, the Louisiana Gaming Control Board issued a "Notice of Violation and Hearing" designated as CGD010034. The Notice alleged certain violations of Louisiana gaming laws and regulations, all as more fully set forth in the Notice, and arising out of a relationship by and between Argosy of Kenosha Company, a wholly owned subsidiary of Argosy Gaming Company, and NII-JII Entertainment, LLC ("NII-JII"), in connection with a proposed casino in Kenosha, Wisconsin, which developed in the following manner.

2.

On or about December 14, 2000, Argosy of Kenosha ("AOK"), entered into certain contracts with NII-JII for the purposes of funding a portion of the development and construction cost of the Menominee Tribal Gaming Authority casino project to be located in

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TRUE COPY

Representative
Louisiana Gaming Control Board

Kenosha, Wisconsin. The contractual agreements included a Loan Agreement, whereby AOK agreed to lend NII-JII an amount not to exceed \$5 million, to be used for project costs. An Operating Agreement was also made and AOK would provide managerial and technical experience and expertise with the development, construction and operation of the gaming facility and for which AOK would be compensated. These contractual agreements were also executed by Argosy Gaming Company ("Argosy") in a parent performance guarantee, wherein Argosy guaranteed, as a primary obligor, the performance of AOK's obligations under the contract. In addition, in the form of a commitment letter, AOK was to purchase a promissory note issued by NII-JII in the original amount of \$30 million, plus up to an additional \$5 million if NII-JII so requested to fund the project.

3.

Pursuant to the agreement, and on January 18, 2001, Argosy funded directly to NII-JII the sum of \$976,870 to reimburse NII-JII a portion of incurred development expense. Subsequent thereto, and in order to protect its investment interest, on July 11, 2001 Argosy made a direct payment of \$650,000 to the Menominee Tribe after Argosy received notice that NII-JII had defaulted in its commitments to the Tribe. No other funding or advances were made to NII-JII, the Tribe or any other party.

4.

Details of the contractual relationship became public in early 2001, when Don Malloy, General Counsel for Argosy, advised gaming regulators of an article that appeared in the New York Times which described a prior relationship between a NII-JII investor, Morgan F. Murphy, Jr. ("Murphy"), and a recently indicted and subsequently convicted felon, John Serpico ("Serpico").

5.

The Division conducted an investigation along with investigators from other jurisdictions and determined that one of the investors in NII-JII, Murphy, had been associated

with individuals who allegedly were associated with organized crime and were subsequently indicted for and convicted of felonies. The association of Murphy and Serpico occurred in the early to mid-1980's and had ended when Serpico was indicted in 1999 and convicted in 2000.

6.

Other than having been an investor in NII-JII and having the association set forth above, Murphy had no other relationship, directly or indirectly, with Argosy, and Argosy had no relationship, directly or indirectly, with any of the third parties implicated in alleged organized crime activities or indicted or convicted of any crimes.

7.

Investigators also learned that prior to entering into contractual relationships with NII-JII, Argosy did limited due diligence investigations and reviews on the principals of NII-JII, but instead largely relied upon the procedures undertaken by the Menominee Tribe Gaming Commission to determine suitability of NII-JII and its key personnel. However, prior to the funding of any sums to NII-JII or to the Tribe, Argosy was provided with a detailed suitability report on Murphy. The report included findings of fact and conclusions of law and the basis therefore. The suitability of Murphy occurred at the Tribal Gaming Commission meeting of December 19, and was signed by all Commission members December 20 and 21 of 2000.

8.

On or about September 30, 2001, Argosy, AOK, and its affiliates disassociated themselves and terminated their relationship with NII-JII.

9.

Argosy, as the parent company of Louisiana licensee Catfish Queen Partnership/Jazz Enterprises, was responsible for maintaining high standards of character, reputation and financial integrity to ensure that there is continued suitability for a license here in the State of Louisiana.

10.

