

Louisiana Gaming Control Board, (Pages 1:1 to 127:24)

1: 1 LOUISIANA GAMING CONTROL BOARD

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4 BOARD OF DIRECTORS' MEETING

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9 Thursday, April 21, 2011

10 Natchez Room - Galvez Building

11 602 North Fifth Street

12 Baton Rouge, Louisiana

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16 TIME: 10:00 A.M.

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1 APPEARANCES:

2

3 DANE K. MORGAN

4 Chairman

5

6 VELMA ROGERS

7 Vice-Chairman

8

9 AYRES BRADFORD

10 Board Member

11

12 ROBERT JONES

13 Board Member

14

15 MARK STIPE

16 Board Member

17

18 JAMES SINGLETON

19 Board Member

20

21 DENISE NOONAN

22 Board Member

23

24 ELLIS BLOUNT

25 Board Member

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1 APPEARANCES CONTINUED:

2

3 MAJOR MARK NOEL

4 Ex-Officio Board Member

5

6 LANA TRAMONTE

7 Executive Assistant to the Chairman

8

9 REPORTED BY:

10 SHELLEY G. PAROLA, CSR, RPR

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1 I. CALL TO ORDER

2 CHAIRMAN MORGAN: Good morning.

3 Miss Tramonte, will you call the roll,  
4 please.

5 THE CLERK: Chairman Morgan?

6 CHAIRMAN MORGAN: Here.

7 THE CLERK: Miss Rogers?

8 MS. ROGERS: Here.

9 THE CLERK: Mr. Bradford?

10 MR. BRADFORD: Here.

11 THE CLERK: Mr. Jones?

12 MR. JONES: Here.

13 THE CLERK: Mr. Stipe?

14 MR. STIPE: Here.

15 THE CLERK: Mr. Singleton?

16 MR. SINGLETON: Here.

17 THE CLERK: Miss Noonan?

18 MS. NOONAN: Here.  
19 THE CLERK: Mr. Blount?  
20 MR. BLOUNT: Here.  
21 THE CLERK: Colonel Edmonson?  
22 MAJOR NOEL: Major Noel for Colonel  
23 Edmonson.  
24 THE CLERK: Secretary Bridges? [No  
25 response.]

8

1 II. COMMENTS FROM THE CHAIR

2 CHAIRMAN MORGAN: We have eight  
3 members and a quorum. I just want to  
4 remind y'all, the audience and the board  
5 members, we'll be at this location again  
6 for one more month unless things change  
7 and those rooms open up in the Capitol.  
8 I also would like to thank again the  
9 Public Service Commission for allowing  
10 us the use of the room. I very much  
11 appreciate it.

12 III. APPROVAL OF MINUTES

13 CHAIRMAN MORGAN: Item III, Approval  
14 of the Minutes. Members, have you had  
15 an opportunity to review the minutes?  
16 Are there any questions? If there's  
17 not, we'll need a motion to waive formal  
18 reading.

19 MS. ROGERS: I so move.

20 CHAIRMAN MORGAN: Moved by Miss --

21 Rogers. Seconded by --  
22 MR. BRADFORD: Second.  
23 CHAIRMAN MORGAN: -- Mr. Bradford.  
24 Is there any objection? Hearing none,  
25 the item is approved.

9

1 IV. REVENUE REPORTS

2 CHAIRMAN MORGAN: Item IV is Revenue  
3 Reports, Miss Jackson.

4 MS. JACKSON: Good morning, Mr.  
5 Chairman, Board Members. My name is  
6 Donna Jackson, Louisiana State Police  
7 Gaming Audit Section.

8 The riverboat revenue report for  
9 March 2011 is shown on page one of your  
10 handout. During March, the 13 operating  
11 riverboats generated Adjusted Gross  
12 Receipts of \$146,384,305, up \$8 million  
13 or 6 percent from last month, and up  
14 \$4 million or 3 percent from last March.  
15 Adjusted Gross Receipts for fiscal year  
16 2010-2011 to date are \$1,233,000,000, a  
17 minimal increase of .2 percent or \$2  
18 million for fiscal year 2009-2010.

19 During March, the State collected  
20 fees totaling \$31,472,626. As of  
21 March 31, 2011, the State has collected  
22 \$265 million in fees for fiscal year  
23 2010-2011.



24 Next is a summary of the March 2011  
25 gaming activity for Harrah's New Orleans

10

1 found on page three. Harrah's generated  
2 \$33,665,160 in gross gaming revenue, an  
3 increase of 20 percent or \$5.6 million  
4 from last month, and an increase of 13.6  
5 percent or \$4 million from last year.

6 The increase can be partially attributed  
7 to Mardi Gras, which was in March of  
8 this year as opposed to February last  
9 year. Fiscal year-to-date gaming  
10 revenues for 2010-2011 are almost  
11 \$264 million, up 5.2 million or  
12 2 percent from fiscal year 2009-2010.

13 During March, the State received  
14 \$20,765,736 in fees. This includes a  
15 true-up payment of \$15,669,846 for the  
16 April 2010 through March 2011 fiscal  
17 year, since 21.5 percent of Harrah's  
18 revenue exceeded their minimum payment  
19 of \$60 million. As of March 31, 2011,  
20 the State has collected 60.7 million in  
21 fees for fiscal year 2010-2011.

22 A. Slots at the Racetracks revenues are  
23 shown on page four. During March, the four  
24 racetrack facilities combined generated Adjusted  
25 Gross Receipts of \$35,336,062, an increase of

11

1 7 percent or \$2.3 million from last month, and an  
2 increase of 3 percent or almost \$1 million from  
3 March 2010. Adjusted Gross Receipts for fiscal  
4 year 2010-2011 to date are almost \$290 million, a  
5 minimal increase of .4 percent or \$1 million from  
6 fiscal year 2009-2010.

7 During March, the State collected fees  
8 of \$5.4 million. As of March 31st 2011, the State  
9 has collected almost \$44 million in fees for  
10 fiscal year 2010-2011.

11 Overall, riverboats, landbased and slots  
12 at the racetracks combined generated \$215 million,  
13 which is \$8.9 million or 4.3 percent more than  
14 last March.

15 Are there any questions before I present  
16 the Harrah's employment numbers?

17 CHAIRMAN MORGAN: Any questions? I  
18 assume that the Shreveport numbers are  
19 down because of all the Native  
20 Americans?

21 MS. JACKSON: I didn't speak to  
22 anyone directly, but I know it's still  
23 having an impact.

24 CHAIRMAN MORGAN: Thank you.

25 MS. JACKSON: I've included a

12

1 spreadsheet for the employee numbers in  
2 your chart folders. Harrah's New  
3 Orleans is required to maintain at least

4 2,400 employees and a bi-weekly payroll  
5 of \$1,750,835. This report covers the  
6 three pay periods in March 2011.

7 For the first pay period, the Audit  
8 Section verified 2,446 employees with a  
9 payroll of \$2,057,000. For the second  
10 pay period, the Audit Section verified  
11 2,436 employees with a payroll of  
12 \$2,090,000. For the third pay period,  
13 the Audit Section verified 2,425 with a  
14 payroll of \$2,063,000. Therefore,  
15 Harrah's met the employment criteria  
16 during March.

17 CHAIRMAN MORGAN: Any questions?

18 [No response.] Video Gaming.

19 MR. BOSSIER: Good morning, Chairman  
20 Morgan and Board Members. My name is  
21 Jim Bossier with the Louisiana State  
22 Police Gaming Audit Section. I'm  
23 reporting video gaming information for  
24 March 2011, as shown on page one of your  
25 handout.

13

1 During March 2011, 22 new licenses  
2 were issued: Thirteen bars and nine  
3 restaurants. Eleven new applications  
4 were received during March and are  
5 currently pending the field: Six bars,  
6 three restaurants and two truck stops.

7 During March 2011, the Gaming  
8 Enforcement Division assessed \$2,350 and  
9 collected \$8,600 in penalties. There  
10 are currently \$1,000 in outstanding  
11 fines. Please refer to page two of your  
12 handout.

13 There are presently 14,567 video  
14 gaming devices activated at 2,192  
15 locations. Net device revenue for  
16 March 2011 was \$56,837,854, an \$843,000  
17 increase or 1.5 percent when compared to  
18 net device revenue for February 2011,  
19 and a \$1.2 million increase or 2.1  
20 percent when compared to March 2010.

21 Net device revenue for fiscal year  
22 2010-2011 to date is \$462,536,695, a  
23 \$6.9 million increase or 1.5 percent  
24 when compared to net device revenue for  
25 fiscal year 2009-2010. Page three of

14

1 your handout shows a comparison of net  
2 device revenue.

3 Total franchise fees collected for  
4 March 2011 were \$16,949,485, a \$223,000  
5 increase when compared to February 2011  
6 and a \$357,000 increase when compared to  
7 March 2010. Total franchise fees  
8 collected for fiscal year 2010-2011 to  
9 date are \$137,722,278, a \$1.9 million or

10 1.4 percent increase when compared to  
11 last year's franchise fees. Page four  
12 of your handout shows a comparison of  
13 franchise fees.

14 Does anybody have any questions?

15 CHAIRMAN MORGAN: Questions? [No  
16 response.] Thank you.

17 V. VIDEO GAMING ISSUES

18 A. Consideration of the following truckstop  
19 applications:

20 1. In Re: Golden Grove Truckstop, Inc.,  
21 d/b/a The Gold Room Casino - No.  
22 4701512081 (transfer of interest)

23 CHAIRMAN MORGAN: Item V, Video  
24 Gaming Issues. With regard to items A.1  
25 or 2, is there any public comment with

15

1 regard to these? Hearing none, we'll  
2 take up item A.1 in reference to Golden  
3 Grove Truckstop, Incorporated, doing  
4 business as The Gold Room Casino.

5 MR. PITRE: Chairman Morgan, Board  
6 Members, I'm Assistant Attorney General  
7 Earl Pitre, Jr., here in the matter of  
8 three transfers of ownership in Golden  
9 Grove Truckstop, Incorporated, doing  
10 business as The Gold Room Casino,  
11 occasioned by the death of three of the  
12 four original owners, Dale Hymel, Sr.,

13 Lawrence Hymel, Sr., and Wayne Hymel,  
14 Sr.

15 On May 27th, 2010, State Police  
16 received notification that Dale Hymel,  
17 Sr., passed away on October 13th, 2009.  
18 According to Dale Hymel, Sr.'s, last  
19 will and testament each of his five  
20 children, Dale Hymel, Jr., Tania  
21 Gravois, Moise Hymel, II, Keith Hymel  
22 and Brett Hymel received a 5 percent  
23 naked ownership interest in the  
24 licensee. He granted his surviving  
25 spouse, Eileen Hymel, the usufruct over

16

1 his 25 percent interest in the licensee.

2 On July 19th, 2010, the State Police  
3 received notification that Wayne Hymel,  
4 Sr., passed away on July 4th, 2010.  
5 Wayne Hymel, Sr. -- Wayne Hymel, Sr.,  
6 died intestate; therefore, his surviving  
7 spouse, Janet Hymel, received one-half  
8 of his 25 percent interest in the  
9 licensee, and his five children, Kathy  
10 Roussel, Belinda Martin, Melissa  
11 Laurent, Wayne Hymel, Jr., and Troy  
12 Hymel received individually one-fifth of  
13 one-half of his 25 interest in the  
14 licensee subject to the usufruct of the  
15 surviving spouse in community.

16 On January 18th, 2011, State Police  
17 received notification that Lawrence  
18 Hymel, Sr., passed away on January 14th,  
19 2011. According to Lawrence Hymel,  
20 Sr.'s, last will and testament, the  
21 surviving spouse, Roxanne Hymel,  
22 received one-half of his 25 interest in  
23 the licensee. His six children,  
24 Lawrence Hymel, Jr., Kerry Hymel, Ricky  
25 Hymel, Mickey Hymel, Tricia Williamson

17

1 and Bridget Hymel received on-sixth of  
2 one half of his 25 percent interest in  
3 the licensee.

4 Senior Trooper Eddie Daigle  
5 conducted the investigation and will  
6 present State Police's findings to the  
7 Board.

8 SR. TROOPER DAIGLE: Good morning,  
9 Chairman and Board Members. I'm Trooper  
10 Eddie Daigle with the Louisiana State  
11 Police. Eileen Hymel, Janet Hymel and  
12 Roxanne Hymel previously met suitability  
13 as spouses. Dale Hymel, Jr., previously  
14 met suitability as an officer. An  
15 updated suitability background  
16 investigation was conducted, and no  
17 information was found that would  
18 preclude them from continuing to

19 participate in the video gaming  
20 industry.

21 The other transferees own 5 percent  
22 or less of the license and are not  
23 required to submit to a suitability  
24 investigation.

25 MR. PITRE: The Office of the

18

1 Attorney General has reviewed the file  
2 compiled as a result of the  
3 investigation conducted by the Office of  
4 State Police. Our review indicates that  
5 no information has been found which  
6 would preclude Dale Hymel, Jr., Eileen  
7 Hymel, Janet Hymel or Roxanne Hymel from  
8 continuing to participate in the video  
9 gaming industry.

10 CHAIRMAN MORGAN: Are there any  
11 questions?

12 MR. STIPE: I do.

13 CHAIRMAN MORGAN: Mr. Stipe.

14 MR. STIPE: As of right now, there  
15 are 19 individuals that have an  
16 ownership interest in the facilities.

17 MR. PITRE: Right.

18 MR. STIPE: And only three of them  
19 have to undergo any kind of background  
20 suitability check; is that right?

21 MR. PITRE: That's correct. They



22 have over 5 percent, or in the case of  
23 Dale Hymel, Jr., he's also an officer.

24 MR. STIPE: But none of the other 16  
25 are officers or employees.

19

1 MR. PITRE: No, sir.

2 SR. TROOPER DAIGLE: They have no  
3 other influence over the company other  
4 than being a stockholder.

5 MR. STIPE: And your recommendation  
6 is that we approve this transfer?

7 SR. TROOPER DAIGLE: Yes, sir.

8 MR. PITRE: Yes, sir.

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

10 CHAIRMAN MORGAN: Any other  
11 questions? We will entertain a motion.

12 MR. JONES: I move we approve.

13 CHAIRMAN MORGAN: Mr. Jones moves we  
14 approve the transfer of interest. Is  
15 there a second?

16 MR. SINGLETON: I'll second.

17 CHAIRMAN MORGAN: Mr. Singleton has  
18 seconded. Is there any opposition?  
19 Hearing none, it's approved. Thank you.

