

LGCB Board of Directors' Meeting, (Pages 1:1 to 128:24)

1: 1 LOUISIANA GAMING CONTROL BOARD

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4 BOARD OF DIRECTORS' MEETING

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9 Tuesday, April 20, 2010

10 Louisiana State Capitol

11 Natchez Room - Galvez Building

12 602 North Fifth Street

13

14 Baton Rouge, Louisiana

15

16 TIME: 10:00 A.M.

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1 APPEARANCES:

2

3 DANE K. MORGAN

4 Chairman

5

6 MAJOR CLAUDE MERCER

7 Vice-Chairman

8

9 VELMA ROGERS

10 Board Member

11

12 AYRES BRADFORD

13 Board Member

14

15 ROBERT G. JONES

16 Board Member

17

18 MARK STIPE

19 Board Member

20

21 JERRY JUNEAU

22 Board Member

23

24 JAMES SINGLETON

25 Board Member

3

1 APPEARANCES CONTINUED:

2

3 JACKIE BERTHELOT

4 Board Member

5

6 MAJOR NOEL

7 Ex-Officio Board Member

8

9

10 LANA TRAMONTE

11 Executive Assistant to the Chairman

12

13 REPORTED BY:

14 SHELLEY G. PAROLA, CSR, RPR

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2 I. CALL TO ORDER

3 CHAIRMAN MORGAN: Morning, call the

4 roll.

5 THE CLERK: Chairman Morgan?

6 CHAIRMAN MORGAN: Here.

7 THE CLERK: Major Mercer?

8 MAJOR MERCER: Yes.

9 THE CLERK: Miss Rogers?

10 MS. ROGERS: Yes.

11 THE CLERK: Mr. Bradford?

12 MR. BRADFORD: Yes.

13 THE CLERK: Mr. Jones?

14 MR. JONES: Yes.

15 THE CLERK: Mr. Stipe?

16 MR. STIPE: Yes.

17 THE CLERK: Mr. Juneau?

18 MR. JUNEAU: Yes.  
19 THE CLERK: Mr. Singleton?  
20 MR. SINGLETON: Yes.  
21 THE CLERK: Mr. Berthelot?  
22 MR. BERTHELOT: Yes.  
23 THE CLERK: Colonel Edmonson?  
24 MAJOR NOEL: Major Noel for Colonel  
25 Edmonson.

8

1 THE CLERK: Secretary Bridges. [No  
2 response.]

3 II. COMMENTS FROM THE CHAIR

4 CHAIRMAN MORGAN: We've got nine  
5 members of the quorum. Comments from  
6 the Chair; I'd like to thank the Public  
7 Service Commission for allowing us to  
8 use the meeting room. We were evicted  
9 from the Capital because of the  
10 legislative session. We appreciate you  
11 folks allowing us to use the room.

12 Also, I'd like to take this  
13 opportunity -- there is a person in the  
14 audience who is retiring next month who  
15 is the most tenured member of the  
16 Louisiana State Police Gaming Division,  
17 has 30 years of state service, 21 of  
18 which regulate gaming in the State and  
19 just a wonderful, wonderful employee. I  
20 actually had the pleasure of supervising

21 her; and it's going to be a tremendous  
22 loss to the state, but we're honored to  
23 have had her service this long. And,  
24 Charlotte McGarr, thank you for your  
25 service to the State. [Applause.]

9

1 We're working on an enhanced retirement.

### 2 III. APPROVAL OF THE MINUTES

3 CHAIRMAN MORGAN: Item III is  
4 Approval of the Minutes. Members, have  
5 you had the opportunity to review the  
6 minutes? Is there any questions?

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

8 CHAIRMAN MORGAN: There's a motion  
9 by Mr. Juneau to waive formal reading of  
10 the minutes, and that is seconded by  
11 Mr. Jones. Is there any opposition?  
12 [No response.] They're approved.

### 13 IV. REVENUE REPORTS

14 CHAIRMAN MORGAN: Item IV, Revenue  
15 Reports, Miss Jackson.

16 MS. JACKSON: Good morning, Mr.  
17 Chairman, Board Members. My name is  
18 Donna Jackson with the Louisiana State  
19 Police Gaming Audit Section. The  
20 riverboat revenue report for March 2010  
21 is shown on page one of your handout.

22 During March, the 13 operating  
23 riverboats generated Adjusted Gross



24 Receipts of \$142,443,925, down almost  
25 \$2.6 million or two percent from last  
10  
1 month, and down \$7.6 or five percent  
2 from last month. Adjusted Gross  
3 Receipts for fiscal year 2009-2010 to  
4 date are \$1 billion 230 million dollars,  
5 a decrease 8 percent or almost  
6 \$107 million for fiscal year 2008-2009.

7 During March, the State collected  
8 fees totaling \$30,625,444. As of  
9 March 31st, 2010, the State has  
10 collected \$264 million in fees for  
11 fiscal year 2009-2010, a decrease of  
12 \$23 million from last fiscal year.

13 Next is a summary of the March 2010  
14 gaming activity for Harrah's New Orleans  
15 found on page three. Harrah's generated  
16 \$29,646,280 in gross gaming revenue, an  
17 increase of 1.4 percent or \$400,000 from  
18 last month, but a decrease of  
19 7.5 percent or \$2.4 million from last  
20 year. Fiscal year-to-date gaming  
21 revenues for 2009-2010 are \$258 million,  
22 down \$18.6 million or 7 percent from  
23 fiscal year 2008-2009. During March,  
24 the State received \$20,097,038 in fees.  
25 This includes the true-up payment of

1 \$14,877,147 for the April 2009 through  
2 March 2010 fiscal year, since 21.5  
3 percent of Harrah's revenues exceeded  
4 their minimum payment of \$60 million.  
5 As of March 31st, 2010, the State has  
6 collected \$60 million in fees for the  
7 State's fiscal year 2009-2010.

8 Slots at the Racetracks revenues are  
9 shown on page four. During March, the  
10 four racetrack facilities combined  
11 generated Adjusted Gross Receipts of  
12 \$34,441,312, a decrease of four percent  
13 or \$1.5 million for March 2009.

14 Adjusted gross receipts for fiscal year  
15 2009-2010 to date are \$288.5 million, a  
16 decrease of 6 percent or \$17 million for  
17 fiscal year 2008-2009.

18 During March, the State collected  
19 fees of over \$5 million. As of  
20 March 31st, 2010, the State has  
21 collected almost \$44 million in fees for  
22 fiscal year 2009-2010. Are there any  
23 questions?

24 CHAIRMAN MORGAN: Questions? [No  
25 response.] Thank you. Video gaming.

12

1 MS. ADOLPH: Morning, Chairman, I'm  
2 Janice Adolph with the Louisiana State  
3 Police Gaming Audit Section. I'll be

4 reporting the video gaming information  
5 for March 2010 as shown on page one of  
6 your handout.

7 During March, 14 new licenses were  
8 issued: Six to bars, seven restaurants  
9 and one device owner. Eighteen  
10 applications are currently pending in  
11 the field: Twelve bars and six  
12 restaurants.

13 During March 2010, \$4,000 in  
14 penalties was assessed by the Gaming  
15 Enforcement Division. \$14,500 in  
16 penalties was collected by the Gaming  
17 Enforcement Division, and there are  
18 currently \$4,000 in penalties  
19 outstanding. Please refer to page two  
20 of your handout.