Although Argosy does not believe that it has committed any violation of Louisiana gaming laws or regulations, it recognizes and acknowledges that its involvement in a multi-million dollar contractual relationship with NII-JII brought into question and review the methodologies employed by Argosy in conducting its business activities with third parties and, as such, impinged upon the credibility and integrity of its Louisiana licensee.

11.

Argosy additionally acknowledges that prior to the NII-JII transaction it did not have in place nor implement a due diligence plan and procedures for review of individuals or entities with which Argosy may seek a business relationship.

12.

NOW, THEREFORE, in consideration of the foregoing stipulations, the Division and Argosy hereby propose the following settlement:

1. Argosy will immediately finalize and implement a company wide due diligence plan and incorporate procedures and forms therein to ensure the complete and detailed review of any individual or entity with which Argosy intends to enter into a business transaction of any material nature.

2. Argosy agrees to pay to the State of Louisiana the sum of \$25,000 as a penalty in regards to the matters set forth above.

3. The form and substance of the settlement are to be interpreted under the laws of the State of Louisiana.

4. The settlement constitutes the entire agreement between the Division and Argosy pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties.

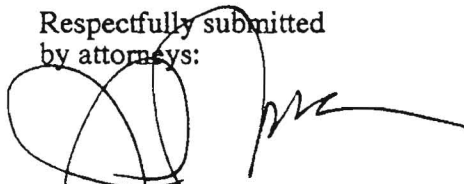
5. The settlement is subject to approval by the hearing officer of the Louisiana Gaming Control Board; it is expressly understood that if this proposed settlement is approved

by the Hearing Officer, this agreement is not executory and will be submitted to the Board for its determination as to whether the matter should be heard by the Hearing Officer. If approved, the agreement and the above penalty must be submitted to the Division within 15 days of approval of the settlement by the Board.

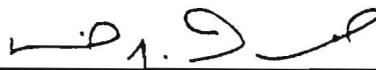
6. Failure of Argosy to submit payment within 15 days of the approval of the settlement by the Board shall constitute a violation of Louisiana gaming laws and regulations, and subject Argosy to punitive measures.

7. The Division and Argosy waive their rights to appeal the settlement if the Order is signed by the Hearing Officer and accepted by the Board.

Respectfully submitted
by attorneys:



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STATE OF LOUISIANA
LOUISIANA GAMING CONTROL BOARD
ADMINISTRATIVE HEARING OFFICE

IN RE: ARGOSY GAMING COMPANY

CGD010034

ORDER


CONSIDERING the foregoing Joint Motion and Stipulations,

IT IS ORDERED that:

1. The foregoing Joint Motion for Entry of Stipulation of Facts and Approval of Proposed Settlement be accepted, approved and entered into the record of this proceeding;
2. IT IS FURTHER ORDERED that Argosy Gaming Company immediately and forthwith develop and implement a company wide due diligence plan and incorporate therein procedures and forms to ensure a complete and detailed review of any individual or entity with which Argosy intends to enter into a business transaction of a material nature;
3. IT IS FURTHER ORDERED that Argosy pay the civil penalty of \$25,000, due within fifteen days of approval of this settlement by the Louisiana Gaming Control Board.

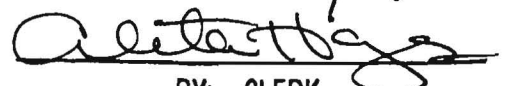
THUS DONE AND SIGNED this 16th day of June, 2003 at Baton Rouge, Louisiana.

LOUISIANA GAMING CONTROL BOARD
I HEREBY CERTIFY THAT A CERTIFIED
COPY HAS BEEN MAILED OR SERVED ON
ALL PARTIES THIS 16th DAY
OF June 2003
Shirley H. Taylor
DOCKET CLERK, ADMINISTRATIVE HEARING OFFICE


William H. Brown, Hearing Officer
Louisiana Gaming Control Board

cc: Joseph Brantley, IV, Esq.
Mike Daniels, Esq.
Lt. George Dean

A TRUE COPY ATTEST
LOUISIANA GAMING CONTROL BOARD
HEARING OFFICE
BATON ROUGE, LA 4/16/03


BY: CLERK