20 2. In Re: Lott Oil Company, Inc., d/b/a  
21 Lotts O'Luck #2 - No. 1602515760; Lott  
22 Oil Company, Inc., d/b/a Lotts O'Luck #3  
23 - No. 4101515762 (transfer of interest)

24 CHAIRMAN MORGAN: Item 2, Lott Oil

25 Company, Incorporated, doing business as

20

1 Lott's O'Luck #2.

2 MR. WAGNER: Mr. Chairman, it's

3 Lotts #2 and 3.

4 CHAIRMAN MORGAN: Go ahead and

5 introduce the license numbers.

6 MR. WAGNER: Good morning, Mr.

7 Chairman, Members of the Board. I'm

8 Assistant Attorney General Jonathan

9 Wagner present before you in regard to

10 certain transfer of ownerships of the

11 licensee, Lott Oil Company,

12 Incorporated, doing business as Lott's

13 O'Luck #2 and #3. Lott's O'Luck #2 is

14 video gaming license number 1602515760,

15 and Lott's O'Luck #3 is video gaming

16 license 4101515762.

17 Lott Oil Company is a Type 5

18 licensee which operates two truckstops,

19 one in De Soto Parish and the other in

20 Red River Parish. On December 5th,

21 2008, Lott Oil Company, Incorporated,

22 submitted two application for a Type 5

23 video gaming licenses. One a d/b/a --

24 one Lott's #2 in Mansfield, and the

25 other Lott's #3 Coushatta. On its

21

1 application, Lott Oil Company,

2 Incorporated, reported its ownership to  
3 be as follows: Luther W. Lott, Jr., 53  
4 percent; Luther W. Lott, Sr., 37.4  
5 percent; Michael Lott, 4.6 percent;  
6 Kathryn Lott, 3.9 percent, and Kim Lott,  
7 1.1 percent.

8 On March 19th, 2009, the Board  
9 approved that -- the application for  
10 Lott's O'Luck #3, and on April 21st,  
11 2009, it approved the application for  
12 Lott's O'Luck #2. On November 27th,  
13 2009, Luther W. Lott, Sr., died. While  
14 conducting the investigation of the  
15 transfer of ownership occasioned by  
16 Mr. Lott, Sr.'s, death, the Division  
17 discovered that several other transfers  
18 of ownership had occurred but had not  
19 properly reported to the Division.

20 Those transfers include two  
21 transfers that occurred prior to the  
22 date of filing of the licensee's  
23 original application, one transfer that  
24 occurred during the individual  
25 investigation of the licensee's

22

1 application, one transfer that occurred  
2 subsequent to Mr. Lott, Sr.'s, death.

3 On January 2nd, 2006, before the  
4 filing of the licensee's application,

5 Mr. Lott, Sr., transferred 500 shares of  
6 stock in the licensee to the Luther W.  
7 Lott, Sr., 2005 Life Insurance Trust.  
8 Mr. Lott's son, Luther W. Lott, Jr., has  
9 been the trustee of the trust since its  
10 creation. The income and principal  
11 beneficiaries are Luther, Jr., his  
12 children, Michael and Kathryn Lott and  
13 their mother, Kim Mourad Lott.

14 On January 2nd, 2008, also before  
15 filing the licensee's application, Mr.  
16 Lott, Sr., transferred six shares of  
17 stock in the licensee to each of his  
18 grandchildren, Michael and Kathryn Lott,  
19 for a total transfer of 12 shares.

20 On February 3, 2009, after filing  
21 the licensee's application but before  
22 the applications were approved by the  
23 Board, Mr. Lott, Sr., transferred five  
24 shares of stock in the licensee to each  
25 of his grandchildren, again Michael and

23

1 Kathryn Lott, for a total share transfer  
2 of ten shares.

3 Had these three transfers been  
4 properly reflected on their original  
5 application, the licensee -- or reported  
6 during the investigation of the  
7 applications as applicable, the

8 ownership of Lott Oil Company would have  
9 been correctly been reported as follows:  
10 Luther W. Lott, Sr., 53 percent; Lott,  
11 Jr., 30.05 percent; the Luther W. Lott  
12 2005 Life Insurance Trust, 7.04 percent;  
13 Michael Lott, 4.78 percent; Kathryn  
14 Lott, 4.04 percent, and, again, Kim Lott  
15 at 1.1 percent.

16 The foregoing was the ownership of  
17 the licensee on the date Luther W. Lott,  
18 Sr., died. By last will and testament,  
19 Mr. Lott, Sr., left all of his interest  
20 in the licensee to the Luther W. Lott,  
21 Sr., Testamentary Trust. Luther W.  
22 Lott, Jr., was named as the trustee and  
23 sole income and principal beneficiary of  
24 this trust. Mr. Lott, Jr., was also  
25 named the executor of Mr. Lott, Sr.'s,

24

1 will.

2 On August 27th, 2010. Mr. Lott,  
3 Jr., acting in his capacity as executor,  
4 transferred by sale 542 shares of the  
5 2,132 shares of licensee's stock  
6 bequeathed to the testamentary trust  
7 to -- he transferred them to the 2005  
8 Life Insurance Trust.

9 After the transfer of stock  
10 occasioned by the deaths of Mr. Lott,

11 Sr., and the sale of stock by the  
12 executor, Mr. Lott, Jr., the licensee's  
13 ownership was as follows: Luther W.  
14 Lott, Jr., now has 53 percent; the  
15 Luther W. Lott Testamentary Trust,  
16 22.4 percent; the Luther W. Lott 2005  
17 Life Insurance Trust, 14.68 percent;  
18 Michael Lott, 4.78 percent; Kathryn  
19 Lott, 4.04 and Kim Lott, 1.1 percent.

20 Trooper Vincent Lenguyen conducted  
21 the investigation of the aforementioned  
22 transfers of ownership of the licensee  
23 and is here to report his findings to  
24 the Board.

25 TROOPER LENGUYEN: Good morning,

25  
25

1 Chairman Morgan and Board Members. My  
2 name is Trooper Vincent Lenguyen with  
3 the Louisiana State Police.

4 Following the licensee's  
5 notification to the Division of the  
6 death of Luther W. Lott, Sr., I began  
7 the investigation of that transfer. I  
8 then discovered that the ownership of  
9 the licensee has not been accurately  
10 reported at the time of application and  
11 before licensing. I also discovered  
12 that the transfer occurred after the  
13 death of Mr. Lott, Sr., that had not

14 been reported to the Division.

15 The only transfer that was reported  
16 by the licensee was the transfer  
17 occasioned by the death of Mr. Lott,  
18 Sr., and that notification was not made  
19 timely. None of the transfer, however,  
20 resulted in any individual participating  
21 in the gaming without having previously  
22 met suitability.

23 I conducted an updated suitability  
24 investigation on Luther W. Lott, Jr.,  
25 and his spouse, Kim Lott. Michael Lott

26

1 and Kathryn Lott each own less than  
2 5 percent of the licensee and are not  
3 required to meet suitability. In  
4 addition, Katherine Lott is a minor.

5 MR. WAGNER: The Office of the  
6 Attorney General has reviewed the file  
7 compiled as a result of the  
8 investigation conducted by the Office of  
9 State Police. Our review indicates that  
10 no information was found to preclude the  
11 continued licensing of Lott Oil Company,  
12 Incorporated, doing business as Lott's  
13 O'Luck #2 and Lott's O'Luck #3.

14 Are there any questions?

15 CHAIRMAN MORGAN: This matter is  
16 before the board in settlement, also?

17 MR. WAGNER: Correct, sir.

18 CHAIRMAN MORGAN: And a violation.

19 Questions? Mr. Stipe.

20 MR. STIPE: I do. I mean, as I read  
21 this, the original application was  
22 inaccurate.

23 MR. WAGNER: Correct.

24 TROOPER LENGUYEN: Yes. The  
25 ownership structure was inaccurate, too.

27

1 MR. STIPE: Did you receive any  
2 explanation as to why they wouldn't list  
3 an insurance trust as accurately in the  
4 ownership?

5 TROOPER LENGUYEN: Mr. Lott, Sr.,  
6 figured that since he was the holder of  
7 the insurance trust during -- before his  
8 death so, therefore, he considered that  
9 that's -- he owned the share. So,  
10 basically, he put everything under his  
11 name instead of breaking it down into  
12 the different insurance trusts on part  
13 of the company.

14 MR. STIPE: Does Mr. Lott, Jr.,  
15 understand?

16 TROOPER LENGUYEN: Yes. Now he  
17 understands that he have to report  
18 everything to the Division, any changes  
19 that occur that reflect the ownership



20 structure of the company, any individual  
21 officer or anything, that he has to  
22 notify the Division regarding to that  
23 changes.

24 MR. STIPE: You've explained that to  
25 him.

28

1 TROOPER LENGUYEN: Yes.

2 MR. STIPE: And he seemed to  
3 understand that?

4 TROOPER LENGUYEN: Yes, he does.

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

6 CHAIRMAN MORGAN: Any other  
7 questions? [No response.] We will  
8 entertain a motion to approve the  
9 transfer of interest.

10 MR. BRADFORD: So moved.

11 CHAIRMAN MORGAN: Moved by  
12 Mr. Bradford.

13 MS. NOONAN: Second.

14 CHAIRMAN MORGAN: Seconded by Miss  
15 Noonan. Is there any objection?  
16 Hearing none, that's approved.

17 MR. WAGNER: Thank, sir.

18 TROOPER LENGUYEN: Thank you.

## 19 VI. CASINO GAMING ISSUES

20 A. Consideration of Certificate of  
21 Compliance for the Alternate Riverboat  
22 Inspection of the gaming vessel of

23 Treasure Chest Casino - No. R012600098

24 CHAIRMAN MORGAN: Item VI, Casino

25 Gaming Issues with regard to Items A, B,

29

1 C, D and E, is there any public comment?

2 Any public comment? Not hearing any,

3 we'll move to Item A, Consideration of

4 Certificate of Compliance for the

5 Alternate Riverboat Inspection of the

6 gaming vessel of Treasure Chest Casino,

7 No. R012600098.

8 Good morning. Introduce yourselves

9 for the record.

10 MR. TYLER: Good morning, Chairman

11 Morgan, Board Members. I'm Assistant

12 Attorney General Michael Tyler appearing

13 in this matter along with John Francis

14 of American Bureau of Shipping

15 Consultants.

16 We come before you seeking the

17 acceptance of the alternate inspection

18 report of Treasure Chest Casino in

19 Kenner, Louisiana, as performed and

20 prepared by ABSC and the renewal of the

21 certificate of compliance for Treasure

22 Chest Casino.

23 On March 17th, 2011, Treasure Chest

24 Casino began the alternate inspection

25 process for the renewal of its

1 certificate of compliance. For more on  
2 this process and the findings of the  
3 alternate inspection of Treasure Chest  
4 Casino, I now turn this presentation  
5 over to John Fransic of ABSC.

6 MR. FRANSIC: Good morning, Chairman  
7 and Board Members. I'm John Fransic  
8 with ABS Consulting. I'm here to report  
9 the results of the annual inspection of  
10 the Treasure Chest Casino.

11 The surveyors, Morton Downey and  
12 John Kahler did attend the Treasure  
13 Chest Casino on March 17th, and the  
14 inspection was carried out in accordance  
15 with the Louisiana Gaming Control Board  
16 checklist and found to be in full  
17 compliance. During the survey, the  
18 emergency generator was tested on the  
19 ship, and the emergency lighting was  
20 found to be in full compliance. Fire  
21 protection equipment, such as CO2  
22 systems, fire extinguishers, fire hoses  
23 and sprinkler system found in good  
24 order. A fire control plan is verified  
25 and found to be satisfactory, along with

1 the bilge system and water tight doors.  
2 The mooring system was checked and found

3       satisfactory. Fire and boat drills were  
4       done and found proved performance  
5       satisfactory.

6       In all, the entire vessel was found  
7       in full compliance with great  
8       cooperation from the crew. It is the  
9       recommendation ABS Consulting that the  
10      Treasure Chest be reissued the  
11      certificate of compliance for one year.

12      MR. TYLER: We now present these  
13      findings to this honorable board for  
14      acceptance and request that upon  
15      accepting the inspection report, the  
16      Board will move for the renewal of the  
17      certificate of compliance for Treasure  
18      Chest Casino.

19      CHAIRMAN MORGAN: Any questions?

20      MR. STIPE: Just, this is a moored  
21      vessel?

22      MR. FRANSIC: Correct.

23      MR. STIPE: And it has a bridge that  
24      is manned 24 hours?

25      MR. FRANSIC: Yes, sir.

32

1       MR. STIPE: Who's on the bridge?

2       MR. FRANSIC: It's usually the  
3       captain or one of the mates that's  
4       there.

5       CHAIRMAN MORGAN: Any other

6 questions? We will entertain a motion  
7 to accept the inspection --

8 MR. SINGLETON: I move.

9 CHAIRMAN MORGAN: -- report and  
10 issue the -- reissue the certificate of  
11 compliance, moved by Mr. Singleton.

12 MS. ROGERS: I second.

13 CHAIRMAN MORGAN: Seconded by Miss  
14 Rogers. Is there any objection?

15 Hearing none, it's approved. Thank you.

16 B. Consideration of Certificate of  
17 Compliance for the Alternate Riverboat  
18 Inspection of the gaming vessel of  
19 DiamondJacks Casino - No. R010800195

20 CHAIRMAN MORGAN: Thank you. Item  
21 B, Members -- Mike, I'll save you the  
22 trouble. I would ask that we would  
23 continue this matter. There were some  
24 issues with the survey, and I just asked  
25 the company to resolve this issue before

33

1 we entertain accepting them into our  
2 program.

3 Just for your information, they are  
4 covered underneath the COI from the  
5 Coast Guard right now.

6 MR. TYLER: That's correct.

7 CHAIRMAN MORGAN: And is there any  
8 objection to continuing this matter?

9 Hearing none, the matter's going to be  
10 continued.

11 MR. TYLER: Thank you.

12 CHAIRMAN MORGAN: Thank you.

13 C. Consideration of application by Boyd Gaming  
14 Corporation for Shelf Approval of Debt  
15 Transactions

16 CHAIRMAN MORGAN: Item C,  
17 Consideration of application for Boyd  
18 Gaming Corporation for Shelf Approval of  
19 Debt Transactions. Morning.

20 MS. WARE: Good morning, Chairman  
21 Morgan and Members of the Board, I am  
22 Trunessa Ware with State Police Gaming  
23 Audit Corporate Securities Section.

24 Mr. Paul West, local counsel for  
25 Boyd, notified the Board by letter that

34

1 Boyd seeks the Board's shelf approval of  
2 debt transactions in the amount up to  
3 3 billion for a period of three years.  
4 Boyd anticipates that the potential use  
5 of such proceeds will be for general  
6 corporate purposes, including capital  
7 expenditures, working capital and  
8 repayment of amounts outstanding under  
9 Boyd's revolving credit facility.