21 At the end of March, 14,863 video  
22 gaming devices were activated at 2,264  
23 locations. Net device revenue for  
24 March 2010 was \$55,665,537, a \$227,000  
25 decrease when compared to net device

13

1 revenue for February 2010, and a \$2.9  
2 decrease, or 5 percent when compared to  
3 March 2009. Net device revenue for  
4 fiscal year 2009-2010 to date is  
5 \$455,618,908, a \$57 million decrease, or  
6 11 percent when compared to net device

7 revenue for fiscal year 2008-2009. A  
8 comparison of the monthly net device  
9 revenue is shown on page three of your  
10 handout.

11 Total franchise fees collected for  
12 March 2010 was \$16,592,676, a \$127,000  
13 decrease compared to February 2010, and  
14 a \$835,000 decrease when compared to  
15 March 2009. Total franchise fees  
16 collected for the fiscal year to date  
17 are \$135,788,450, a \$16 million or  
18 11 percent decrease when compared to  
19 last year's franchise fees. A  
20 comparison of the month's franchise fees  
21 is shown on page four of your handout.

22 Does anyone have any questions?

23 CHAIRMAN MORGAN: Any questions?

24 [No response.] Thank you.

25 V. UPDATE ON COMPULSIVE GAMING PROGRAMS

14

1 CHAIRMAN MORGAN: Item V, Update on  
2 Compulsive Gaming Programs, Mr.  
3 Middleton.

4 MR. MIDDLETON: Good morning,  
5 Mr. Chairman, good morning, Board  
6 Members. I'm Reece Middleton, the  
7 Executive Director of Louisiana  
8 Association on Compulsive Gambling for  
9 the Louisiana state affiliate of the

10 National Council on Problem Gambling in  
11 Washington. We are a non-profit 501(C)3  
12 agency with only one agenda item, and  
13 that is to help problem gamblers and  
14 their families. We take a position of  
15 complete neutrality on legalized gaming  
16 issues so that we can better help those  
17 who are in need.

18 I'm especially pleased and gratified  
19 to see your chairman in his place today  
20 and am tempted to say that I have known  
21 him since he was a Pfc., but that would  
22 be both inaccurate and might sound a  
23 little bit disrespectful. My point is  
24 that since the very beginning of our  
25 time helping problem gamblers in

15

1 Louisiana, Chairman Morgan, who was a  
2 Lieutenant of the State Police at that  
3 time, has taken a proactive role to  
4 assist us, and I am honored with his  
5 invitation to update you each on the  
6 work we're doing in the area of  
7 compulsive gambling for our people.

8 It's been said before, not only by  
9 me but also by many others, that  
10 Louisiana is among the nation's leaders  
11 in its initiatives in helping problem  
12 gamblers and their families. In fact,

13 one of the pieces you have before you is  
14 a printout from the recent issue of  
15 Responsible Gaming Quarterly, a  
16 publication of the American Gaming  
17 Association. We are honored that the  
18 American Gaming Association recognizes  
19 our work and is positive toward it.

20 The article features CORE, Center of  
21 Recovery, our residential treatment  
22 center for compulsive gamblers in  
23 Shreveport and refers to CORE, as a  
24 model for other state-funded programs.  
25 We have, indeed, helped programs in

16

1 other states as well other countries  
2 make their beginning. All this is  
3 because of some forward-thinking folks  
4 in state government, on your board and  
5 the gaming industry and in the state  
6 legislature for all of whom we are  
7 indeed most grateful. We'd like to  
8 think that it's nice to see Louisiana  
9 lead the country in something good for a  
10 change.

11 As the President for the National  
12 Council on Problem Gambling, Dr. Charles  
13 Maurer wrote to me from Seattle,  
14 Washington, over the weekend after  
15 seeing the article in Responsible Gaming

16 Quarterly, quote, "Impressive work you  
17 all are doing," unquote.

18 Let's take a look at some of that  
19 impressive work and see how it is that  
20 we're able to do it. I would ask your  
21 attention to the testimony booklet you  
22 all received earlier. It looks like  
23 this. Our mission statement is given on  
24 page one; but the key to our success is  
25 shown on page three, and it's entitled,

17

1 "Partners in Progress." If you have  
2 that, you'll notice that it's a colorful  
3 illustration of a three-legged stool  
4 which is made up of the Gaming Industry,  
5 the State of Louisiana Office for  
6 Addictive Disorders, the Attorney  
7 General's Office, the State Police and  
8 the Louisiana Association of Compulsive  
9 Gambling all working together. The  
10 descriptive metaphor of the three-legged  
11 stool is because that's exactly what the  
12 collaboration between the Gaming  
13 Industry, the various state groups and  
14 our agency reminds me of.

15 You know, if you have all three legs  
16 in place on a stool, it's pretty stable,  
17 and you can get things done. In this  
18 case, getting things done involves

19 supporting the needs of problem gamblers  
20 and their families, and in Louisiana  
21 we're able to do precisely that because  
22 of this ability to work together. On  
23 page four, you will see a picture of  
24 CORE, Center of Recovery, the facility  
25 that I spoke about earlier. The website

18

1 for CORE, incidentally, is listed there.  
2 It's [www.centerofrecovery.org](http://www.centerofrecovery.org).

3 Please feel free to access it at  
4 your leisure and do the virtual tour  
5 under the tab "Our Facility." It will  
6 give you a full look at the inside, as  
7 well, and you'll see what a class  
8 operation it is. You will note on page  
9 five in that report that we have  
10 admitted over 2,000 of our Louisiana  
11 people to residential treatment. Other  
12 programs bring the Louisiana Association  
13 of Compulsive Gamble total well over  
14 2,500 persons. In addition, we have  
15 treated people from 30 other states and  
16 three foreign countries in an effort to  
17 match -- raise matching funds and ease  
18 somewhat the burden of state financing.

19 Persons who have completed treatment  
20 have done quite well, according to our  
21 outcome study completed by Behavioral



22 Analysis, a research group headquartered  
23 at Louisiana Tech University. Page six  
24 shows that persons who complete  
25 treatment are over 75 percent likely not

19

1 to gamble again, while persons who do  
2 not complete treatment are on the  
3 70 percent likely to gamble again.

4 Quality of life issues shown on page  
5 seven, eight and nine are equally  
6 dramatic. You see that almost  
7 80 percent enjoy improved financial  
8 status, nearly as many as with improved  
9 family status, and 60 plus percent with  
10 an improved employment status. The  
11 conclusions of the behavioral analysis  
12 group shown on page ten indicate that  
13 the treatment is clearly efficacious for  
14 those who are able to complete  
15 treatment, clearly evidenced by the fact  
16 that a majority of them are able to  
17 maintain abstinence from gambling  
18 behavior.

19 Our problem gamblers helpline  
20 results shown on page 11 are also  
21 impressive when viewed by both volume  
22 and quality of service. I am constantly  
23 amazed by these results, especially when  
24 it comes to handling suicidal and other

25 crisis calls. Our training of gaming

20

1 industry employees and others continues  
2 to progress well as we speak to several  
3 thousand gaming industry employees every  
4 year in an hour long awareness program  
5 regarding pathological gambling and our  
6 recommendations for dealing with it.  
7 The gaming industry is, indeed, to be  
8 highly commended for both supporting  
9 this effort and providing paid time for  
10 their employees to attend this training.

11 On page 13, you see our urgent  
12 request that we at least maintain the  
13 current level of state support from the  
14 problem and compulsive gaming funds  
15 established by the legislature to be  
16 funded from gaming taxes. To me it is  
17 extreme, and we're able to meet only a  
18 portion of it. Expansion, although  
19 necessary, can be deferred until our  
20 state is once again enjoying a more  
21 favorable economic climate.

