

Approved  
10/24/96

## LOUISIANA GAMING CONTROL BOARD

### MINUTES OF SEPTEMBER 4, 1996 MEETING

The Louisiana Gaming Control Board held a meeting on Wednesday, September 4, 1996, 2:00 p.m., in the Conservation Hearing Room of the Department of Natural Resources Building. In attendance were board members Hillary J. Crain, Chairman; General Sherian Cadoria, Mr. Robert Fleming, Mr. Ecotry Fuller, Mr. Ralph Perlman, ex-officio members John N. Kennedy, Secretary of the Department of Revenue and Taxation and Col. W.R. "Rut" Whittington, Deputy Secretary, Department of Public Safety & Corrections.

Chairman Crain called the meeting to order and began by discussing the Hilton's Request for a change of berth for the Flamingo Riverboat. Hilton submitted a proposal to the board that would change the berth from New Orleans to Shreveport, Louisiana in conjunction with Harrah's Riverboat berth in Shreveport. The proposal would be a joint project between Harrah's and Hilton, and would include construction of a Hotel. Such a request is considered a modification of a license.

The Chairman reported that the Board had received information on Friday, August 30, 1996, that a problem existed in the state of Missouri with reference to a riverboat berth which had been granted to Hilton in Missouri. Questions of suitability of Hilton were raised in the state of Missouri with regard to certain allegations of misconduct which might have taken place.

Chairman Crain immediately turned this information over to State Police and the Attorney General's office for investigation, prior to this Board taking any official action regarding Hilton's request. Ms. Jenifer Schaye, Director of the Gaming Division in the Attorney General's Office and her staff, along with State Police began an investigation of the Missouri situation.

Ms. Schaye then reported to the Board on the status of the Attorney General-State Police investigation as of the date of the meeting. She stated that the investigation revealed there was a grand jury investigation concerning *alleged improper* activity between a public official in Kansas City and possibly the Hilton. In addition, the Missouri gaming authority currently was withholding licensing a riverboat owned by Hilton.

Depositions were taken from Charles Barry, who is the chief of security for the Hilton Corporation, Michael O'Brien, executive vice-president of Hilton Gaming and Hotel Development and Joseph Frederick, former general manager of the Flamingo Casino Corporation in Kansas City, Missouri.

Ms. Schaye concluded that she believed Hilton should have contacted the Board immediately, that over the 48 hours she spent investigating this matter there was nothing that would cause her to recommend suspending, revoking or taking any kind of administrative action against the Hilton, and they would continue investigating and present a more thorough report probably within 45 days. She also stated that as far as could be determined, the Hilton was not the target of the grand jury investigation.

Mike O'Brien, executive vice president of Hilton Hotels Corporation was sworn and testified as to his knowledge of the Missouri situation. Chairman Crain asked him why they failed to divulge to the Gaming Control Board that they had received a federal grand jury subpoena on April 26, 1996, knowing that suitability is continuing obligation in this state. Mr. O'Brien responded that the request came from another state concerning an investigation either that was just starting up or ongoing, and they weren't quite sure and didn't have a lot of information concerning it. It seemed clear that Hilton was not the main target of the investigation, and was merely being questioned about information they might have.

Mr. O'Brien stated that since this investigation, Hilton had notified jurisdictions in the United States where they have operations of the situation in Missouri.

Chairman Crain allowed time for public comments before the Board would take any action regarding this request.

Marc Morial, Mayor of New Orleans, thanked the board for the opportunity to address some concerns of his regarding the Flamingo's request for a change of berth. He stated he was against any change of berth that would require the Flamingo to leave New Orleans. He also stated that it would be a major blow to the city's economy, not to mention the loss of about 700 jobs.

Board member Robert Fleming, stated he saw no reason why the Board should take a position on the issue at this time. Judge Fleming made a motion to postpone consideration of the Flamingo's request until the Board's first meeting in January of 1997. Chairman Crain asked if there was a second to Judge Fleming's motion. There was no response from any of the members, and ultimately Judge Fleming withdrew the motion.

Chairman Crain went on to state that he wanted to hear from Mayor Williams of Shreveport, as well as other public comments, and would then entertain a motion as to whether to act on the matter at this meeting.

Bo Williams, Mayor of Shreveport was then given the opportunity to address the Board regarding the Hilton's move to Shreveport.

He thanked for the Board for allowing him to speak and for investigating the incident with the Hilton in Missouri. He requested the Board vote on the move subject to a favorable conclusion of the issues in Kansas City. If it was determined that the Hilton was unsuitable to hold a license, it would not matter whether they were located in New Orleans or Shreveport.

Mayor Williams stated Shreveport definitely had a need for expansion of employment opportunities, and would welcome the additional employment opportunities that a change of berth from New Orleans to Shreveport would mean to their city.

Jim Smith, attorney for the Hilton stated that they had financial stats that showed while the temporary casino was open, revenues for the Flamingo were down. If a permanent casino opened 500 yards away, it certainly would not help the Flamingo. He also stated that Hilton was prepared

to offer the city of New Orleans a leave-behind package, something that would help the mayor and the city with budgeting. It included leaving the Flamingo where it is until June 1, 1997, or the opening of the land-based casino, whichever is first, guaranteeing 10 million dollars to the city; offering employees the opportunity relocate to Shreveport if they so desired, and those who opted to stay in New Orleans would be offered employment with Harrah's land-based casino when it opened.

Chairman Crain stated that the question for the Board to decide first is whether, in view of the circumstances, the Board is ready to vote on the merits of the proposal.

Mr. Perlman made a motion for the Board not to vote on the merits at this time.

Judge Fleming seconded the motion.

The Board voted to postpone the vote.

Chairman Crain asked for a motion to adjourn. Judge Fleming moved to adjourn and Mr. Ecotry Fuller seconded that motion. The Board unanimously voted to adjourn.

The meeting was then adjourned.