10 Boyd stated that it does not  
11 currently anticipate the need to issue

12 any public debt over the next years, but  
13 is continually evaluating development  
14 opportunities and needs the ability to  
15 timely issue public debt to take  
16 advantage of one or more such  
17 opportunities should they arise.

18 As shown on page five, Boyd has  
19 50 percent ownership in Regatta located  
20 in Atlantic City. Due to MGM's  
21 disinvestment of its 50 percent  
22 ownership in March 2010, Boyd  
23 effectively obtained control of Regatta  
24 and is required to consolidate Regatta's  
25 operations in its financial statements.

35

1 Boyd's long-term debt schedule is  
2 shown on page six. As shown for  
3 December 31st, 2010, Boyd's obligations  
4 and Regatta's obligations are shown  
5 separately on the schedule. Neither  
6 Boyd nor any of its subsidiaries is a  
7 guarantor of Regatta's debt.

8 Boyd's credit facility described on  
9 page seven consists of a \$548.8 million  
10 non-extending revolver maturing in May  
11 2012, and \$960 million extended revolver  
12 and a \$500 million long-term, both  
13 maturing in December of 2015. Boyd  
14 currently has availability in excess of

15 \$500 million under this facility.

16 Under this shelf, Boyd would be able  
17 to increase its current approximate \$2.4  
18 billion outstanding long-term debt up to  
19 \$3 billion without further board  
20 approval. Boyd projects sufficient cash  
21 flows from operation to maintain its  
22 debt. Based on Boyd's historical  
23 financial data on these cash flows,  
24 Boyd's projections appear reasonable.

25 In conclusion, Boyd is seeking the

36

1 Board's approval for its application for  
2 a \$3 billion shelf of debt transactions.

3 No financial issues came to our  
4 attention to preclude the Board's  
5 approval of Boyd's request.

6 CHAIRMAN MORGAN: Mr. West, do you  
7 have anything to add to that?

8 MR. WEST: No. Thank you.

9 CHAIRMAN MORGAN: Any questions? I  
10 want to compliment you on the report.

11 It was very well written. Any  
12 questions? [No response.] Okay. The  
13 Attorney General's Office has gone ahead  
14 and prepared a resolution. If it's the  
15 desire of the Board to adopt the  
16 resolution, I would entertain a motion.

17 Then we'll read the resolution into the



18 record.

19 MR. JONES: So moved.

20 CHAIRMAN MORGAN: It's moved by  
21 Mr. Jones to adopt the resolution.

22 MR. BRADFORD: Second.

23 CHAIRMAN MORGAN: Seconded by Mr.  
24 Bradford. Miss Tramonte, you want to  
25 read the resolution into the record.

37

1 THE CLERK: On the 21st day of  
2 April 2011, the Louisiana Gaming Control  
3 Board did, in a duly noticed public  
4 meeting, consider the application of  
5 shelf approval of debt transactions  
6 filed by Boyd Gaming Corporation, and  
7 upon motion duly made and seconded, the  
8 Board adopted the following resolution:  
9 Be it resolved that Boyd Gaming  
10 Corporation's application for shelf  
11 approval of debt transactions be and is  
12 hereby approved subject to the following  
13 terms and conditions.

14 One, for a period of three years  
15 beginning April 21, 2011, Boyd Gaming  
16 Corporation is granted approval pursuant  
17 to LAC 42:III.2525 to enter into debt  
18 transactions as defined in LAC  
19 42:III.2522 not to exceed a cumulative  
20 total of \$3 billion.

21 For purposes of this shelf approval,  
22 the cumulative total of \$3 billion shall  
23 include debt currently existing or  
24 approved in the earlier debt  
25 transactions; two, within ten days of

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1 consummation of debt transaction,  
2 including amendments and modifications  
3 of existing debt transactions, Boyd  
4 Gaming Corporation shall provide a term  
5 sheet or executive summary of the debt  
6 transaction and an executed copy of the  
7 documents evidencing the debt  
8 transaction to the Louisiana State  
9 Police Gaming Enforcement Division Audit  
10 Section and Corporate Securities Unit.

11 Three, this shelf approval may be  
12 rescinded by the Chairman of the Gaming  
13 Control Board upon issuance of a written  
14 notice of rescission setting forth the  
15 notice therefore. The rescission shall  
16 remain in effect until lifted by the  
17 Board upon such terms that are  
18 satisfactory to the Board.

19 Four, this shelf approval shall  
20 expire on April 21st, 2014. It is  
21 hereby further resolved that the  
22 Chairman of the Louisiana Gaming Control  
23 Board be delegated the authority to

24 issue a written rescission of the shelf  
25 approval in accordance with LAC

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1 42.III.2525(e) and as provided here and  
2 above. Thus done and signed in Baton  
3 Rouge, Louisiana, this 21st day of  
4 April 2011.

5 CHAIRMAN MORGAN: Any other  
6 discussion? [No response.] Will you  
7 call the roll, please.

8 THE CLERK: Miss Rogers?

9 MS. ROGERS: Yes.

10 THE CLERK: Mr. Bradford?

11 MR. BRADFORD: Yes.

12 THE CLERK: Mr. Jones?

13 MR. JONES: Yes.

14 THE CLERK: Mr. Stipe?

15 MR. STIPE: Yes.

16 THE CLERK: Mr. Singleton?

17 MR. SINGLETON: Yes.

18 THE CLERK: Miss Noonan?

19 MS. NOONAN: Yes.

20 THE CLERK: Mr. Blount?

21 MR. BLOUNT: Yes.

22 THE CLERK: Chairman Morgan?

23 CHAIRMAN MORGAN: Yes. Thank you.

24 D. Consideration of petition by Tropicana  
25 Entertainment, Inc., for Transfer of Ownership

40

1 Interests

2 CHAIRMAN MORGAN: Item D is  
3 Consideration of petition by Tropicana  
4 Entertainment for Transfer of Ownership  
5 Interests.

6 MR. GAUTREAUX: Good morning,  
7 Chairman, Members of the Board. My name  
8 is Leonce Gautreaux, Assistant Attorney  
9 General. Before you today is a transfer  
10 of an ownership interest in the  
11 licensee, particularly the Belle of  
12 Baton Rouge, the riverboat which  
13 operates here.

14 On March 18th, 2011, Tropicana filed  
15 the notice with the Board of its  
16 intended transfer of over 13 million  
17 shares of Tropicana Entertainment, Inc.,  
18 which is the parent company of the Belle  
19 of Baton Rouge. The transfer of these  
20 shares are between entities under common  
21 ownership and control and between  
22 entities that were previously determined  
23 suitable. Specifically, it's between  
24 one Icahn owned and controlled entity to  
25 another Icahn owned and controlled

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1 entity.

2 If you remember in March of 2010,  
3 Tropicana completed a reorganization

4 through Chapter 11 bankruptcy. As part  
5 of the reorganization, the secured  
6 creditors of Tropicana acquired shares  
7 in Tropicana Entertainment in exchange  
8 for cancellation of their debt;  
9 therefore, the creditors became the  
10 owners of Tropicana. Icahn Enterprises  
11 acquired approximately 47 percent of the  
12 Tropicana shares. It then distributed  
13 those shares between four funds  
14 controlled by them, Icahn Partners LP,  
15 Icahn Partners Master Fund LP, Icahn  
16 Partners Master Fund II LP and Icahn  
17 Partners Master Fund III LP. During the  
18 last year, they've also acquired a few  
19 more shares to bring their total up to  
20 over 51 percent.

21 In this transaction Icahn simply  
22 wants to distribute these shares from  
23 each of the funds up the ownership chain  
24 to Icahn Enterprises Holding LP, and  
25 that would be all 13 million plus shares

42

1 directly held by the funds will be  
2 transferred up to Icahn Enterprises  
3 Holdings.

4 Miss Evie Ficklin has her report.

5 MS. FICKLIN: Good morning, Mr.

6 Chairman and Board Members. I've Evie

7 Ficklin. I'm an auditor in State Police  
8 Gaming.

9 Icahn Enterprises LP, or IEP, has  
10 acquired a 51.46 controlling interest in  
11 Tropicana since Tropicana emerged from  
12 bankruptcy March 8th, 2010. IEP is  
13 requesting to transfer the Tropicana  
14 equity interest currently held in the  
15 Icahn funds to its primary subsidiary,  
16 Icahn Enterprises Holdings LP.

17 In response to our requests to the  
18 reasons for the intercompany transfer of  
19 the Tropicana interest, Icahn management  
20 stated that the transfer streamlines and  
21 simplifies IEP's interest in Tropicana  
22 from a regulatory perspective, allows  
23 for a significant cost savings by  
24 eliminating the need to provide  
25 quarterly reports that calculate the

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1 percentage of Icahn shares held by each  
2 fund participant and reduces  
3 restrictions placed on the fund brought  
4 about due to the fact that these  
5 entities are currently regulated by five  
6 different gaming jurisdictions.

7 On March 8th, 2011, IEP's ultimate  
8 owner, investor Carl C. Icahn, announced  
9 that he was closing his hedge fund to

10 outside investors and was returning the  
11 "P" paying capital in cash to those  
12 investors but retaining the securities.

13 Currently, the outside investors'  
14 fee paying assets only constitute  
15 approximately 25 percent or about 1.8  
16 billion of the \$7 billion fund. The  
17 investment in Tropicana represents only  
18 about 3 percent of the 7 billion  
19 invested in those funds. IEP is funding  
20 the return of the "P" paying capital  
21 using cash on hand and borrowings under  
22 the Icahn funds. Because of IEP's  
23 majority ownership, Tropicana's  
24 financial results are consolidated in  
25 IEP's financial statements. IEP's

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1 balance sheet is shown on page 13 and  
2 its long-term debt schedule shown on  
3 page 14.

4 Tropicana shares trade over the  
5 counter on the OTCQB market under the  
6 symbol TPCA. The price per share at  
7 closing April 19th, 2011, was \$15.95.

8 No financial issues came to our  
9 attention to preclude the Board's  
10 approval of IEP's intercompany transfer  
11 of its Tropicana ownership interest from  
12 the Icahn funds to IEP Holdings.

13 MR. WEST: I don't really have much  
14 to add to that. As Evie said, the  
15 purpose was really to streamline the  
16 corporate structure and the  
17 organizational chart and will help them  
18 avoid having to file on all four of  
19 those funds in five or six different  
20 jurisdictions.

21 CHAIRMAN MORGAN: Any questions?  
22 Going once. The Attorney General's  
23 Office has prepared a resolution.  
24 Again, we would need a motion to adopt  
25 the resolution and a second in order to

45

1 read it into the record.

2 MR. BRADFORD: I move for approval.

3 CHAIRMAN MORGAN: Mr. Bradford moves  
4 to approve the resolution. Second?

5 MS. NOONAN: Second.

6 CHAIRMAN MORGAN: Seconded by Miss  
7 Noonan. Miss Tramonte, do you want to  
8 read it into the record.

9 THE CLERK: On the 21st day of  
10 April, 2011, the Louisiana Gaming  
11 Control Board did, in a duly noticed  
12 public meeting, consider the issue of  
13 Tropicana Entertainment, Inc's, request  
14 for approval of the transfer of  
15 ownership interest, and upon motion duly



16 made and seconded, the Board adopted the  
17 following resolution: Be it resolved  
18 that the following transfers be and are  
19 hereby approved.

20 One, Icahn Partner LP's 5,006,942  
21 shares of Tropicana Entertainment, Inc.,  
22 to Icahn Enterprises Holding, LP.

23 Two, Icahn Master Fund LP's  
24 5,668,033 shares of Tropicana  
25 Entertainment, Inc. to Icahn Enterprises

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1 Holdings LP.

2 Three, Icahn Master Fund II LP's  
3 2,064,794 shares of Tropicana  
4 Entertainment, Inc., to Icahn  
5 Enterprises Holdings LP, and four, Icahn  
6 Master Fund III LP's 798,677 shares of  
7 Tropicana Entertainment, Inc., to Icahn  
8 Enterprises Holdings LP.

9 Thus done and signed in Baton Rouge,  
10 Louisiana, this 21st day of April 2011.

11 CHAIRMAN MORGAN: Any other  
12 discussion? [No response.] Call the  
13 roll.

14 THE CLERK: Miss Rogers?

15 MS. ROGERS: Yes.

16 THE CLERK: Mr. Bradford?

17 MR. BRADFORD: Yes.

18 THE CLERK: Mr. Jones?

19 MR. JONES: Yes.

20 THE CLERK: Mr. Stipe?

21 MR. STIPE: Yes.

22 THE CLERK: Mr. Singleton?

23 MR. SINGLETON: Yes.

24 THE CLERK: Miss Noonan?

25 MS. NOONAN: Yes.

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1 THE CLERK: Mr. Blount?

2 MR. BLOUNT: Yes.

3 THE CLERK: Chairman Morgan?

4 CHAIRMAN MORGAN: Yes. The item's

5 approved. Again, good report. Paul,

6 you're not going to get off that easy

7 now. All that money you got and are

8 saving with that, and the next item, I

9 certainly hope you'll communicate with

10 corporate that we would like to have

11 enhancements at our Louisiana licensees.

12 MR. WEST: You saw the newspaper,

13 they budgeted \$7 million for

14 improvements.

15 CHAIRMAN MORGAN: I can't wait to

16 see it.

17 MR. WEST: I'll get you a personal

18 tour.

19 E. Consideration of petition to amend

20 license conditions by Catfish Queen

21 Partnership In Commendam d/b/a Belle of

22 Baton Rouge Casino - No. R011700009

23 CHAIRMAN MORGAN: Item E is  
24 Consideration of petition to amend the  
25 license conditions by Catfish Queen

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1 Partnership in Commendam doing business  
2 as Belle of Baton Rouge Casino, No.  
3 RO11700009. If I ever have one  
4 accomplishment before my tenure as  
5 Chairman, we're going to have license  
6 numbers one through fifteen. I don't  
7 understand the licensing.

8 MR. DUNCAN: Good morning, Mr.  
9 Chairman, Members of the Board, my  
10 name's Kelly Duncan, counsel to the  
11 Belle of Baton Rouge. I have with me  
12 today to my far right, Lance Millage,  
13 who is Executive Vice-President and CFO  
14 of Tropicana, and to my immediate right  
15 is Jeff Michie, who is the General  
16 Manager of the Belle of Baton Rouge.  
17 Also in the audience is Elizabeth  
18 Shearer, who is the Director of  
19 Compliance for the Belle of Baton Rouge.

20 We welcome the opportunity to come  
21 before you today to talk about the  
22 license condition relative to minimum  
23 employment levels and the desire to seek  
24 an adjustment of that. So I'd like to

25 turn it over to Jeff Michie, the general

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1 manager of the property to talk about

2 that. Thank you.