22 In summary, let me thank you again,  
23 Mr. Chairman, for your continued  
24 attention to this aspect of the gambling  
25 issue and, board members, to you goes my

21

1 gratitude for your respect and

2 attention. Does any member of the board  
3 have a question for us?

4 CHAIRMAN MORGAN: Thank you, Reece.  
5 I do have, I guess, more of an  
6 observation. Maybe you can respond. I  
7 had asked to participate in one of the  
8 training programs at -- let me back up:  
9 As I understand, the casinos have their  
10 own individual programs per casino, and  
11 they train their employees prior to  
12 employment.

13 MR. MIDDLETON: Yes, they do. In  
14 addition to that, many of them invite us  
15 in on an annual basis for refresher  
16 training, employees to attend and make  
17 quite an investment of time, as well as  
18 resources, in order for their employees  
19 to be aware of what's available in  
20 Louisiana on the problem gambling.  
21 That's not a requirement by either the  
22 Attorney General's Office or by your  
23 esteemed body. It's a voluntary act on  
24 the part of many casinos because they do  
25 all have training programs for their

22

1 employees. But in addition to that,  
2 many of them invite us in to do  
3 additional training, as well.

4 CHAIRMAN MORGAN: That's refreshing

5 to hear. It's important, obviously, to  
6 have that training, in my opinion, as  
7 soon as possible as a person's employed.

8 MR. MIDDLETON: Yes.

9 CHAIRMAN MORGAN: Carrying over that  
10 same mentality and methodology, I was  
11 asked -- I asked the State Police to let  
12 me know when they had the next training  
13 for the video gaming folks, and I found  
14 out that it was -- I think I asked in  
15 January or February, and it was not  
16 until June --

17 MR. MIDDLETON: June 16th.

18 CHAIRMAN MORGAN: -- that training  
19 would's occur.

20 MR. MIDDLETON: Yes.

21 CHAIRMAN MORGAN: And then I found  
22 out that that was a form that the --  
23 actually, it's only a requirement of one  
24 person to attend the training, and then  
25 they have to travel to either Baton

23

1 Rouge or another area of the state to  
2 participate in the training, which I  
3 think all is very good, but in -- in my  
4 inquiry, I was informed that the actual  
5 video that they watch is accessible by  
6 Internet.

7 So I guess I pose the question in

8 this day and time when, you know, we  
9 take training over the Internet and  
10 things: Would we do better to have an  
11 applicant do that video prior to issuing  
12 a license and encourage them to have all  
13 of their employees, who are at the bars  
14 and restaurants, view it versus  
15 traveling to a seminar or a four-hour  
16 training session that is really  
17 inconvenient for the applicant and you  
18 actually only have one person attend?

19 MR. MIDDLETON: Right. We would be  
20 happy to work with you in any way along  
21 that line, Mr. Chairman, if you wanted  
22 to move in that direction. We would be  
23 happy to work with you.

24 CHAIRMAN MORGAN: All right. Maybe  
25 we can discuss it at another date.

24

1 MR. MIDDLETON: Yes.

2 CHAIRMAN MORGAN: I was just  
3 wondering if you would maybe discuss  
4 that with State Police and then tell us,  
5 advise us back through State Police if  
6 that's something that you think would be  
7 just as beneficial as attending that  
8 four-hour training session.

9 MR. MIDDLETON: That would be fine.  
10 We'd be happy to do that.

11 CHAIRMAN MORGAN: It just seems we'd  
12 reach more people that way.

13 MR. MIDDLETON: Right.

14 CHAIRMAN MORGAN: All right. Any  
15 questions any board members? [No  
16 response.] Thank you so much.

17 VI. VIDEO GAMING ISSUES

18 A. Consideration of the following truckstop  
19 applications:

20 1. T & D Ventures, LLC, d/b/a Lucky

21 Dollar Casino - No. 4701512880

22 CHAIRMAN MORGAN: Next item is Item  
23 VI, Video Gaming Issues, consideration  
24 of the following truckstop applications.

25 Number one is T & D Ventures, LLC, doing  
25

1 business as Lucky Dollar Casino.

2 MR. WAGNER: Good morning, Mr.  
3 Chairman, Members of the Board,  
4 Assistant Attorney General Jonathan  
5 Wagner appearing before you in the  
6 matter of three transfers of ownership  
7 interest in Minnows Too, LLC, the lessor  
8 of the truck stop facility operated by  
9 T & D Ventures, LLC, doing business as  
10 Lucky Dollar Casino. Minnows Too, LLC,  
11 receives 55 percent of the video poker  
12 revenue generated at Lucky Dollar.

13 On February 5th, 2003, John C.

14 Calhoun contributed his 10 percent  
15 membership interest in Minnows Too to  
16 the Covington Junction Corporation,  
17 which corporation is owned in equal  
18 shares by Patrick Calhoun and Caffery  
19 Favrot.

20 On August 19th, 2003, Edward Amar,  
21 Jr., transferred 2.5 membership interest  
22 in Minnows Too to the Edward A. Amar,  
23 IV, Inter Vivos Trust. Edward Amar, IV,  
24 was the sole beneficiary of the trust.  
25 Mason Foster was the trustee.

26

1 On March 16th, the trust then  
2 distributed the 2.5 percent membership  
3 interest in Minnows Too to the soul  
4 beneficiary, Edward A. Amar, IV.

5 Trooper First Class Josh Van Etta  
6 conducted suitability investigations of  
7 the transferees and is here to report  
8 his findings, so I've been told.

9 TROOPER VAN ETTA: Good morning.  
10 How are y'all this morning?

11 CHAIRMAN MORGAN: More informed than  
12 you, huh?

13 TROOPER VAN ETTA: I was just  
14 waiting on --

15 CHAIRMAN MORGAN: Go ahead.

16 TROOPER VAN ETTA: A suitability

17 investigation was conducted on all the  
18 applicants. With regard to this  
19 application, the suitability, there was  
20 no determining factor to find any  
21 individual unsuitable pursuant to this  
22 investigation.

23 CHAIRMAN MORGAN: Okay.

24 MR. WAGNER: The Office of the  
25 Attorney General has reviewed the file

27

1 compiled as a result of the  
2 investigation conducted by the Office of  
3 State Police, and our review indicates  
4 that no information has been found which  
5 would preclude Mason Foster, Edward  
6 Amar, IV, Patrick Calhoun and Caffrey  
7 Favrot from participating in the gaming  
8 industry. At this time, are there any  
9 questions?

10 CHAIRMAN MORGAN: Any questions?

11 MR. STIPE: Are you familiar with  
12 the last two things on the docket, these  
13 settlements concerning the same  
14 facility?

15 MR. WAGNER: I am familiar with  
16 them, sir, and another attorney from our  
17 office, Mr. Michael Tyler, is going to  
18 be briefing you on those later.