3 MR. MICHIE: Thank you very much for

4 the opportunity to speak before you

5 today. I want to thank you --

6 CHAIRMAN MORGAN: Pull it a little

7 closer.

8 MR. MICHIE: I want to thank you for

9 the opportunity for Tropicana

10 Entertainment and myself to petition the

11 board to modify a condition of our

12 gaming license as it relates to our

13 minimum employment levels. We're

14 petitioning to decrease our minimum

15 employee head count from 800 to 570. We

16 have solid and compelling business

17 reasons to seek this reduction.

18 Since 2006, our net revenues

19 declined by 40 percent while payroll and

20 benefits have increased from 17 percent

21 of our net revenue in 2006 to 30 percent

22 in 2010. During the same period, our

23 admissions have decreased by 36 percent.

24 Also, during that same period, our

25 non-gaming revenue has fallen by

50

1 40 percent. Well, it's not a linear

2 equation. The change in minimum  
3 employment that we're seeking only  
4 represents a decrease of 29 percent.

5 Much has changed in the casino  
6 business in the last 15 to 17 years from  
7 a technology, competitive and economic  
8 standpoint, and we are asking for the  
9 flexibility to manage our business with  
10 an efficient number of employees as  
11 dictated by revenue levels. We will  
12 manage this adjustment to minimum  
13 staffing levels through attrition and do  
14 not plan to have layoffs.

15 I want to reiterate Tropicana  
16 Entertainment's commitment to this  
17 property and the community and its  
18 future. As many of you may know, and it  
19 was just mentioned, we recently  
20 announced a series of capital  
21 investments at the Belle. We plan to  
22 spend up to \$7 million over the  
23 remainder of this year on these  
24 projects.

25 Also, I have discussed this petition

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1 with Mayor Kip Holden just to let him  
2 know that I would be in front of you  
3 today. So I respectfully request that  
4 the Board approve this petition, and,

5 again, thanks for the opportunity to  
6 come here and speak.

7 CHAIRMAN MORGAN: That's it?

8 MR. DUNCAN: That's it. We're  
9 certainly here to answer any questions  
10 that you may have.

11 CHAIRMAN MORGAN: Just so the board  
12 members will know, I've had lengthy  
13 discussions and several meetings with  
14 the licensee on this matter. I'd ask  
15 that -- Mr. Gautreaux, can you come  
16 forward and just give -- brief the Board  
17 on the history of the conditions. It's  
18 my understanding these have been in  
19 place and have not -- particularly the  
20 employment has not been changed since  
21 conception when the license was issued,  
22 and that was in '94, I believe. Go  
23 ahead.

24 MR. GAUTREAU: Again, Chairman and  
25 Board Members, Leonce Gautreaux,

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1 Assistant Attorney General. These  
2 conditions, the Chairman is correct,  
3 originally extended from the initial  
4 approval and licensing of this riverboat  
5 in 1994. As part of the process that  
6 they have to make their presentations --  
7 and I think there were 47 applicants for

8 15 licenses -- they had to present their  
9 economic plan, and as part of their  
10 plan, they said that they would employ  
11 up to 800 people in riverboat  
12 operations -- riverboat and support  
13 operations. The Commission made that as  
14 a condition that they employ those 800  
15 people. That condition has never  
16 changed since the original licensing in  
17 1994. There have been a couple of  
18 conditions added to the license through  
19 the years by the Board.

20 In May 19th, 2002, they added the  
21 condition to require the then owner to  
22 do a due diligence plan, but at the same  
23 time, they also reaffirmed the  
24 continuation of the existing conditions  
25 which included this one. And in May of

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1 2005 at the renewal, they added some  
2 general public policy conditions that  
3 were being placed on all the licensees  
4 and, again, reaffirmed the continuation  
5 of all the previous conditions on the  
6 license.

7 I think I also pointed out that the  
8 this company has gone through several  
9 ownership changes during the course of  
10 its history, you know, first starting

11 with Jazz and Argosy Partnership and  
12 then Argosy outright. Penn National  
13 actually owned them for about a month,  
14 but they had to divest and then sold to  
15 Columbia Sussex, which was owned by  
16 Mr. William Young who then, through the  
17 bankruptcy, lost his interest in it  
18 which was now held by the old creditors  
19 of Tropicana as the owners.

20 So there were five ownership changes  
21 during the course of this licensing, but  
22 only three of them were really  
23 substantial changes.

24 CHAIRMAN MORGAN: I had the Office  
25 of State Police do an evaluation on the

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1 information that you had provided with  
2 regard to revenue, and that memorandum  
3 is in the information provided to the  
4 board members. I had a few questions of  
5 the licensee. Is there any questions of  
6 Mr. Gautreaux?

7 MR. JONES: I have got -- not for  
8 Mr. Gautreaux.

9 CHAIRMAN MORGAN: I'll be with you  
10 in just a second, Mr. Jones. What is  
11 the number of employees whose job is  
12 directly related to hotel operations and  
13 not casino.



14 MR. MICHIE: I don't have the exact  
15 number. I don't have that with me.

16 CHAIRMAN MORGAN: Give me a  
17 guesstimate.

18 MR. MICHIE: Yeah. I'll say around  
19 350, depending on where you draw the  
20 line, so to speak, between the casino  
21 operation and the non-casino operation.  
22 Probably between 350 and 400, around  
23 half and half.

24 CHAIRMAN MORGAN: What would that be  
25 if we adjust the number to what you

55

1 requested?

2 MR. MICHIE: Most of our -- any  
3 decrease in head count's going to be on  
4 the non-gaming side, the non-casino side  
5 will be, you know, what our staffing is  
6 going to look like over time. This is  
7 going to take, you know, quite a few  
8 months to get down there because we're  
9 going to do it through attrition and not  
10 through layoffs. As people leave, you  
11 know, we're going to selectively  
12 determine which positions to fill or not  
13 to fill based on how we feel our  
14 business levels are and our future  
15 business levels will be in those  
16 particular areas.

17 CHAIRMAN MORGAN: Certainly myself  
18 and the board members want to be  
19 reasonable on where we are aware of the  
20 economic situation, but trying to get  
21 the right number is difficult; and  
22 particularly when I look down the street  
23 and everything and they only have a  
24 casino operation and they're at 600, and  
25 that was the reason for my question is,

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1 you know, you're going to drive that  
2 down to a third or, you know, less than  
3 half of what they -- they're using to  
4 operate their casino.

5 So I'm just -- we have to be  
6 cognizant that we're going to have  
7 licensees lined up here all of them  
8 wanting to drive down their numbers, and  
9 your numbers obviously represent that  
10 you did need to decrease, in my opinion.  
11 I just don't know if that's the  
12 appropriate number that you had  
13 requested, particularly with the hotel  
14 situation here.

15 MR. MICHIE: And, you know, the  
16 particulars of, you know, us versus  
17 Hollywood, I mean, it's different  
18 operations, but I totally understand  
19 your point, you know, relative to all

20 the licensees. We're going to -- you  
21 know, whether it would decrease our  
22 gaming or non-gaming side of the  
23 employees, we're going to maintain our  
24 security, our safety, our compliance,  
25 our regulatory, our cleanliness and our

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1 service aspects. Those are all -- those  
2 all generate revenue, and if we start  
3 dropping off those aspects, those four  
4 or five aspects, it's going to hurt us.  
5 And we're not going to do that for the  
6 sake of dropping down numbers. What  
7 we're looking for is the flexibility to  
8 run the business based on current  
9 revenue levels and future revenue  
10 levels.

11 CHAIRMAN MORGAN: Plus technology  
12 has enhanced to where you don't, you  
13 know, have coin anymore and hard count.

14 MR. MICHIE: You know, a lot of  
15 original -- the licensees will say it's  
16 different when they come before you.  
17 Life was different in the casino  
18 industry 15, 17 years ago from a  
19 technology standpoint, and while we've  
20 all changed going to ticket-in and  
21 ticket-out is a main aspect of it, also.  
22 If you recall back 15, 17 years ago,

23 casinos were predominantly table game  
24 oriented, and table games take a lot  
25 more employees than slots do. And it

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1 shifted significantly to 80 percent of  
2 our revenue comes from slot machines in  
3 the casino. And the original 800 number  
4 was prefaced on the lack of technology,  
5 so to speak, and also on a table game  
6 centered environment.

7 CHAIRMAN MORGAN: And just a few  
8 more housekeeping issues, and then I'll  
9 turn it over to the other board members.  
10 You are aware -- and Mr. Duncan's at the  
11 table, I'm sure he's aware -- this is a  
12 condition of licensing. This is a not a  
13 voluntary goal. So the main -- these  
14 employment numbers are to be maintained.  
15 They're -- I think we have a policy  
16 we're going to adopt that we would  
17 measure at the end of the pay period,  
18 but that means that is -- that is not a  
19 general goal. That is an actual number  
20 you have to maintain, and we have  
21 defined what an employee is that mirrors  
22 how we measured the landbased employment  
23 numbers.

24 MR. MICHIE: Yeah. We're very  
25 comfortable with that.

1 CHAIRMAN MORGAN: Have y'all  
2 reviewed that information?

3 MR. MILLAGE: Yes.

4 MR. MICHIE: Yes.

5 CHAIRMAN MORGAN: And you agree to  
6 it?

7 MR. MILLAGE: Yes.

8 MR. MICHIE: Yes.

9 CHAIRMAN MORGAN: It's a matter that  
10 I wanted to make sure that the licensees  
11 knew that this was a condition of  
12 licensing, not a voluntary goal. So  
13 they are required to maintain the number  
14 of employees as we defined what an  
15 employee is, but it's not a voluntary  
16 goal. And the goal would be the number  
17 of minorities and the number of women  
18 that are employed.

19 And I do want to get on the record:  
20 What is your intent to have -- what  
21 percentage that would be eligible for  
22 benefits?

23 MR. MICHIE: We will maintain a  
24 minimum of 70 percent of our existing  
25 employees will be benefit eligible,

1 which means full-time, career-type  
2 position opportunities.

3 CHAIRMAN MORGAN: I've said it  
4 before, I'll reiterate it in public,  
5 that to me that was the intent of  
6 hiring -- having employment numbers, is  
7 that you would provide for a career for  
8 Louisiana citizens, and that is what I  
9 think this board is really interested in  
10 is that we have a -- if we do reduce the  
11 numbers, I do know that there is a  
12 necessity for part-time employees. I  
13 understand that, but it is important  
14 that we reduce the attrition and keep  
15 people gainfully employed who enjoy  
16 working in this industry and make a  
17 career out of it.

18 MR. MICHIE: Yeah. And as a general  
19 manager that's what I want, too. I want  
20 committed, full-time people that are  
21 going to stick with us through --  
22 because -- not only because, but having  
23 the counts or the 800 employee count  
24 causes us to employ people that we might  
25 not otherwise in part-time and other

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1 sort of positions, and it causes  
2 attrition. It causes people to leave.  
3 I want a stable, steady workforce,  
4 people that I can count on and trust to  
5 give the service that drives our

6 business, so.

7 CHAIRMAN MORGAN: Okay.

8 MR. MICHIE: We're in line with you  
9 on that.

10 MR. JONES: I think I just realized  
11 what the answer is. If you look at  
12 ten-year revenue numbers, y'all were  
13 in -- like adjusted gross revenue up in  
14 the mid to high 70 million range, and  
15 also in '05, it's close to 105 and 106  
16 and 110, and then you started a downhill  
17 slide. I guess that's in the wake of  
18 Katrina. Everything else was shut down  
19 so some people came here. Is that the  
20 reason for that big jump?

21 MR. MICHIE: Yeah, the 2006 number  
22 is -- you graph that, and that's the  
23 high point because of post-Katrina  
24 movement of people in the Baton Rouge  
25 area.

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1 MR. JONES: That's all I have.

2 MR. SINGLETON: Mr. Chairman, do we  
3 have to approve this today?

4 CHAIRMAN MORGAN: No.

5 MR. SINGLETON: I just -- I'm a  
6 little concerned about it. They saying  
7 what they want to do, but I'd rather see  
8 something more in writing in terms of

9 what these numbers are and what they're  
10 going to do. And I don't see that here,  
11 and I would prefer to have something a  
12 little bit more definitive other than to  
13 say we're going to do this or we're  
14 going to come back with this later on.  
15 I'd rather see it up front since we're  
16 changing the numbers. We're now going  
17 from 800 down?

18 CHAIRMAN MORGAN: That's correct.  
19 We -- they had petitioned -- it doesn't  
20 mean that we have to go with the number  
21 they petitioned. That's the reason for  
22 the discussing is to find out what the  
23 Board -- if the Board's comfortable with  
24 reducing the number. I did --

25 MR. SINGLETON: I'm not saying we

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1 don't. I say we ought to be fair. I  
2 would just like to see a little bit more  
3 information to make sure that I can  
4 evaluate what you're doing and feel  
5 comfortable with it, and I don't right  
6 now.

7 CHAIRMAN MORGAN: I did put a  
8 provision in that, this would be for a  
9 one-year period and that the Board would  
10 have an opportunity to reevaluate this  
11 after a year because I thought that was



12 important. I did also want to make  
13 sure -- I'm not -- we will get back to  
14 that issue, but I want to make sure --  
15 is anyone from the mayor's office here?  
16 John, do you want to come up? I like  
17 putting you on the spot. It is  
18 important that we have y'all's position  
19 on this.

20 MR. CARPENTER: Yes, sir, I'm John  
21 Carpenter, Chief Administrative Officer,  
22 for the City-Parish. We have been in  
23 contact -- in fact, we had a very good  
24 meeting the other day with myself and  
25 the mayor. We're obviously not happy to

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1 see employment numbers going down, but  
2 there is one thing that they have been  
3 doing, their capital improvements plan,  
4 that we are very excited about that  
5 they've done some things to get this  
6 boat moving back in the right direction,  
7 we believe. And they have had some  
8 extraordinary circumstances in, you  
9 know, the last -- since Katrina, really.

10 So we don't -- we don't have a firm  
11 position on it at this time, but we do  
12 understand and agree that they need to  
13 do something to remain viable. And our  
14 most important thing is we want to see

15 the revenues up because we need the  
16 money.

17 CHAIRMAN MORGAN: Sure. Mr. Stipe.

18 MR. STIPE: And let me just voice a  
19 concern I have, and that is when your  
20 organization came before the board for  
21 the license renewal, there was some  
22 projections about capital expenditures  
23 were going to be made.

24 As I recall, the initial report we  
25 had was delayed so that we were able to

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1 look at what you-all projected for the  
2 fourth quarter of 2009, I believe, and  
3 what was -- and we were able to actually  
4 look at what was spent for capital  
5 expenditures in 2009, and you didn't  
6 come anywhere close. And the license,  
7 you know, was -- there were a number of  
8 projections about capital expenditures,  
9 and I'm not seeing the analysis on how  
10 you're doing that. I hear one or two  
11 people who are telling me that you have  
12 capital expenditure programs and some  
13 improvements that are in the works or  
14 the plan that is started. I frankly  
15 have not had a chance to look at what  
16 you all said you were going to do in  
17 terms of capital expenditures versus

18 what you're actually doing.

19 I understand, I understand your  
20 point. I take your point, you know, in  
21 terms of technological advances and the  
22 different changing in markets and the  
23 need for compliability [sic] in terms of  
24 employees. I understand all that. But  
25 I guess I want you to understand that

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1 this board gave or issued a five-year  
2 license under some representations that  
3 there would be some capital expenditures  
4 made and some improvements in the  
5 facility, and the only thing I  
6 perceived -- the only thing I've had a  
7 chance to look at so far indicate you  
8 didn't meet those outlays that you said  
9 you were going to meet. I hope -- I  
10 hope you have since done that, but I --  
11 I don't have that analysis.

12 And to me they kind of go hand and  
13 hand because I -- to my way of thinking.  
14 I understand we need to give you some  
15 flexibility in terms of employment and  
16 so forth, and I understand there have  
17 been changes. And I want you to, I  
18 guess, understand that there also were  
19 some representations made that these  
20 facilities were going to be improved,

21 that you would continue to put capital  
22 expenditures into them and continue to  
23 improve those facilities, and I don't  
24 have the other half of that equation,  
25 Mr. Chairman.

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1 MR. MICHIE: The money we've  
2 committed for 2011 is in that 6 to  
3 \$7 million range, which includes some  
4 substantial improvements to the casino  
5 itself for new carpets, for just really  
6 to remodel the whole casino because it  
7 hadn't been done for a while. A  
8 significant piece of this -- about  
9 \$2 million is to enclose the promenade.  
10 Many of you have probably seen our --  
11 the lengthy walk we have from the  
12 landside shores from the levee down to  
13 the casino. It's a very -- it's a  
14 competitive negative for us relative to  
15 any of our competitors. It's a long way  
16 to walk, and, you know, our customers  
17 tend to be, you know, on the older side.

18 So by enclosing that to make it an  
19 HVAC, heating and air conditioning, is a  
20 much more comfortable environment. And  
21 technologically and, you know,  
22 engineering wise, it's a difficult thing  
23 to do, and we've come up with a plan.

24 We're actually going to start that on  
25 May 1st, ten days from today. Most of

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1 our capital expenditures that we're  
2 spending will be done by fourth quarter  
3 of this year, but it includes purchasing  
4 a lot of new slot machines, just  
5 technological improvements, improvements  
6 throughout the property.

7 And your future capital -- honestly,  
8 I can't speak too well to the past  
9 because I don't have that information in  
10 front of me, you know, what happened in  
11 that prior meeting. In, you know, the  
12 future when one of our issues that we  
13 face is the ability to continue to  
14 reinvest is really based on your cash.  
15 You know, the more money we make, the  
16 more money we can invest, and that's one  
17 of the reasons why we're asking for the  
18 flexibility to decrease that head count  
19 so we can make more money to invest more  
20 money.

21 MR. STIPE: And the number you just  
22 mentioned was 7 million. Do you know  
23 what the projection was that was  
24 forwarded to staff when we renewed the  
25 license?

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1 MR. MICHIE: I don't.

2 MR. STIPE: I honestly don't either,  
3 but I think it was more than 7 million,  
4 I guess is my point.

5 MR. MICHIE: And it's over a period  
6 of time.

7 MR. STIPE: Sure. And there were  
8 capital outlay estimates for every year  
9 during the five-year period, as I  
10 recall.

11 CHAIRMAN MORGAN: Okay.

12 MS. ROGERS: My concern, Mr.  
13 Chairman, is setting a precedent for  
14 future requests. I think you can  
15 appreciate that.

16 CHAIRMAN MORGAN: Oh, I can  
17 guarantee you there's going to be more,  
18 and this is -- I did entertain the  
19 industry's request to amend their  
20 conditions because I think it's relevant  
21 that we should review them annually, my  
22 opinion, or at least more often than 18  
23 years. So I do think it's a reasonable  
24 request to -- for us to look at it. I'm  
25 not convinced on the actual number, but

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1 based on the hotel operation and with  
2 the casino down the street, barring  
3 that.

4 In all fairness to you, I didn't  
5 have all the information until recently  
6 to look at, but that's -- that is of  
7 concern to me. I feel more comfortable  
8 putting it at 600 like your neighbor  
9 down the street for right now, but I'll  
10 certainly -- the board members are  
11 bringing up some good information that  
12 we might have to get answered before we  
13 address this. Mr. Singleton.

14 MR. SINGLETON: Just to be clear: I  
15 think you've been with us for a long  
16 time, and I've been with it a little  
17 better than a year. I think since we're  
18 going to do this, it's an opportunity  
19 for us to be educated as to what's going  
20 on, and that's one of my reasons for it.  
21 I'd like for them to come back here and  
22 give us a more detailed explanation and  
23 presentation of what they all about, how  
24 they going to improve their cash flow or  
25 whatever the situation might be, and I

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1 don't think I'm getting that today. And  
2 since we going to do it with others, I  
3 would just like for us to set the  
4 precedent now that each one is coming  
5 here and they're going to make the  
6 presentation so at least we can

7 understand. And for those of us who are  
8 newer board members, we have not had the  
9 benefit, and they give us a chance to  
10 become a little bit better educated  
11 about what's going on. And that's my  
12 reason for making a request that we  
13 maybe defer this and bring it up next  
14 month. I'm not opposed to it. I just  
15 want to understand it better.

16 MR. DUNCAN: One comment I'd like to  
17 make, if I might, in response to that.

18 In the petition, we have pointed out the  
19 decrease in admissions, the substantial  
20 decrease in admissions, the substantial  
21 decrease in revenue and the increase in  
22 payroll and benefits as a function  
23 relative to that revenue, and I think  
24 what's important to keep in mind are a  
25 couple things. One is the number that

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1 we have arrived at is certainly not --  
2 to use Mr. Michie's word, linear. It's  
3 quite a bit less than what that decrease  
4 is, that delta, if you will.

5 Secondly, what I think is really  
6 important here is that this property --  
7 and I suspect other properties to the  
8 extent they might come before you -- are  
9 recognizing that the whole purpose of



10 these employment numbers when they were  
11 arrived at originally was to provide  
12 careers for people in Louisiana, not a  
13 situation where you go and hire a bunch  
14 of people for a quarter or whatever and  
15 people who aren't getting full-time  
16 benefits.

17 And so what I think in many respects  
18 is being achieved here is truly what the  
19 legislature had in mind, and I do think  
20 that a lot of the numbers are there, but  
21 we certainly, to the extent that  
22 Mr. Singleton or anyone else feels that  
23 we haven't provided enough data, we're  
24 certainly -- of course will be prepared  
25 to provide you any further additional,

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1 information you require and certainly  
2 would ask that you just let us know what  
3 you need to know.

4 But I do think it's important to  
5 keep in mind that this is not a number  
6 that we've just pulled out of the air.  
7 In fact, again, it's actually short of  
8 what the numbers themselves might  
9 otherwise support, and I think lastly --  
10 or two things lastly. One is this  
11 number would be achieved over a long  
12 period of time. It's not like it's

13 going to happen tomorrow. It would be  
14 through attrition, through just natural  
15 attrition, and secondly, you're going to  
16 find with certain events and activities  
17 in the downtown area, the number would  
18 be quite a bit higher over periods of  
19 time.

20 Again, it's just a floor, but it's  
21 an absolute floor, as the Chairman has  
22 pointed out; it's not a goal. And so I  
23 think it's important to keep in mind  
24 this isn't something that this property  
25 is going to say, okay, we're never going

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1 to have more than 570. It's quite the  
2 opposite. It's an absolute floor, and  
3 it's one that is mandatory as opposed to  
4 voluntary. Thank you.

5 CHAIRMAN MORGAN: Yes, sir.

6 MR. MILLAGE: If you don't mind if I  
7 can just say a few things as well to  
8 kind of mirror what Kelly said. To your  
9 point earlier, this is a one-year  
10 number, a one-year commitment. Over the  
11 last two to three years for this  
12 property, part of it is a reasoning of  
13 predecessor ownership, but the  
14 property's seen declines in revenue of  
15 eight to nine to ten percent

16 collectively over the last two to three  
17 years. We stepped in -- and I  
18 understand your question about what were  
19 the original capital investments or  
20 capital obligations that we committed to  
21 the asset.

22 Typically -- and we'll look to see  
23 exactly what we committed to as far as  
24 the Belle of Baton Rouge is concerned --  
25 but from a corporate perspective, we

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1 usually commit anywhere from four to  
2 five percent of net revenue. I'm going  
3 to guess that number, four to five  
4 percent for this property, was in the  
5 four-and-a-half to five, maybe \$5 and a  
6 half million type range. We'll confirm  
7 that. I'm speaking out of generalities.  
8 We're going to invest close to 7 million  
9 this year. That's in the face of, you  
10 know, revenues going down 10 percent and  
11 profitability, cash flow in the  
12 property, declining close to 30 percent  
13 from 2009 to 2010.

14 So, I mean, from a corporate  
15 standpoint, from an ownership  
16 standpoint, we believe in Baton Rouge;  
17 we believe in the market, but we need  
18 some help. Okay? Our cash flow has

19 decreased significantly, but we're  
20 encouraged by the market, so we're going  
21 to go ahead and reinvest back into it  
22 about \$6 million. We're going for this  
23 for about a year simply to kind of  
24 regenerate, redirect and grow that  
25 revenue sharing.

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1 I think the mayor's representative  
2 that was just up here, our gaming  
3 revenue in 2010 dropped below the  
4 minimum requirement to be at that three  
5 and a half percent of gaming tax for the  
6 admission tax base. We're now down  
7 2 percent. That cost the city a million  
8 dollars that fast because we weren't at  
9 that revenue level. These capital  
10 improvements will push us, hopefully,  
11 back up above that revenue level to  
12 generate that tax dollar back to the  
13 City.

14 Okay. The 800 requirement that we  
15 have, we have a 60 percent turn over.  
16 Okay. We turn over probably 240, 250  
17 jobs a year. That's a significant cost  
18 to the company, training, new hire  
19 orientation, you know, turn over,  
20 employee staff, customer dissatisfaction  
21 because they don't recognize employees

22 that are there are. We want career  
23 oriented employees that the customers  
24 know that they want to come back and  
25 see. We don't want a constant change,

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1 to elaborate on what Jeff said. So we  
2 need this assistance for the next year  
3 to try and reset the mark to regrow our  
4 revenues. Again, it's only for one  
5 year.

6 CHAIRMAN MORGAN: Any other  
7 questions? Mr. Bradford.

8 MR. BRADFORD: I guess questions  
9 and comments. From a business  
10 principle, I can understand with fewer  
11 employees you have an opportunity for a  
12 great deal less turn over, which will  
13 save you money. It also creates the  
14 opportunity for you to invest more in  
15 what I would consider a more stable base  
16 of employees. I consider all that  
17 positive.

18 A couple of questions about where we  
19 were from 17 years ago with the 800.  
20 When did -- and that 800 was for a  
21 riverboat operation. When was the hotel  
22 built?

23 MR. MICHIE: The hotel was built in  
24 the early 2002, 2003.

25 MR. BRADFORD: Eight or ten years

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1 after the boat --

2 MR. MICHIE: Yeah.

3 MR. BRADFORD: -- opened.

4 MR. MICHIE: And it was during the  
5 time that -- the original 800 was based  
6 on a hotel, also, so there was an  
7 additional tax paid by the licensee  
8 between the period of when opening and  
9 when the hotel was built to reflect the  
10 lower head count.

11 MR. BRADFORD: And just so you'll  
12 kind of know where I'm coming from, I'm  
13 in favor of revisiting these employment  
14 condition numbers. The market has  
15 changed dramatically. We've been 17  
16 years into this, and competition has  
17 changed. Lots of things have changed,  
18 and these were guesses back when  
19 licenses were being awarded. I'm --  
20 your comment about nobody getting fired,  
21 as you gradually begin this decrease in  
22 your employment, that will just be a  
23 hundred percent attrition, no one will  
24 get fired?

25 MR. MICHIE: Correct. And it's

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1 going to be a long process, because it's

2 just -- it just takes time. We've got  
3 some ideas of where we feel we're  
4 overstuffed certainly, and we're willing  
5 to wait.

6 MR. BRADFORD: I'm not sure -- we  
7 have a significant amount of information  
8 here. I'm not sure that I a hundred  
9 percent -- Mr. Singleton has a good  
10 point. I'm not sure I a hundred percent  
11 agree with not moving on this today. I  
12 actually probably would rather move on  
13 it. I also get a lot of comments from  
14 the other licensees about visiting this  
15 issue, so I'm not concerned that we're  
16 going to visit this issue immediately  
17 after the first domino falls. It's just  
18 going to be we're going to go down that  
19 road monthly I'm sure, and I think it's  
20 the right thing to do. Our job as a  
21 regulatory board is to not micromanage  
22 your business. I think it's to regulate  
23 the industry in the state and in some  
24 small way also try to help y'all be  
25 successful, and so I do agree with the

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1 Chairman. I like the 600 number better.  
2 If we're just picking numbers out of the  
3 air -- which I'm sure y'all did a lot of  
4 homework and didn't pick that number --

5 but I have a little bit of a problem  
6 dropping below 600 because we have  
7 another operator in the same market at  
8 600. And I know you-guys are faced with  
9 new competition here shortly, and we  
10 want to do everything that we can to  
11 help you meet that competition and  
12 continue to be successful.

13 CHAIRMAN MORGAN: Thank you.  
14 Mr. Singleton.

15 MR. SINGLETON: Mr. Bradford, I  
16 agree with what you're saying. I just  
17 feel personally, bluntly, that they can  
18 do a much better job of making a  
19 presentation to us that we could  
20 understand, you know, instead of -- at  
21 some point three or four times today  
22 they said, I don't know; maybe; I think  
23 it might be this; it's close to that.  
24 All I'm asking for is straight up  
25 information, and I think they could do a

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1 better job of doing that.

2 You say you changed over from old  
3 ownership to this ownership. The  
4 gentleman sitting over there, I've been  
5 knowing him for 30 years. I know -- I  
6 think if you go back to his father at  
7 least wouldn't say anything that wasn't



8 there, but I just don't think y'all have  
9 done what you could do to make sure I,  
10 at least, understood and feel  
11 comfortable with the presentation that  
12 you're making. And that's what I'm  
13 asking for as much as anything else.