19 MR. STIPE: I'll get them.



20 MR. WAGNER: You can probably get  
21 your answers then.

22 CHAIRMAN MORGAN: Any other  
23 questions? [No response.] Is there a  
24 motion?

25 MR. JUNEAU: I make a motion.

28

1 CHAIRMAN MORGAN: Motion by  
2 Mr. Juneau to approve the transfer of  
3 interest. Is there a second?

4 MAJOR MERCER: I'll second.

5 CHAIRMAN MORGAN: Seconded by Major  
6 Mercer. Is there any opposition? No  
7 opposition. It's approved.

8 MR. WAGNER: Thank you, sir.

9 CHAIRMAN MORGAN: Are you handling  
10 the rest?

11 MR. WAGNER: Yes, sir, I am handling  
12 the next 22, I believe.

13 CHAIRMAN MORGAN: We'll take those  
14 in globo.

15 A. Consideration of the following truckstop  
16 applications: (ITEMS 2 THROUGH 22 IN GLOBO)

17 MR. WAGNER: Absolutely, Items 2  
18 through 24 of the agenda. Mr. Chairman,  
19 again, Jonathan Wagner, Assistant  
20 Attorney General, on behalf of the State  
21 Police. Before you present the matter  
22 of a stock redemption by Jacobs

23 Investment, Incorporated or JII.  
24 JII owns Gameco Holdings,  
25 Incorporated, which owns four Type 5

29

1 truckstop licenses. They also own  
2 Jacobs Entertainment, Incorporated,  
3 which owns 18 truckstops. In addition,  
4 Jacobs Entertainment, Incorporated, owns  
5 a Type 1 (Bar) licensee. Jalou Fox,  
6 LLC, doing business as the End of The  
7 Line Bar, and Jalou Cash's, LLC, which  
8 holds a 40 percent revenue interest in  
9 the video poker proceeds generated by  
10 the Type 5 licensee Cash's Casino,  
11 Incorporated, doing business as Cash's  
12 Truck Stop Plaza. Neither JII nor the  
13 various Jacobs' family entities have an  
14 ownership interest in Cash's Casino.

15 On June 4th, 2009, JII redeemed 326  
16 shares of its stock held by the Richard  
17 E. Jacobs Irrevocable Trust dated  
18 September 27th, 2005. This redemption  
19 effectively bought out the Richard E.  
20 Jacobs Trust and resulted in the  
21 following ownership percentage: 52.8  
22 percent by the Jacobs Family Economic  
23 Trust, Stanley Gorom is the trustee;  
24 12 percent by the Jacobs Family Control  
25 Trust, again Stanley Gorom is the

1 trustee; and 35.2 percent is held  
2 individually by Jeffrey P. Jacobs.

3 The Office of the Attorney General  
4 has reviewed the file compiled as a  
5 result of the investigations conducted  
6 by State Police in connection with the  
7 redemption of the stock by Jacobs  
8 Investments, Incorporated, and our  
9 review indicates that no information has  
10 been found to preclude the continued  
11 licensing of the licensees affected by  
12 the June 4th, 2009, redemption of stock  
13 previously held by Richard E. Jacobs  
14 Irrevocable Trust. There is an attached  
15 list of each of those truckstops for  
16 you, as well as they are printed on the  
17 agenda. Is there any questions?

18 CHAIRMAN MORGAN: Any questions,  
19 members? [No response.] Do we have a  
20 motion to approve the transfer of  
21 interest?

22 MR. BRADFORD: So moved.

23 CHAIRMAN MORGAN: Moved by  
24 Mr. Bradford.

25 MR. WAGNER: Mr. Chairman, just for

1 the record purposes, it wasn't a  
2 transfer of interest. The company

3 redeemed the stock and took them out of  
4 circulation, so while the percent  
5 ownership of each individual increased,  
6 they didn't actually have anything  
7 transferred to them.

8 CHAIRMAN MORGAN: What's the motion  
9 need to be then?

10 MR. WAGNER: To approve the  
11 redemption of the stock.

12 CHAIRMAN MORGAN: Okay. Motion to  
13 approve the redemption of the stock.  
14 Mr. Bradford made his motion. Is there  
15 a second?

16 MR. JONES: Second.

17 CHAIRMAN MORGAN: Second by  
18 Mr. Jones. Is there any opposition?  
19 [No response.] Hearing none, it's  
20 approved.

21 VII. CASINO GAMING ISSUES

22 A. Surrender of License No. RO16500086,  
23 PNK (SCB), LLC, d/b/a Sugarcane Bay  
24 and cancellation of the Sugarcane Bay  
25 Project by Pinnacle Entertainment,

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1 Inc.

2 CHAIRMAN MORGAN: Item VII, Casino  
3 Gaming Issues. Underneath VII, we have  
4 a surrender of the license by -- or  
5 number R016500086 by PNK doing business

6 as Sugarcane Bay. We might need to pull  
7 a chair up.

8 Members, you were notified of this  
9 through correspondence, but we received  
10 a letter dated April 14th, 2010, from  
11 Mr. John Godfrey on behalf of Pinnacle  
12 surrendering their license in regard to  
13 the Sugarcane Bay project. I've asked  
14 representatives of the company to appear  
15 today to answer questions, and if you  
16 could -- we have before you  
17 Mr. Sanfilippo and members the  
18 opportunity to give testimony, but if  
19 you don't mind, we're going to swear you  
20 in. If you would stand, and the court  
21 reporter's going to take your oath.

22 COURT REPORTER: Do them together?

23 CHAIRMAN MORGAN: Yes.

24 COURT REPORTER: Gentlemen, raise  
25 your right hands. Do you swear or

33

1 affirm the testimony you will give in  
2 the cause now in hearing will be the  
3 truth, the whole truth, and nothing but  
4 the truth?

5 (Whereby ANTHONY SANFILIPPO and  
6 CLIFF KORTMAN were duly sworn and  
7 testified as follows:

8 \* \* \*

9 CHAIRMAN MORGAN: We'll get to you  
10 to state your name for the record.

11 MR. ORLANSKY: If I may, Mr.  
12 Chairman, Larry Orlansky on behalf of  
13 Pinnacle and the subsidiaries PNK (SCB).  
14 As you know, with me today are Anthony  
15 Sanfilippo, the President and CEO of  
16 Pinnacle Entertainment, who I'm pleased  
17 to introduce or reintroduce to the  
18 Louisiana Gaming Control Board. He  
19 appeared before the court many times,  
20 not necessarily these members, in his  
21 earlier capacity with Harrah's.

22 Also, Cliff Kortman, who is  
23 Executive Vice-President of Construction  
24 and Development for the company. As the  
25 Chairman mentioned, we're here before

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1 you relating to the surrender of the  
2 license for PNK (SCB) Sugarcane Bay.

3 The Chairman made reference to the  
4 letter of April 14th, and together with  
5 that, of course, was sent the original  
6 license for Sugarcane Bay surrendering  
7 the license pursuant to the regulation  
8 Section 1705.

9 So just to clarify, the license  
10 itself has been surrendered and  
11 physically returned to the Board now.

12 Mr. Chairman, we defer to you. Mr.  
13 Sanfilippo does have some comments he'd  
14 like to make.

15 CHAIRMAN MORGAN: Go ahead.

16 MR. SANFILIPPO: Thank you and good  
17 morning, Mr. Chairman and Members of the  
18 Board. I would like to, if I could just  
19 take a few minutes to give you some  
20 insight into how I thought about, and  
21 along with members of the Pinnacle team,  
22 came to the conclusion to stop the  
23 project and surrender the license back  
24 to the State, and if I could start just  
25 with the industry in general over the

35

1 last 24 months and just take you through  
2 that. And this is just part of what's  
3 happened in the industry.

4 It really has been a devastating  
5 time for the casino industry and most  
6 businesses worldwide. Well-respected  
7 and successful companies have been  
8 affected. Projects started and stopped.  
9 I'm going to name a few. Echelon Place,  
10 which is on the Las Vegas strip -- it's  
11 actually owned by Boyd Gaming -- is a  
12 multi-billion dollar project that today  
13 sits stopped. Its steel is up; it's  
14 cordoned off, and the project's not

15 moving forward.