14 CHAIRMAN MORGAN: Part of the -- I  
15 have to take part of the responsibility  
16 because I really -- this is the first  
17 time out of the shoot, and we didn't  
18 know what to prepare. I thought that  
19 the information was relative. I can get  
20 with you, if it's the Board's pleasure,  
21 to continue this to find out what  
22 additional information's needed, but  
23 that's why I had the audit section  
24 really validate the numbers with regard  
25 to what you have represented.

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1 With regard to Mr. Stipe's  
2 information, we didn't contemplate what  
3 was committed to with their renewal, but  
4 that's a good point that you brought up,  
5 also. And the fact that the 7 million  
6 capital improvements, I guess that  
7 outline -- outlying years would be  
8 interesting to know what the plan is,  
9 but that would be based on your business  
10 potential and income potential.

11 MR. MICHIE: And we're committed to  
12 the 7 million right now regardless of  
13 what our business is this year.

14 CHAIRMAN MORGAN: And I will tell  
15 you that Mr. Gautreaux and I talked at  
16 length about how these numbers were  
17 derived at originally, and to be honest  
18 with you, I think some of it was just  
19 pulled out of the air. I don't know  
20 that there was a lot of rhyme or reason.  
21 The one thing that I would like that I  
22 want the licensees to be committed to is  
23 just not to higher people to fill a  
24 number, and that's what you're at right  
25 now. And you represented that you --

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1 that doesn't benefit the employee nor  
2 you nor the State. I would much prefer  
3 a smaller workforce that has benefits  
4 than a larger, part-time force that  
5 you're continuing turning over and you  
6 have people standing around at minimum  
7 wage. It just doesn't make sense.

8 Okay. Any other questions? Is  
9 there a motion?

10 MR. BRADFORD: I'll make a motion.

11 CHAIRMAN MORGAN: Okay,  
12 Mr. Bradford?

13 MR. SINGLETON: I want to make a

14 motion to defer until next meeting.

15 CHAIRMAN MORGAN: Motion by

16 Mr. Singleton to defer to the next

17 meeting. Is there a second?

18 MR. STIPE: I'll second.

19 CHAIRMAN MORGAN: Seconded by Mr.

20 Stipe. Is there an objection?

21 MR. BRADFORD: Objection.

22 CHAIRMAN MORGAN: Objection by

23 Mr. Bradford. Roll call vote.

24 THE CLERK: Miss Rogers?

25 MS. ROGERS: Yes.

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1 THE CLERK: Mr. Bradford?

2 MR. BRADFORD: No.

3 THE CLERK: Mr. Jones?

4 MR. JONES: No.

5 THE CLERK: Mr. Stipe?

6 MR. STIPE: Yes.

7 THE CLERK: Mr. Singleton?

8 MR. STIPE: Yes.

9 THE CLERK: Miss Noonan?

10 MS. NOONAN: Yes.

11 THE CLERK: Mr. Blount?

12 MR. BLOUNT: No.

13 THE CLERK: Chairman Morgan?

14 CHAIRMAN MORGAN: No. Four/four,

15 motion fails. So the motion fails to

16 continue.

17 MR. BRADFORD: In regard to minimum  
18 employment license condition, I move an  
19 approval at the level of 600 rather than  
20 the requested 570.

21 CHAIRMAN MORGAN: You want to make  
22 a --

23 MR. BRADFORD: Yeah, that would  
24 be --

25 CHAIRMAN MORGAN: Motion to adopt  
85

1 the resolution with the change of 600.

2 MR. BRADFORD: With the change.

3 CHAIRMAN MORGAN: Is there a second?

4 MR. BLOUNT: Yes.

5 CHAIRMAN MORGAN: Seconded by Mr.  
6 Blount. Is there objection?

7 MR. SINGLETON: Yeah, I object.

8 MR. STIPE: Objection. I wanted to  
9 let the drama go.

10 CHAIRMAN MORGAN: Mr. Stipe objects.  
11 Procedurally we need to take a vote and  
12 then read the resolution into the  
13 record?

14 MS. SMITH: We can do it either way.

15 CHAIRMAN MORGAN: Let's make it  
16 easy, get the vote first, and if  
17 successful, then we'll read it into the  
18 record. Save on a bill from our court  
19 reporter. We're going to take a vote,

20 but this would be to adopt the  
21 resolution with the amendment of 600.

22 THE CLERK: Okay. Miss Rogers?

23 MS. ROGERS: Yes.

24 THE CLERK: Mr. Bradford?

25 MR. BRADFORD: Yes.

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1 THE CLERK: Mr. Jones?

2 MR. JONES: Yes.

3 THE CLERK: Mr. Stipe?

4 MR. STIPE: No.

5 THE CLERK: Mr. Singleton?

6 MR. SINGLETON: No.

7 THE CLERK: Miss Noonan?

8 MS. NOONAN: Yes.

9 THE CLERK: Mr. Blount?

10 MR. BLOUNT: Yes.

11 THE CLERK: Chairman Morgan?

12 CHAIRMAN MORGAN: Yes. So that  
13 resolution's adopted, and we'll read it  
14 into the record.

15 THE CLERK: On the 21st day of  
16 April 2011, the Louisiana Gaming Control  
17 Board did, in a duly noticed public  
18 meeting, consider the issue of Catfish  
19 Queen Partnership In Commendam d/b/a  
20 Belle of Baton Rouge to petition to  
21 amend license condition, and upon motion  
22 duly made and seconded, the Board

23 adopted the following resolution.

24 Be it resolved that condition nine  
25 of the specific economic procurement

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1 conditions in the statement of  
2 conditions to certificate of preliminary  
3 approval dated February 10th, 1994, be  
4 modified and replaced with the following  
5 condition nine: To employ at least 600  
6 persons in riverboat and support  
7 operation, which employment head count  
8 numbers shall be, A, effective for one  
9 year commencing April 21st, 2011, and,  
10 B, reviewed and either reaffirmed or  
11 modified by the Louisiana Gaming Control  
12 Board thereafter.

13 Thus done and signed in Baton Rouge,  
14 Louisiana, this 21st day of April 2011.

15 CHAIRMAN MORGAN: Okay. It's  
16 approved. I do want to go on the record  
17 and say your points are well noted, Mr.  
18 Singleton and Mr. Stipe and others, and  
19 that we don't take this lightly, that  
20 this is a significant issue, and we'll  
21 be in touch with the mayor's office to  
22 make sure that you adhere to this  
23 resolution, and we'll reevaluate it in a  
24 year. And then also any future  
25 licensees that want to come up, they've

1 got the message. Thank you.

2 That concludes Casino Gaming Issues.

3 Item VII, Rulemaking.

4 VII. RULEMAKING

5 A. Consideration of final adoption of LAC

6 42:III.2723 (Casino Gaming Payment

7 Interception)

8 MR. WAGNER: Something a little less  
9 contentious.

10 CHAIRMAN MORGAN: I hope.

11 MR. WAGNER: Good morning, Mr.

12 Chairman, Members of the Board. Again,

13 I'm Assistant Attorney General Johnathan

14 Wagner. I'm before you to present LAC

15 42:III.2723 for final adoption. As you

16 are aware, this is the child support

17 interception rule the legislature

18 requested during last year's regular

19 session. Once approved by the board,

20 this rule will be printed on May 20th at

21 which time it will become effective. Is

22 there any questions?

23 CHAIRMAN MORGAN: Any public

24 comment? Hearing none, any questions by

25 board members? We just need a motion to

1 approve --

2 MR. WAGNER: Final approval.

3 CHAIRMAN MORGAN: Motion for final  
4 approval.

5 MR. BRADFORD: So moved.

6 CHAIRMAN MORGAN: Moved by  
7 Mr. Bradford.

8 MS. ROGERS: Second.

9 CHAIRMAN MORGAN: Seconded by Miss  
10 Rogers. Any objection? Hearing none,  
11 it's approved. Thank you.

12 MR. WAGNER: Thank you, sir.

13 VIII. PROPOSED SETTLEMENTS

14 1. In Re: Lott Oil Company, Inc., d/b/a  
15 Lotts O'Luck #2 -No. 1602515760; Lott  
16 Oil Company, Inc., d/b/a Lotts O'Luck  
17 #3 - No. 4101515762

18 CHAIRMAN MORGAN: We'll go to  
19 proposed settlements, Item VIII in  
20 reference to Lott Oil Company,  
21 Incorporated, doing business as Lotts  
22 O'Luck #2, No. 1602515760; Lott Oil  
23 Company, Incorporated, doing business as  
24 Lotts O'Luck #3, No. 4101515762.

25 MR. TYLER: Chairman Morgan, Members

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1 of the Board, I'm Assistant Attorney  
2 General Michael Tyler representing the  
3 Division in the proposed settlement of  
4 the consolidated cases of Lott Oil  
5 Company, Incorporated, d/b/a Lotts



6 O'Luck #2 and Lott Oil Company,  
7 Incorporated, d/b/a Lotts O'Luck #3.

8 The stipulated facts of this  
9 settlement are that the two licensees  
10 agree that they did fail to timely  
11 notify the Division of a February 3rd,  
12 2009, division of stock in violation of  
13 LAC 42:XI.2417(b)(4); failed to timely  
14 notify the Division of the death of  
15 Luther Lott, Sr., on November 22nd,  
16 2009, in violation of LAC  
17 42:XI.2417(b)(4); failed to timely  
18 notify the Division of the officers on  
19 April 13th, 2010, in violation of LAC  
20 42:XI.2417(b)(4); and failed to timely  
21 notify the Division of an August 27,  
22 2010, stock transfer in violation of LAC  
23 42:XI.2417(b)(4).

24 In lieu of administrative action,  
25 the licensees have agreed to the

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1 Division to settle this matter for a  
2 combined civil penalty of \$3,500. This  
3 penalty was derived from the video poker  
4 schedule. This settlement has been  
5 approved by the hearing officer, and now  
6 we submit it for your approval.

7 CHAIRMAN MORGAN: Any questions?  
8 I'm going to get this out of the way

9 before we do: Any public comment on any  
10 matter before us on any of these? [No  
11 response.] Any questions? Is there a  
12 motion?

13 MR. BLOUNT: Yes.

14 CHAIRMAN MORGAN: By Mr. Blount to  
15 approve the settlement. Seconded by?

16 MR. BRADFORD: Second.

17 CHAIRMAN MORGAN: Mr. Bradford. Is  
18 there any objection? Hearing none,  
19 that's approved.

20 MR. TYLER: Thank you.

21 2. In Re: Big Drink, LLC d/b/a Sudz Tavern  
22 - No. 3800112270

23 CHAIRMAN MORGAN: Item 2 in  
24 reference to Big Drink, LLC, doing  
25 business as -- what is that -- Sudz

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1 Tavern, No. 3800112270.

2 MS. HIMEL: Good morning Chairman  
3 Morgan, Members of the Board. I'm  
4 Assistant Attorney General Dawn Himel on  
5 behalf of State Police in the matter, as  
6 you stated, of Big Drink, LLC, doing  
7 business as Sudz Tavern, license No.  
8 3800112270.

9 Big Drink, LLC, failed to notify the  
10 Division of Toby Terriault. He's the  
11 one-third owner of the licensee.

12 Mr. Terriault married Allison Terriault  
13 on November 13th, 2009. The Division  
14 was not notified of the marriage until  
15 April 14th, 2010, in violation of gaming  
16 law, specifically LAC 42:XI.2417(b)(4).

17 In lieu of the administrative  
18 action, the licensee has agreed to pay a  
19 \$250 penalty within 15 days of the  
20 approval of the settlement by the Board.  
21 The settlement agreement was approved by  
22 Hearing Officer Reynolds on March 28th,  
23 2011, and we submit it for your  
24 approval.

25 CHAIRMAN MORGAN: Mr. Terriault

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1 contacted our office and said it was  
2 absolutely worth \$250 for the marriage.

3 MS. HIMEL: I would hope so.

4 CHAIRMAN MORGAN: He actually did  
5 call wanting to pay it in advance.

6 MR. STIPE: 500.

7 CHAIRMAN MORGAN: Any questions?

8 MR. BRADFORD: I move for approval.

9 CHAIRMAN MORGAN: Mr. Bradford moves  
10 to approve the hearing officer.

11 MR. JONES: Second.

12 CHAIRMAN MORGAN: Mr. Jones  
13 seconded. Is there any objection? [No  
14 response.] Hearing none, it's approved.

15 4. In Re: Lesley Enterprises, LLC, d/b/a  
16 Gattuso's Deli - No. 2601213493  
17 MS. HIMEL: With the Board's  
18 permission, I would like to go on to  
19 Item Number 4, which is also mine. Once  
20 again, Dawn Himel on behalf of the  
21 Office of State Police. This is the  
22 matter of the proposed settlement of  
23 Lesley Enterprises, LLC, doing business  
24 as Gattuso's Deli, license No.  
25 2601213493.

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1 Lesley Enterprises, LLC, failed to  
2 notify the Division of the marriage of  
3 Leslie Gattuso. She is the sole owner  
4 of the licensee. Miss Gattuso married  
5 Benjamin Brown on November 24th, 2007.  
6 The Division was not notified of the  
7 marriage until June 24th, 2010, in  
8 violation of gaming law, specifically  
9 LAC 42.XI.2417(b)(4).

10 In lieu of administrative action,  
11 the licensee has agreed to pay a \$750  
12 penalty for this violation within 15  
13 days of the approval of this settlement  
14 by the Board. The settlement agreement  
15 was approved by Hearing Officer Reynolds  
16 on March 21st, 2011, and we now submit  
17 it for your approval.

18 CHAIRMAN MORGAN: This is more  
19 because it was a time frame.

20 MS. HIMEL: Yes. We looked at it  
21 because it was 2008, 2009 that passed  
22 when they didn't -- they did submit  
23 their annual affidavits and did update  
24 and disclose to the Division, also for  
25 the failure to notify was another \$250,

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1 so total \$750.

2 CHAIRMAN MORGAN: Make sure it  
3 wasn't gender related. Any questions?

4 MR. STIPE: Not after that.

5 MR. SINGLETON: Did you say 550 or  
6 750?

7 MS. HIMEL: 750.

8 CHAIRMAN MORGAN: Mr. Bradford moves  
9 approval.

10 MS. ROGERS: Second.

11 CHAIRMAN MORGAN: Seconded by Miss  
12 Rogers. Any objection? No objection so  
13 that's approved.

14 MS. HIMEL: Thank you, Mr. Chairman.

15 3. In Re: Mardi Gras Lounge, LLC, d/b/a  
16 Mardi Gras Lounge - No. 3601114914

17 CHAIRMAN MORGAN: So we're now on  
18 Item 3 which is Mardi Gras Lounge, LLC,  
19 d/b/a Mardi Gras Lounge, No. 3601114914.

20 MS. WIMBERLY: Good morning,

21 Chairman Morgan, Members of the Board.  
22 I'm Assistant General Ashley Wimberly  
23 appearing on behalf of State Police in  
24 the proposed settlement involving Mardi  
25 Gras Lounge, LLC, license number

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1 3601114914.

2 Mardi Gras lounge violated the  
3 Louisiana Revised Statute 27:311k(4)(a)  
4 and (d) in its failure to timely submit  
5 its video poker renewal application and  
6 annual license forms. On December 15th,  
7 2010, the licensees submitted to State  
8 Police all the applicable forms and  
9 fees. Mardi Gras Lounge is interested  
10 in settling this matter. The Division  
11 and the licensee have entered into a  
12 compromise and settlement agreement  
13 whereby the licensee has agreed to pay a  
14 civil penalty in the amount of a  
15 thousand dollars for the aforementioned  
16 violation. Hearing Officer Brown  
17 approved this compromise and settlement  
18 agreement on March 23, 2011. I now  
19 submit to the Board the compromise and  
20 settlement agreement.

21 CHAIRMAN MORGAN: Okay. Thank you.  
22 Any questions? [No response.] I'll  
23 entertain a motion.

24 MR. BLOUNT: Yes.

25 CHAIRMAN MORGAN: Mr. Blount moves

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1 to approve the settlement agreement.

2 MR. BLOUNT: Yes, sir.

3 CHAIRMAN MORGAN: Is there a second?

4 MS. NOONAN: Second.

5 CHAIRMAN MORGAN: Seconded by Miss

6 Noonan. Any objection? Hearing none,

7 it's approved. Thank you.

8 5. Security Plus, Inc., d/b/a Security Plus,

9 Inc. - No. 1001705154; Security Plus,

10 Inc., d/b/a Security Plus, Inc. - No.

11 1001615314; Daiquiri Express, LLC, d/b/a

12 Lil Jeux's - No. 1001114050; Waffle

13 Iron, Inc., d/b/a Cajun Jeux's - No.

14 1001112621; Vincent/Beglis Parkway,

15 Inc., d/b/a Super Saver Express Travel

16 Center - No. 1000513282

17 CHAIRMAN MORGAN: Item 5 is in

18 reference to Security Plus,

19 Incorporated, and I'll let the Assistant

20 Attorney General introduce the -- go

21 through all of the numbers.

22 MS. CHAUBERT: Members of the Board,

23 I'm Assistant Attorney General Katie

24 Chaubert, and this is Assistant Attorney

25 General Ashley Wimberly. And we are

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1 appearing in the matter of Security  
2 Plus, Inc., doing business as Security  
3 Plus, Inc., license number 1001705154;  
4 Security Plus, Inc., doing business as  
5 Security Plus Inc., license number  
6 1001615314; Daiquiri Express, LLC, doing  
7 business as Lil Jeux's license number  
8 1001114050; Waffle Iron, Incorporated,  
9 doing business as Cajun Jeux's license  
10 number 1001112621, and Vincent/Beglis  
11 Parkway, Inc., doing business as Super  
12 Saver Express Travel Center, license  
13 number 10000513282. I'll let the other  
14 people make their appearances, and I'll  
15 introduce the rest of it.

16 MS. ROVIRA: Allison Rovira on  
17 behalf of the licensees --

18 MAJOR NOEL: Major Noel on behalf of  
19 State Police.

20 MS. CHAUBERT: Members of the Board,  
21 on March 3rd, 2010, notices of  
22 recommendation of revocation were issued  
23 for Security Plus, Waffle Iron,  
24 Vincent/Beglis Parkway and Daiquiri  
25 Express, and a notice of denial of

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1 original application was issued for  
2 Security Plus. These notices are based  
3 on allegations of the unsuitability of



4 Jacqueline Palermo for failure to  
5 disclose material information to the  
6 Division and for making false  
7 statements.

8 On April 8th, 2011, the Division and  
9 the licensees entered into a compromise  
10 and settlement agreement. I believe you  
11 were all provided with a copy of it.  
12 It's fairly lengthy, but a brief  
13 overview of the general terms and  
14 conditions are as follows: Jacqueline  
15 Palermo agrees not to participate in the  
16 gaming industry for a period of nine  
17 years and pay a civil penalty of  
18 \$20,000. The licenses of Waffle Iron,  
19 Daiquiri Express and Security Plus will  
20 be surrendered, and the request for an  
21 original application, the Type VI of  
22 Security Plus, will be withdrawn, and  
23 the Division has agreed to allow the  
24 Vincent/Beglis Parkway, Inc., 90 days  
25 within which to complete a sale of the

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1 property and the truckstop, and so the  
2 compromise and settlement agreement was  
3 approved by the hearing officer on  
4 April 11th, 2011. We now submit it for  
5 the Board's approval, and as you can  
6 see, the appropriate parties are here to

7 answer any questions you may have.

8 CHAIRMAN MORGAN: Are any of these  
9 entities currently operational?

10 MS. ROVIRA: Yes, sir. Daiquiri  
11 Express, Waffle Iron and Vincent/Beglis  
12 Parkway.

13 CHAIRMAN MORGAN: I want to let the  
14 board members ask questions, but I have  
15 a few to get clarification on. On the  
16 terms and conditions, number one, about  
17 Miss Palermo agrees not to participate  
18 in Louisiana gaming industry, what does  
19 "gaming industry" mean?

20 MAJOR NOEL: That would be the video  
21 poker industry.

22 CHAIRMAN MORGAN: Only video poker,  
23 not --

24 MAJOR NOEL: I don't think it's  
25 specific just to video poker.

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1 MS. ROVIRA: I would agree. I can  
2 assure you she's not getting -- she's  
3 not going to be applying for any other  
4 types of licenses, any other gaming  
5 licenses for nine years or forever from  
6 the State, probably.

7 CHAIRMAN MORGAN: And that was my  
8 other question, the nine-year period --

9 MS. ROVIRA: That was negotiated

10 between the parties.

11 CHAIRMAN MORGAN: So after nine  
12 years, she can theoretically come back  
13 in?

14 MS. ROVIRA: She could reapply.

15 CHAIRMAN MORGAN: Okay. And then  
16 the difficulty I have with this, and you  
17 might be able to ease my concern, is in  
18 the provision that will allow her to  
19 have a credit sale as to -- basically,  
20 if I understand this correctly, she will  
21 be able to hold a note.

22 MS. ROVIRA: Yes, sir.

23 CHAIRMAN MORGAN: And receive  
24 economic benefit from the gaming  
25 operation through the note.

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1 MS. ROVIRA: She will not receive  
2 economic benefit from the gaming  
3 revenue. She will just be able to pay  
4 her note. She has an outstanding  
5 mortgage on the property, as well, and  
6 she will just be able to pay off her  
7 note.

8 CHAIRMAN MORGAN: You don't  
9 anticipate a clear sale?

10 MS. ROVIRA: No, sir. Well, at  
11 the -- the buyer that we have at present  
12 is not able to, you know, seek financing

13 from the bank, and that's why we  
14 negotiated for her to be able to hold  
15 the note.

16 CHAIRMAN MORGAN: Because she has a  
17 buyer.

18 MS. ROVIRA: We do have a buyer. We  
19 are almost there with an agreement, and,  
20 in fact, they've just e-mailed me more  
21 documents today, so we should close, I  
22 would say, in the next month.

23 CHAIRMAN MORGAN: Will the terms  
24 of -- who reviews the terms of the sale,  
25 in other words, the terms of the note?

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1 Is that something that would be  
2 disclosed to the State Police?

3 MAJOR NOEL: Yes, sir. Mr.  
4 Chairman, that would be reviewed upon --  
5 the buyer's will have to submit an  
6 application to us with all those  
7 documentation.

8 CHAIRMAN MORGAN: My concern is  
9 under 27:III.10(d), which if it's not  
10 confected in the right manner, would put  
11 her back into the Board's arena for  
12 suitability determination, and that is  
13 of concern to me.

14 MAJOR NOEL: Yes, sir. If -- the  
15 note and any payments cannot be a

16 percentage of gaming revenue. Usually,  
17 that's -- if that situation arises,  
18 then, yes, it will.

19 CHAIRMAN MORGAN: Well, I'll share  
20 this with the other board members just,  
21 I don't know that I totally agree with  
22 that, but I -- I've been wrong before.  
23 But it -- it's -- D says, every person  
24 who has or controls direct or indirectly  
25 more than 5 percent ownership income or

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1 property interest in an entity which has  
2 or applies for a license in accordance  
3 with the provision of this chapter or  
4 who receives more than 5 percent revenue  
5 interest in the form of a commission,  
6 finder's fee, loan repayment or any  
7 other business expense related to gaming  
8 operations or who has the ability in the  
9 opinion of the Division to exercise  
10 significant influence over the  
11 activities of a licensee authorized or  
12 to be authorize by this chapter shall  
13 meet all suitability requirements and  
14 qualifications for licensees.

15 That's the only -- one of the  
16 reasons I have concern with the  
17 settlement if she's going to be the  
18 note -- hold the note.

19 MAJOR NOEL: We have always  
20 interpreted, the revenue interest is  
21 triggered, and if the loan contains  
22 language that ties payment to revenue,  
23 say five, ten, fifteen percent --  
24 because we do see that on occasion --  
25 then those individuals would have to

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1 meet suitability. The only other way to  
2 do it becomes almost you would -- say a  
3 note is \$10,000 a month, and just for a  
4 ballpark figure, you would have to,  
5 then, I guess try to compare to revenue,  
6 which is going to fluctuate on a daily,  
7 weekly, monthly basis. I don't know how  
8 you then determine whether it's five  
9 percent.

10 So we've always interpreted revenue  
11 interest as something triggered by the  
12 loan and the payment schedule, if it's  
13 tied to -- directly tied to a percentage  
14 of revenue.

15 CHAIRMAN MORGAN: I'm not going to  
16 debate the issue. Using that standard,  
17 you could theoretically have an  
18 unsuitable person receiving significant  
19 revenue, significant benefit from a  
20 gaming operation, which I don't know  
21 follows the intent of the legislature

22 with regard to keeping this industry  
23 totally clear and free of unsuitable and  
24 unsavory persons, but anyway, that's a  
25 debate for another issue. I guess the

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1 trigger would be, would it represent  
2 5 percent, and I don't have all the  
3 terms of the agreement, but y'all --  
4 that's something that y'all would have  
5 to -- the Division and the Attorney  
6 General's Office would review and have  
7 to approve.

8 MAJOR NOEL: Yes, sir.

9 CHAIRMAN MORGAN: And you feel  
10 comfortable that that's contained in  
11 this settlement, that authorizes y'all  
12 to do that?

13 MAJOR NOEL: The sale is not  
14 preapproved.

15 CHAIRMAN MORGAN: I understand, but  
16 the terms of the loan.

17 MAJOR NOEL: No, sir, not  
18 preapproved. Let me correct that. It  
19 is in a manner that they would do their  
20 sale and then apply to the Division, the  
21 new owner would apply.

22 MS. ROGERS: Preapproved by whom,  
23 the Division?

24 MAJOR NOEL: No, ma'am. It's not

25 preapproved.

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1 MS. ROGERS: That's what I'm saying.

2 CHAIRMAN MORGAN: I don't know if  
3 you're following my difficulty here is  
4 that should the terms of the loan  
5 trigger this provision of law, then the  
6 Board's back in a situation same as the  
7 Division, of suitability issue with her.

8 MS. ROVIRA: Maybe that's -- there  
9 was no determination as to her  
10 suitability.

11 CHAIRMAN MORGAN: I understand. I  
12 understand.

13 MS. ROVIRA: And I understand where  
14 you're --

15 CHAIRMAN MORGAN: But it's going to  
16 be back before us for that  
17 determination. Somebody made a decision  
18 that her actions -- they felt it best  
19 that she not be involved in industry for  
20 nine years, but yet this could trigger  
21 where she would be involved by the  
22 statute is my concern. I'll let other  
23 board members ask questions while you  
24 contemplate that issue. Mr. Jones.

25 MR. JONES: I just had a question.

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1 What happens if the sale falls through?



2 MAJOR NOEL: The license would be  
3 surrendered.

4 MS. ROVIRA: Right. And there's a  
5 provision in the settlement.

6 MR. JONES: And the other items,  
7 they're surrendered as well?

8 MAJOR NOEL: Yes, sir.

9 MS. ROVIRA: It's number seven,  
10 number seven on page four.

11 MS. CHAUBERT: And the sale has to  
12 be completed within 90 days of board  
13 approval, so regardless, at the end of  
14 90 days if something doesn't happen, it  
15 will be surrendered.

16 MS. ROGERS: Where does the nine  
17 years come in? Is that an arbitrary  
18 number? What's that based on?

19 MAJOR NOEL: It was through our  
20 negotiations. You know, the ten-year  
21 you'll see in video gaming suitability  
22 standards, generally a ten-year  
23 cleansing period on felony convictions  
24 or statutory disqualifying convictions,  
25 so that was a close mark that we

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1 referenced, but it -- when it comes down  
2 to it, it was just a number that we all  
3 felt comfortable with.

4 CHAIRMAN MORGAN: Okay.

5 MR. BRADFORD: Just for  
6 clarification, the Jacqueline and Joseph  
7 Palermo are selling real estate?

8 MS. ROVIRA: Yes, sir.

9 MR. BRADFORD: And they're going to  
10 hold the note or the mortgage or  
11 whatever, and they're going to receive  
12 monthly payments?

13 MS. ROVIRA: Correct. And let me  
14 clarify that Joe Palermo does not have  
15 any ownership interest in any of the  
16 properties at this time. So it's  
17 Jacqueline Palermo is selling her  
18 interest, and there's a trust that owns  
19 part of the land. And they will hold --  
20 there's two different notes, and they  
21 will -- the bank holds the notes, and  
22 they have to pay the note with --

23 MR. BRADFORD: Is it possible we  
24 need an Attorney General opinion that  
25 that is related or unrelated to gaming

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1 revenue, that monthly payment?

2 MS. ROVIRA: Right. And there are  
3 provisions in the settlement that said  
4 that it cannot be revenue. They're able  
5 to --

6 MR. BRADFORD: Right. I read all of  
7 that.

8 CHAIRMAN MORGAN: But it has a  
9 however, and the however is they can  
10 hold the note. And it's not that I'm  
11 opposed to -- totally opposed to this  
12 settlement. I am -- the concerns I have  
13 is that if it is not crafted in a way --  
14 if it's crafted in a way that the  
15 note -- it could put us back in a  
16 situation where suitability  
17 determination has been made, and in all  
18 fairness, I've received this -- well, I  
19 got it at the same time y'all did the  
20 settlement, and this one issue I did not  
21 get clarification with regard to  
22 previous board action with regard to the  
23 revenue interest that made me feel  
24 comfortable. I don't know if that's  
25 documented or been memorialized at the

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1 hearing or policy statement of the board  
2 or anything else that supports the  
3 definition of that and how you calculate  
4 the five percent.