16 Also on the Las Vegas strip,  
17 Fontainebleau, which is again a project  
18 in excess of \$3 billion that started,  
19 has since changed ownership, has not  
20 restarted again and is just sitting  
21 vacant on the Las Vegas strip. A  
22 project called Cosmopolitan, which is  
23 right next to MGM, Mirage's City Center,  
24 has changed hands. It is opening. It's  
25 a project over a billion dollars, but it

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1 did stop, had to change hands from an  
2 ownership standpoint and started back  
3 again.

4 Last week MGM Mirage announced  
5 pre-earnings for City Center, just for  
6 the part of City Center, which is a  
7 \$9 billion project in Las Vegas, and I  
8 will tell you MGM Mirage has been one of  
9 the blue chip gaming companies for many,  
10 many years. They announced that they're  
11 going to have a loss on the project for  
12 the quarter of \$400 million.

13 There's just been a number of things  
14 that have happened in Las Vegas. Closer  
15 to Louisiana, projects have started and  
16 stopped on the Mississippi Gulf Coast.  
17 A project that started with great hope,



18 called Margaritaville has since stopped.  
19 The footings are up; the project is not  
20 moving forward. In Kansas,  
21 Pennsylvania, Atlantic City, the same  
22 thing has happened. A lot of gaming  
23 companies who had done extremely well  
24 prior to our recession have been  
25 significantly weakened because of

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1 ambitious projects throughout the United  
2 States that just didn't have the  
3 financial support from a consumer  
4 standpoint to be successful.

5 We've also experienced some missteps  
6 as a company. In 2007, we started to  
7 acquire land in Atlantic City, a total  
8 of 20 acres, and as a company we spent  
9 \$440 million to acquire those 20 acres.

10 There were buildings we took down that  
11 were part of that, and we believed back  
12 in 2007 before the credit crunch hit  
13 that that could be a successful project.

14 We have to date written off \$300 million  
15 of that project, and that land we have  
16 announced that it's up for sale, that  
17 it's an asset that we're going to sell  
18 and that we're not going to pursue in  
19 Atlantic City.

20 The development of gaming in a

21 neighboring state, Pennsylvania, has  
22 severely affected Atlantic City. And  
23 this has happened throughout the United  
24 States where prior to the recession, we  
25 saw projects that were very ambitious.

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1 At least it started, funding was readily  
2 available, and today I've just given you  
3 a few examples of projects throughout  
4 the United States that has stopped, and  
5 they really have been stopped or  
6 canceled because there's just not the  
7 consumer spending that's occurring to  
8 support the projects.

9 Even when I looked at what was  
10 reported today across all markets in the  
11 State of Louisiana, we see some type of  
12 year-over-year decline. Anywhere, if  
13 you look at Lake Charles, it's almost a  
14 6 percent revenue decline year over  
15 year, and that's an indicator on the  
16 health of specifically our industry.  
17 And a lot of people want to believe --  
18 and we sure want to believe that the  
19 recession has ended and that we're going  
20 to see consumer spending coming back,  
21 but that's -- that is still remains to  
22 be seen.

23 We talked a little bit about the

24 State of Louisiana. It's very important  
25 to our company. We employ 3,800 team

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1 members in Bossier City, in Lake  
2 Charles, and in the New Orleans area.  
3 Our annual payroll is \$106 million, and  
4 that does include gratuities that our  
5 employees receive. We paid multiple  
6 forms of taxes, approximately  
7 \$160 million annually, and we also spent  
8 last year collectively in Louisiana, on  
9 properties that we operate,  
10 \$115 million. 70 percent of that went  
11 to Louisiana based companies. Louisiana  
12 is very important to us.

13 Let's talk about Sugarcane Bay.

14 It's a very difficult decision primarily  
15 due to the commitments that had been  
16 made prior to me joining the company  
17 from members of our team. In 2006, we  
18 purchased the entities who held the two  
19 licenses, and we purchased those for a  
20 little over \$44 million, and that was  
21 after Hurricane Rita severely damaged  
22 the Lake Charles area and effectively  
23 destroyed the two operations that were  
24 there.

25 Since that time, Pinnacle has

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1 invested over \$40 million on Sugarcane  
2 Bay. We have put \$40 million into the  
3 project. We will be writing off over  
4 \$80 million of the investment that  
5 either we have written it off, some has  
6 been written off and the rest will be  
7 written off in this financial quarter  
8 that we're in.

9 We had a number of representatives  
10 coming before you explaining why the  
11 project was delayed, and primarily that  
12 had to do with the ability to finance  
13 the project and just how tough it was  
14 with the credit markets. We also came  
15 back and asked to reduce the scope of  
16 the project, which you allowed us to do.

17 I joined the company on March 15th,  
18 a little bit more than 30 days ago. The  
19 very first day that I was an employee of  
20 Pinnacle Entertainment, I spoke with the  
21 Chairman, Chairman Morgan, prior to even  
22 speaking first with an employee of  
23 Pinnacle. The first day that I was with  
24 the company was actually the day before  
25 your last meeting. I was in Austin,

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1 Texas. I came from Austin the last two  
2 years. I was the CEO of a company, and  
3 it's a company in Austin, Texas, that is

4 a technology company that develops  
5 content and produces slot machines.  
6 Only one in Texas that does that, but we  
7 are located in Austin, Texas.

8 We actually had a manufacturing  
9 plant there, and the first day that I  
10 was announced I was with those employees  
11 in letting them know why I had made the  
12 decision to exit multi-media games and  
13 work with Pinnacle. Before the day was  
14 over, the Chairman called me and said, I  
15 need to know: Are you going to be  
16 supportive of both Sugarcane and the  
17 Baton Rouge Project, and what I said to  
18 the Chairman at that time was, I haven't  
19 seen the projects yet; I hadn't talked  
20 with an employee. I had dealt directly  
21 with the board of our company, but as  
22 soon as I can get a line of sight to  
23 this project -- both projects and how  
24 they affect our company, I'll come and  
25 see you; I'll come and meet with you.

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1 And we did that in about a week period  
2 of time.

3 So seven days later, we came to  
4 Baton Rouge after studying the projects  
5 and said, I'm not sure this is going to  
6 work. I'm not sure if both of these

7 projects are going to work; but I commit  
8 to you, I will be back to you quickly so  
9 that we can put a firm stake in the  
10 ground to say how we're going to  
11 proceed, and we did that last week.

12 Just to sort of tell you what I  
13 thought about and what we thought about  
14 from a company standpoint, there's been  
15 a lot of failed gaming projects in the  
16 United States. The investment  
17 community, our company is owned  
18 primarily by institutional shareholders,  
19 the large mutual funds that would buy  
20 blocks of shares in our company. They  
21 had become a bit disillusioned with how  
22 we had been allocating capital as a  
23 company and how we had been spending  
24 money. Clearly they were not happy with  
25 what happened in Atlantic City, which is

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1 nothing short of just a terrible mistake  
2 on our company's part and a poor use of  
3 our capital and resources.

4 They questioned whether or not we  
5 should move forward with both of the  
6 projects, and the kind of investment  
7 that we were placing with both Baton  
8 Rouge and also with Sugarcane Bay, would  
9 be in excess of a half a billion dollars

10 that we would be adding to our balance  
11 sheet and actually to the operations  
12 that we have in the State.

13 They were broadly less favorable for  
14 us to do this; one of the two projects.  
15 That's part of the reasons, so I want to  
16 tell you the reasons that came into the  
17 decision not to do this. The credit  
18 markets when they looked at how we've  
19 used capital and how we have thought  
20 about the use of the -- of capital, they  
21 were somewhat penalizing us to go out  
22 and get financing. In fact, we saw that  
23 we were going to have to pay close to 10  
24 percent if we were going to do a bond  
25 offering to do financing which we

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1 believed we were going to need to do for  
2 the Baton Rouge project, and ten percent  
3 interest on a project of \$250 million or  
4 so is -- is quite a bit of money.

5 And so that was part of the  
6 consideration, is how we were just  
7 perceived in the investment community  
8 and how we were thought about from the  
9 standpoint of thoughtfully deploying our  
10 capital. That's part of it.

11 We have a beautiful resort in Lake  
12 Charles, L'Auberge, and it is by far the

13 nicest casino entertainment complex  
14 that's in Louisiana. And I would tell  
15 you in a many-state area, it is the  
16 nicest facility that's there. A  
17 thousand quality rooms; we have a  
18 beautiful casino; we have fine  
19 restaurants there; we have a wonderful  
20 parking garage, golf course, spa. It  
21 really is a resort that you can place in  
22 any part of the United States and say  
23 it's a market leading facility.

24 I've worked with the team to look  
25 closely at were we fully utilizing that

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1 facility; were we fully taking advantage  
2 of that facility. With a thousand  
3 rooms, you might be surprised to know  
4 that 70 percent of those we give away --  
5 seventy percent of those rooms -- and  
6 the majority of our business comes from  
7 the Texas area. We give those rooms  
8 away now.

9 Now, if the guest is a guest that  
10 warrants it from a gaming standpoint,  
11 that's a good decision, but to give away  
12 70 percent of basically your whole hotel  
13 room is a big number to give away. And  
14 we still were not running a hundred  
15 percent by giving that many away. So



16 that's an indicator: Do you really need  
17 additional hotel rooms today? Do you  
18 really need another 400 hotel rooms that  
19 you can really spend that capital?

20 The operation of two licenses side  
21 by side is very ineffective. If you  
22 were to study where else that happens in  
23 the State, specifically in Lake Charles,  
24 if you look at the two licenses operated  
25 by the Isle of Capri, one of those does

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1 88 percent of the revenue; the other  
2 does 12. Pretty stunning when you think  
3 about that. One does 88 percent of the  
4 revenue; the other gets 12 percent of  
5 the revenue. And the reason, my guess  
6 is, that happens is because you have to  
7 treat them as two separate entities. If  
8 a guest goes into one of the facilities  
9 and plays on the table games, they can't  
10 use those chips. In fact, those chips  
11 would be a different color chip. You  
12 couldn't go into the other casino and use  
13 them, let alone cash them in. If you  
14 took a ticket out of a slot machine that  
15 has a dollar value, you can't go in the  
16 other casino and use it.

17 So it's both a customer  
18 inconvenience, as well as operationally

19 it's inconvenient to do, and when you  
20 start to look at that to say, we're  
21 going to take a facility that truly is  
22 world class, operated extremely well,  
23 and then mix in with it a license that's  
24 somewhat attached to it but you have  
25 those inefficiencies from a customer

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1 standpoint as well as just an operating  
2 standpoint, it is a cause of concern to  
3 do that.

4 We discussed potentially some type  
5 of casino gaming to occur in Texas. I  
6 opened up the Harrah's property in  
7 Shreveport in 1994, and that was subject  
8 matter then, the same. I believe today  
9 it's closer than it's ever been before  
10 that that could occur.

11 Now, do I know if it's going to  
12 happen or not in the near term? It's  
13 hard to predict; a lot of things have to  
14 happen, but that is a risk. And when we  
15 think about Lake Charles is -- the bulk  
16 of our business is Texas, we have to  
17 look at the current investment that we  
18 have there and the potential future  
19 investment and then the risk associated  
20 around that, and that played into it.  
21 That if Texas within the next five years

22 did legalize gaming, that could severely  
23 impact this project, especially this  
24 additional project, the Sugarcane Bay  
25 project.

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1 But mainly I looked at the overall  
2 long-term health of Pinnacle  
3 Entertainment. Today our debt is a  
4 little bit over \$1 billion. It's  
5 \$1.1 billion with an effective interest  
6 rate of about 8 percent. That's what  
7 our debt is today. The businesses we  
8 have, we have a little bit more than  
9 \$1 billion in revenues. The businesses  
10 we have today and with Baton Rouge on  
11 the horizon, we can effectively both  
12 fund the Baton Rouge without going back  
13 to the credit markets and effectively  
14 run the businesses we have today.

15 When I look at all of the companies,  
16 blue chip companies just a few years ago  
17 that have had problems because they  
18 overexpanded, that they put too much  
19 debt on their balance sheet, that the  
20 business wasn't there, ultimately the  
21 decision, while not an easy one, was for  
22 us to stand down on Sugarcane Bay, for  
23 us to hand the license back and say, we  
24 are going to continue to run our

25 L'Auberge property. We're proud of it.

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1 It's a premier property. We're going to  
2 do everything we can to keep it one of  
3 the top resorts in the U.S., but it just  
4 wasn't in our best interest for us to  
5 move forward with a second license  
6 adjacent to our L'Auberge property.

7 You're going to hear a little bit  
8 more. The next item is going to be  
9 Baton Rouge, and we'll talk about that.

10 We're committed to Baton Rouge, and  
11 those are the reasons that we came to  
12 the conclusion that it was in our  
13 company's best interest to hand back the  
14 license to the State. Thank you,  
15 Chairman.

16 CHAIRMAN MORGAN: Thank you,  
17 Mr. Sanfilippo. I do have a few  
18 questions, and I'll turn it over to  
19 the board members. If I'm understanding  
20 you correctly: The -- you said the main  
21 reason was that you had a -- the  
22 Atlantic City issue was a misstep, as  
23 you put it, so a bad decision?

24 MR. SANFILIPPO: That was a bad  
25 decision.

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1 CHAIRMAN MORGAN: The consumer

2 spending reduction, your ability to  
3 finance which would -- you had high  
4 interest rates?

5 MR. SANFILIPPO: I would more say,  
6 Chairman, that really it has to do with  
7 how solid today our balance sheet is.  
8 We take on projects -- additional two  
9 projects in addition to another half a  
10 billion dollars. If the economy doesn't  
11 get better, if we don't see the lip from  
12 Houston or Texas as we thought we would,  
13 that that is a risk in doing this  
14 project.

15 CHAIRMAN MORGAN: Are y'all looking  
16 at -- your company looking at expanding  
17 into other jurisdictions?

18 MR. SANFILIPPO: Well, we are -- we  
19 continue to look at, whether it might be  
20 opportunities, in other gaming markets.  
21 We're clearly a regional casino  
22 entertainment company. The majority of  
23 our assets are in Louisiana; and then  
24 the next part of our significant assets  
25 are in St. Louis, Missouri, but it's

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1 really centered around two properties  
2 that we have in the St. Louis area. We  
3 also have a Boomtown that is a very  
4 small casino for us, but it's in Reno.

5 And then we have a casino in Indiana  
6 that's in between Cincinnati and  
7 Louisville called Belle Terra. We have  
8 a casino in Argentina that we have  
9 listed that it is for sale. It's an  
10 asset that we're not going to continue  
11 to operate, and that's -- that's today  
12 the assets that our company has, and so  
13 you could see how important Louisiana is  
14 in the concentration that we have in  
15 Louisiana today.