5 MR. BRADFORD: Item number six says  
6 that they agree not to receive any  
7 revenue from any licensed gaming entity.  
8 Is that a person or a business? I mean,  
9 if they're -- if they're receiving  
10 mortgage payments for this building,

11 who's writing that check every month?

12 Is it a person or getting a check

13 from --

14 CHAIRMAN MORGAN: You have to look  
15 at A, though. It says this provision  
16 will not prevent.

17 MS. ROVIRA: Yeah, A --

18 CHAIRMAN MORGAN: That's the  
19 however.

20 MR. BRADFORD: Right.

21 MR. BLOUNT: Mr. Chairman, if they  
22 can't obtain bank financing, how else is  
23 this note going to be paid except in  
24 gaming revenue?

25 MS. ROVIRA: I do not know the

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1 individual who is purchasing the  
2 property. I do not know his financial  
3 status.

4 MR. BLOUNT: I thought you stated he  
5 was not able to get bank financing.

6 MS. ROVIRA: That is my  
7 understanding.

8 MR. BLOUNT: If he can't get bank  
9 financing, how else is the note going to  
10 be paid except from gaming revenue?

11 MS. ROVIRA: I would assume from,  
12 you know, maybe the business as a whole  
13 on the property, not necessarily just

14 the gaming revenue, and he has other  
15 businesses. He is currently, I  
16 believe -- I have not seen -- he is a  
17 licensee currently. I think he holds  
18 several licensees.

19 MAJOR NOEL: Let me make a comment:  
20 Should you not approve this and we go to  
21 a hearing and the Division and the State  
22 win every point in its case, nothing  
23 then still prevents them from selling  
24 the truckstop and doing some -- some of  
25 the things that we have in here we feel

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1 gives us a little more than what we may  
2 get ultimately if this goes to hearing  
3 and they're all found unsuitable and  
4 revocations and denials take effect.  
5 And so that's why we put some of the  
6 sale provision in there.

7 The question about revenue interest,  
8 we've for many years looked at it more  
9 as a direct revenue interest, where it's  
10 tied -- gaming revenue from those video  
11 poker machines where a percentage of  
12 that revenue goes to pay the note, and I  
13 agree that if that happens, then there's  
14 a problem. Up until this point, we have  
15 not looked at it from a standpoint as a  
16 business. Obviously, some of the

17 revenue from those machines are going to  
18 pay whatever overhead, whatever other  
19 notes are due, but we haven't gone that  
20 step in the past.

21 MR. STIPE: And I guess when I --  
22 for example, fair market compensation, I  
23 take your point to mean, look, there's a  
24 going rate of market interest, and this  
25 is a -- this is a fair credit sale under

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1 specified terms, but there can also be  
2 some terms that are fairly high and have  
3 the effect of causing -- of being above  
4 what you would normally pay in a credit  
5 sale absent this particular license,  
6 right? And we don't have that. I don't  
7 know what that is.

8 And if the intent is, if the intent  
9 is in six for these two particular  
10 individuals not to receive any revenue  
11 and not to be participating in it, but  
12 in 6A there is an undefined fair market  
13 compensation that can be recovered, then  
14 they may not be contradictory. But they  
15 may be. And it really depends how the  
16 documents turn out being drafted and the  
17 credits.

18 And I guess when I read six, when I  
19 read six, I take it to mean that they're

20 not going to be associated with y'all  
21 with any gaming interest at all, but one  
22 qualifies it to just a nine-year period  
23 as to her? Is that what the intent is,  
24 paragraph one?

25 MAJOR NOEL: Yeah. It applies to  
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1 Miss Palermo, Jacqueline Palermo, for  
2 the nine years, correct.

3 MR. STIPE: So she can't have any  
4 interest for a period of nine years, and  
5 number two, second interest is in A, B,  
6 C. And in paragraph seven, she can hold  
7 a seller note for the truckstop.

8 MAJOR NOEL: For the truckstop, yes,  
9 sir.

10 MR. STIPE: All right. And while  
11 we're approving this, what is or --  
12 whether the documents ultimately reflect  
13 a fair market compensation or not is  
14 something that's going to be signed and  
15 determined after your -- we're asked to  
16 approve this settlement?

17 MAJOR NOEL: Currently, yes, sir,  
18 that's how it would be structured, and,  
19 of course, the risk is to the applicant.  
20 If the Board -- if you approve it, the  
21 sale is consummated, and then the new  
22 applicant applies. And it does appear

23 that there's some things beyond fair  
24 market value and some conditions or some  
25 payments that aren't consistent with

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1 what we've seen in the past, then that  
2 applicant is at risk.

3 I guess the other option would be to  
4 consummate the sale and then come back  
5 to conclude this.

6 MR. STIPE: Well, let me just  
7 suggest this: I mean, we earlier  
8 approved a shelf transaction and a shelf  
9 debt financing, and we have in the past  
10 approved -- and they had transactions  
11 that were contingent upon ultimate board  
12 approval. I mean, I've seen that in  
13 other instances.

14 MAJOR NOEL: Yes, sir.

15 MR. STIPE: If you have a purchaser,  
16 if you have documents going back and  
17 forth and if those documents -- I'm just  
18 throwing this out -- I mean, you  
19 could -- it seems to me you could make  
20 the closing of that transaction  
21 contingent upon approval of this board.  
22 And then we would know what the ultimate  
23 interest is in terms of the credit note  
24 and the credit sale terms and what those  
25 interest rates are and all those kind of



1 things. Just a thought, just a thought.

2 MAJOR NOEL: Yes, sir.

3 MR. STIPE: A couple of other  
4 questions, a couple of other questions:  
5 You know, in paragraph nine, we talk  
6 about if there's a violation of this  
7 compromise and settlement agreement,  
8 that there's going to be a hearing in 15  
9 days. I mean, what's the effect of if  
10 the hearing isn't scheduled for 30 days?

11 MS. CHAUBERT: I believe if the  
12 board approves this, this would be the  
13 terms that control any situation like  
14 that that would arise, and so it would  
15 not be within 30 days. It would have to  
16 be within 15 days.

17 MR. STIPE: I have had -- in  
18 practicing law, I've had very, very bad  
19 luck trying to tell a judge when he can  
20 have a hearing and what his -- what the  
21 issues are that he can consider. And I  
22 guess my question is: What if the  
23 hearing isn't scheduled until 30 days  
24 after the dispute? I mean, what -- you  
25 get what I'm saying?

1 MS. CHAUBERT: Yes, sir. I  
2 understand your concern, but the hearing

3 officer is an arm of this board, and as  
4 such it is kind of under the control of  
5 what the board says. And should the  
6 board approve this, this would be what  
7 the hearing officer would have to  
8 follow. I agree with you. I do not  
9 like to tell judges when they will hear  
10 my cases, but as the board, y'all can.

11 MR. STIPE: And if it's not  
12 scheduled within 15 days, then as I read  
13 this, the penalty is revocation of  
14 license number 1000513282. I mean, we  
15 just -- it doesn't get set in 30 days,  
16 then that license is revoked; is that  
17 right? I mean, is that --

18 MS. CHAUBERT: I mean, I see where  
19 you're going by saying the failure to  
20 set it within 30 days would be also a  
21 violation. I don't have a hard time  
22 making that leap because I don't think  
23 that would occur.

24 MS. ROVIRA: And could I just  
25 suggest that that license number is the

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1 current license number for the existing  
2 truckstop location. That will change  
3 once the sale takes place.

4 MS. CHAUBERT: And then that  
5 license --

6 MR. STIPE: So don't we need to put  
7 the new license number in the settlement  
8 agreement?

9 MS. CHAUBERT: That new license  
10 number -- I understand everyone's  
11 concern today, and I think you shouldn't  
12 miss the big picture that ultimately  
13 State Police -- nothing in this document  
14 prevents State Police from regulating  
15 any licensee, the new one as they see  
16 fit. And, like, we were saying about  
17 submitting the documents for the sale,  
18 that is a normal function of State  
19 Police to evaluate loan documents,  
20 rental documents when a sale occurs, and  
21 this isn't something that is a new  
22 invention. That's what they do. And  
23 that's what they would do if they were  
24 to sell it without us entering into this  
25 compromise and settlement agreement.

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1 And State Police, nothing in here  
2 prevents them from regulating the  
3 licensees. And so the new licensee  
4 would be under the same scrutiny as  
5 every other licensee where State Police  
6 would look at where their money goes and  
7 look at -- make sure that certain people  
8 don't have significant influence, et

9 cetera, et cetera.

10 So I don't want to lose focus, that  
11 at the end of the day, this takes  
12 nothing from State Police's regulatory  
13 and enforcement abilities.

14 MR. STIPE: And I guess I'll make  
15 two points that are contradictory to one  
16 another, and the first one is that  
17 before Abraham Lincoln was a president,  
18 before he was a failed candidate, he was  
19 a very, very talented trial lawyer, and  
20 there was a quote that says, you ought  
21 to encourage your clients to settle.  
22 You should make every effort to  
23 encourage your clients to settle. And I  
24 understand that, and I appreciate all  
25 the effort that you've put into this. I

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1 really do.

2 On the other hand, this board has  
3 spent a lot of time in an administrative  
4 matter that at one point had three  
5 different appellate dockets going on  
6 with matters, and so, you know, when I  
7 see -- I'm all for finality and I'm all  
8 for -- but I'd like it to really be  
9 fine. And those -- that's my concern.

10 And so, you know, how do you deal  
11 with that concern? My suggestion is

12 that if you really have a -- because we  
13 have a lot of language in here about  
14 credit sales and mechanics of credit  
15 sale and what happens with credit sale,  
16 and if you have a buyer located and if  
17 we are already exchanging closing  
18 documents, then my suggestion -- and  
19 it's no one else's -- my suggestion is:  
20 Then why don't you finalize those  
21 closing documents, make them contingent  
22 upon board approval and come back next  
23 month, I guess, when that's closed.  
24 That's my thought.

25 MS. ROVIRA: I have no problem with

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1 that.

2 MR. BRADFORD: The -- short of the  
3 statute that the Chairman read was an  
4 eye opener for me which indicated that  
5 possibly the note holder might have to  
6 go through suitability. To me the risk  
7 here is on the person buying the real  
8 estate. If this transaction -- if we  
9 approve this settlement today, somebody  
10 buys the property, operates the  
11 business, pays Mrs. Palermo rent, she  
12 goes through suitability and fails,  
13 whoever bought that building is going to  
14 lose their license. Am I right? Is

15 that --

16 MAJOR NOEL: Yes, sir.

17 MR. BRADFORD: That would be the  
18 natural course of where this thing is  
19 going, and I'm kind of in favor of  
20 letting nature takes its course.

21 MS. ROVIRA: I don't know if State  
22 Police will support this statement, but  
23 I believe in most situations, they have  
24 allowed the persons who are even deemed  
25 unsuitable to be lessors or lessees.

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1 MR. BRADFORD: Do you have -- that's  
2 for sure?

3 MS. ROVIRA: I believe so.

4 MR. BRADFORD: If there's a  
5 precedent that's been set there, I'd  
6 like to see it.

7 MS. CHAUBERT: That's only if the  
8 lessor does not receive video poker  
9 revenues as rent.

10 MS. ROVIRA: Right. They can  
11 receive rent, fair market value rent.

12 MR. BRADFORD: Right.

13 MS. ROVIRA: Not tied to revenue.

14 CHAIRMAN MORGAN: I'll tell you  
15 what: I've learned a lot in my short  
16 tenure as Chairman, particularly with  
17 video gaming. I just have a fundamental

18 disagreement with that statement, and  
19 from the -- from my going on 19 years in  
20 gaming in this state from the  
21 legislative intent, I just think  
22 that's -- just runs contrary to it.  
23 However, I make a motion to continue it  
24 until we can have more clarification on  
25 the closing documents. Are you apposed

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1 to that?

2 MS. ROVIRA: No, sir. Would you  
3 like me to submit the closing documents  
4 to you once they are final?

5 CHAIRMAN MORGAN: Once State Police  
6 reviewed them and have more clarity on  
7 that, is there any concerns from the  
8 A.G.'s Office with that, State Police?

9 MAJOR NOEL: Mr. Chairman, do you  
10 want a pre-approval or just a review?

11 CHAIRMAN MORGAN: My motion's just  
12 to continue it, and then we'll work out  
13 the mechanics of it. Okay. We have a  
14 motion to continue. Do we have a  
15 second?

16 MS. ROGERS: Second.

17 CHAIRMAN MORGAN: Second by Miss  
18 Rogers. Is there any objection to  
19 continue? The matter's continued.  
20 Thank you for your efforts.

21 IX. PUBLIC COMMENTS

22 CHAIRMAN MORGAN: Public Comments.

23 Ms. Chaubert, do you have a public

24 comment?

25 MS. CHAUBERT: Let's get out of

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1 here.

2 X. ADJOURNMENT

3 CHAIRMAN MORGAN: Motion to adjourn?

4 MR. SINGLETON: Move we adjourn.

5 MR. BLOUNT: Second.

6 CHAIRMAN MORGAN: Mr. Blount

7 seconded. We're adjourned.

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1 REPORTER'S PAGE

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3 I, SHELLEY PAROLA, Certified Shorthand

4 Reporter, in and for the State of Louisiana, the

5 officer before whom this sworn testimony was

6 taken, do hereby state:

7 That due to the spontaneous discourse of this

8 proceeding, where necessary, dashes (--) have been

9 used to indicate pauses, changes in thought,

10 and/or talkovers; that same is the proper method

11 for a Court Reporter's transcription of a

12 proceeding, and that dashes (--) do not indicate

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25 Registered Professional Reporter

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

6 correct transcript of the proceedings in the

7 preceding matter on April 21, 2011, as taken by me

8 in Stenographic machine shorthand, complemented

9 with magnetic tape recording, and thereafter

10 reduced to transcript, to the best of my ability

11 and understanding, using Computer-Aided

12 Transcription.

13 I further certify that I am not an

14 attorney or counsel for any of the parties, that I

15 am neither related to nor employed by any attorney

16 or counsel connected with this action, and that I

17 have no financial interest in the outcome of this

18 action.

19 Baton Rouge, Louisiana, this 1st day of

20 June, 2011.

21

22

23 \_\_\_\_\_  
SHELLEY G. PAROLA, CCR, RPR

CERTIFICATE NO. 96001

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