16 CHAIRMAN MORGAN: But specifically:  
17 Is your company looking at purchasing or  
18 building any casinos?

19 MR. SANFILIPPO: There is not  
20 something today we're actively engaged  
21 in, no.

22 CHAIRMAN MORGAN: Have you made  
23 application in any jurisdiction for a  
24 license?

25 MR. SANFILIPPO: We have not.

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1 CHAIRMAN MORGAN: Okay. Is the  
2 board of directors -- other than  
3 Mr. Lee's departure, has it changed  
4 since November of 2006?

5 MR. SANFILIPPO: We had a board  
6 meeting --

7 CHAIRMAN MORGAN: Has the board of

8 directors changed?

9 MR. SANFILIPPO: Oh, have they  
10 changed? I'm sorry. No, they have not  
11 changed.

12 CHAIRMAN MORGAN: So this same board  
13 is the board that made the decision to  
14 make the bad investment in New Jersey  
15 and is the same board that committed to  
16 the State of Louisiana?

17 MR. SANFILIPPO: It is the same  
18 members of the board, yes, sir.

19 CHAIRMAN MORGAN: That causes me to  
20 have concern in the decisions made by  
21 your board. This -- prior to your  
22 arrival to this company, there was  
23 commitments made to the state, testimony  
24 received; I have the transcript here.

25 This board, particularly me as chairman,

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1 went along with and supported the  
2 redesign of the project, and in that  
3 testimony there was reference that other  
4 consideration was given by the board of  
5 directors to Texas, and that they felt  
6 this was a better model to move forward  
7 with the project.

8 So I'm -- I'm confused as to what  
9 has changed since December as to now  
10 with regard to the economy and with

11 regard to consumer spending, because  
12 it's -- it hasn't been that big of a  
13 downturn.

14 MR. SANFILIPPO: The one change is  
15 the chief executive officer. That's the  
16 one obvious change, and when I took the  
17 chair of CEO, it is my responsibility to  
18 look closely at the health of the  
19 company, the risk that we're undertaking  
20 and how we're going to position the  
21 company going forward. I did bring to  
22 the board my concerns and provided them  
23 my point of view, and the board a week  
24 ago did vote to stop the process and to  
25 give back the license.

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1 CHAIRMAN MORGAN: Who's the Chairman  
2 of your board?

3 MR. SANFILIPPO: It's Richard  
4 Goeglein interim -- I'm sorry, he is the  
5 Non-executive Chairman of the Board.

6 CHAIRMAN MORGAN: Was he the  
7 gentlemen that was Chair in your --  
8 between Dan Lee?

9 MR. SANFILIPPO: Yes.

10 CHAIRMAN MORGAN: He made the  
11 decision and had the same obligation  
12 that you have, and your representatives  
13 came.



14 MR. SANFILIPPO: Let me clarify.  
15 The interim CEO was not Mr. Goeglein.  
16 He was the Chairman of the Board. We  
17 have a separate Chairman and CEO today,  
18 so I am the CEO. We have a  
19 non-executive Chairman of the Board.  
20 Mr. Giovenco was the interim CEO. The  
21 role he took was as a board member; he  
22 stepped up on an interim basis to be the  
23 interim CEO.

24 CHAIRMAN MORGAN: I don't think  
25 anyone can dispute the success that Dan

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1 Lee's had in operations of casinos and  
2 this company with regard to the  
3 overextension of the money, debt, et  
4 cetera. But as far as the operational  
5 aspect, it was the top producer in this  
6 state, and he testified, if I'm not  
7 mistaken, before this board that having  
8 a separate property over there would  
9 actually enhance both operations; and we  
10 had testimony by Isle of Capri here  
11 several months ago that the Houston  
12 market was still very viable.

13 What has happened in effect is that  
14 your company has tied up the license for  
15 three and a half years; thus, reducing  
16 competition to your company by virtue of

17 not moving forward with the projects.

18 So I pose the question to you, you  
19 relinquish the license for the company:  
20 Would it be your company's position to  
21 oppose, or what will be your position if  
22 we were allowed to entertain a company  
23 who made -- who petitioned this board to  
24 build the Sugarcane Bay project?

25 MR. SANFILIPPO: So let me get the

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1 question right. Specifically, Sugarcane  
2 Bay?

3 CHAIRMAN MORGAN: Or a like project  
4 in a --

5 MR. SANFILIPPO: Project.

6 CHAIRMAN MORGAN: -- in the location  
7 of Sugarcane Bay. Would y'all object?

8 MR. SANFILIPPO: A location in Lake  
9 Charles?

10 CHAIRMAN MORGAN: Correct.

11 MR. SANFILIPPO: Well, here's what I  
12 would tell you: I didn't come here  
13 today to provide you an answer on a  
14 project that may or may not happen. I  
15 came today to explain how we came to the  
16 decision.

17 CHAIRMAN MORGAN: Let me tell you  
18 where I'm going with this. The  
19 difficulty I have as a board member is

20 we have to do what's best for the State  
21 of Louisiana. We have to look at what  
22 area of the state would best profit the  
23 state by having this available license  
24 placed. Your testimony, strictly I  
25 guess is your opinion and your company's

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1 opinion, that it is not lucrative for  
2 your company to place the casino -- to  
3 build a casino in Lake Charles; however,  
4 we might have other companies who are  
5 better leveraged financially that might  
6 have a different opinion, such as Isle  
7 of Capri said last -- a couple of board  
8 meetings ago that they felt like there  
9 was absolutely an opportunity to grow  
10 the market.

11 So my question to you is: If we  
12 have a gentleman behind you -- Mr. Dees  
13 from the port is going to come here and  
14 ask the Board for some consideration  
15 with regard to the location of the  
16 Sugarcane Bay project. That's their  
17 property, as I understand it, and  
18 they -- I think they would like to at  
19 least have consideration be given that  
20 the license remain in Lake Charles.

21 MR. SANFILIPPO: The best way for me  
22 to answer that is: It's not an easy --

23 we will or we won't oppose it. We need  
24 to understand the project. We need to  
25 understand the quality of that project,

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1 if it's going to be a project that is  
2 going to drive additional folks; how are  
3 they going to do if from the Houston or  
4 the Texas market. There's a number of  
5 factors that we would need to understand  
6 before we could comment on if we would  
7 support or not support a project, an  
8 additional license there. I do worry  
9 about parasitic projects. I worry about  
10 projects that come in and just draw from  
11 us, next to us. So, again, the quality  
12 in it makes a big difference.

13 As I explained, there were a number  
14 of factors that went into coming to this  
15 decision, one of them being that we  
16 believe L'Auberge, which is a wonderful  
17 facility, can still attract people  
18 incrementally from the Houston market or  
19 from the Texas market. And try to  
20 explain to you exactly what caused the  
21 decision. I have no idea if Texas  
22 legalizes or not. Living in Austin for  
23 two years and being in the heart of the  
24 capital there and being in the slot  
25 manufacturing business, there's a lot of

1 people who are placing a lot of effort  
2 to try to get minimum racetracks with  
3 slots there. That is a risk; it's a  
4 real risk for our state here in  
5 Louisiana.

6 CHAIRMAN MORGAN: But had this  
7 casino remained on the timeline that  
8 your company represented to this board,  
9 it would be operational -- close to  
10 being operational and would have had a  
11 stronghold on the market.

12 MR. SANFILIPPO: And with due  
13 respect, sir, when you look at the last  
14 two years and what happened in the  
15 credit market, there was no one building  
16 anything in the last couple of years,  
17 and, in fact, it's destroyed a lot of  
18 companies. And so there's been a number  
19 of large institutions who failed and who  
20 have gone out of business, and so it's  
21 -- in the normal course of business, I  
22 think that's correct. The last two  
23 years have not been a normal course of  
24 business, at least in my lifetime.

25 CHAIRMAN MORGAN: But my difficulty

1 with this is that Pinnacle has held the  
2 license for three and a half years.

3       What benefit to the State of Louisiana  
4       is there?

5             MR. SANFILIPPO: I understand your  
6       point. I understand your point.

7             CHAIRMAN MORGAN: I'll turn it over  
8       to the board members. Any questions?  
9       Mr. Jones.

10            MR. JONES: First of all, let me  
11       just say that as a citizen of Lake  
12       Charles, we're very proud to have  
13       L'Auberge there as a first-rate  
14       operation run by good people, people who  
15       have been corporate citizens and gotten  
16       involved in the community, and I hope it  
17       will continue to be run in that regard.  
18       You've implied that it would.

19            I think you can understand the  
20       disappointment not only for the State,  
21       but to the local area. We were looking  
22       at 2,000 jobs; and then you scale it  
23       back to 1,000 jobs, and now it's scaled  
24       back to zero. And there's a lot of  
25       disappointment there, in not only that;

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1       but as the Chairman has said, the State  
2       is now in a position where we've got to  
3       go back to square one, and it will be  
4       probably four or five years before the  
5       State of Louisiana will make the first

6 nickel off of this license.

7 Particularly in the local area,  
8 there are several political subdivisions  
9 that are going to suffer by y'all not  
10 going ahead with this, and the number  
11 one is the Port of Lake Charles, which  
12 was counting on a lot of revenue. And  
13 the Attorney, Mike Dees, who I believe  
14 you know -- and he has addressed a  
15 letter to the board, and he's expressed  
16 some concerns. And they're mainly aimed  
17 at what the Chairman was implying about  
18 if someone else wants to locate  
19 next-door, and he's got some specific  
20 questions that I'd like to get your  
21 comments on. He's got seven bullet  
22 points here, and because there are  
23 concerns. As you know, there's a lot of  
24 parties involved from the corp of  
25 engineers to utilities and environmental

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1 folks and all, and I'd like to kind of  
2 get some feedback from you on seven  
3 different specifics.

4 One: Would you be willing to  
5 provide ingress and egress that is  
6 equivalent to that of L'Auberge even if  
7 it crosses Pinnacle control property?  
8 Would you allow such ingress and egress?

9 MR. SANFILIPPO: Again, I didn't  
10 come here to talk about a second license  
11 next to us. We've placed a large  
12 investment there. We have a meeting  
13 with Mr. Dees tomorrow, and I'm not  
14 prepared to answer yes or no to specific  
15 questions that have to do with our  
16 business here.

17 MR. JONES: Okay. And let me just  
18 run a few more -- and the reason is that  
19 that site has been approved by a vote of  
20 people. You know, at least that knocks  
21 a year or so off the process, you know,  
22 in the event somebody else wants to come  
23 in there. Maybe no one else is going to  
24 want to come in there. We don't really  
25 know at this point.

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1 But a second question is: Providing  
2 access across Pinnacle controlled  
3 property for utilities that might be  
4 needed for the development, would you  
5 have a problem with that?

6 MR. SANFILIPPO: Commissioner Jones,  
7 it's all reasonable that you're asking.  
8 Again, we'd have to look at the bigger  
9 picture of what does that mean; what's  
10 the disruption; who is the person coming  
11 in? So I'm happy to engage with that



12 report and Mr. Dees to talk about what  
13 he might have in mind, but it's -- we  
14 haven't even had a discussion with him  
15 yet. This is -- the seven points you're  
16 bringing up is new news to me.

17 MR. JONES: Well, there are other  
18 questions here, and I guess your  
19 response is going to be pretty much the  
20 same to all of them.

21 MR. SANFILIPPO: Well, again, I  
22 tried to explain how important it is  
23 that we made a large investment; we've  
24 done the egress improvements that are  
25 there; we've spent literally hundreds of

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1 millions of dollars. It's not -- it's  
2 just not appropriate for me in a setting  
3 like this to answer questions like that.  
4 I'm happy to work with the port, with  
5 Mr. Dees to talk about what projects  
6 might be coming, what's in the best  
7 interest of the area. That really is  
8 done in a different setting as opposed  
9 to the first time that this discussion's  
10 taking place is when I'm giving my  
11 reasons for why we handed the license  
12 back.

13 MR. JONES: Okay. Well, let me just  
14 ask one more question: If there had to

15 be a referendum, a new referendum in  
16 Calcasieu Parish, would you be neutral  
17 or to approve another company there?  
18 Would you have a role in negative or  
19 positive or would you inclined to remain  
20 neutral?

21 MR. SANFILIPPO: It mainly depends  
22 on is it going to drive additional  
23 revenue into Lake Charles, or is it  
24 going to be a parasite to us that's  
25 already in the market? So I'd have to

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1 understand the project.

2 MR. JONES: I guess I have no other  
3 questions.

4 CHAIRMAN MORGAN: Mr. Jones? Anyone  
5 else? Miss Rogers?

6 MS. ROGERS: My question is  
7 curiosity more than anything else: How  
8 long has the decision that you were  
9 presenting to us now, how long has that  
10 been in progress?

11 MR. SANFILIPPO: I joined the  
12 company on March the 15th. I met with  
13 the Chairman within seven to eight days  
14 after I joined, and we talked. I let  
15 him know that we were studying both  
16 projects. The decision was made the  
17 middle of last week, the final decision

18 approved by our board; and then we  
19 communicated it to the Chairman, and it  
20 was publicly announced last Thursday.

21 MS. ROGERS: The reason I asked that  
22 question is at the last board meeting, a  
23 presentation was made concerning  
24 Sugarcane Bay and the Baton Rouge  
25 project, and I asked a specific question

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1 to the gentlemen here. I said something  
2 about financing Sugarcane Bay, and the  
3 answer was to me: Yes, it's well  
4 financed; everything's in place. And I  
5 just kind of feel like that was, for  
6 lack of a nicer term, disingenuous.

7 MR. SANFILIPPO: I'll tell you it  
8 wasn't. I'll tell you at the last  
9 meeting, I had not even met anybody with  
10 Pinnacle who was here.

11 MS. ROGERS: It's hard for me to  
12 believe, though, that such a serious  
13 decision was not at least in the works.

14 MR. SANFILIPPO: I didn't say that  
15 we couldn't get financing. What I said  
16 is that part of the decision that  
17 financing -- any financing today is very  
18 expensive financing. So please don't  
19 misunderstand that it is that we can't  
20 get financing. It's the cost of

21 financing coupled with other factors  
22 that created the decision on whether or  
23 not we should move forward or not.

24 MS. ROGERS: Because I just kind of  
25 detected a -- some -- not some subtle --

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1 and that's why I asked that question.

2 MR. SANFILIPPO: Yes, ma'am.

3 CHAIRMAN MORGAN: Mr. Bradford, do  
4 y'all have a question?

5 MR. STIPE: Can I?

6 CHAIRMAN MORGAN: Sure, Mr. Stipe.

7 MR. STIPE: As I understand it, all  
8 of the costs for the Sugarcane Bay  
9 project you have written off?

10 MR. SANFILIPPO: We have written off  
11 a portion of it, and in this quarter,  
12 the quarter that we're in right now, we  
13 have already come in and said we will be  
14 writing off the rest of those costs.  
15 We're still calculating what those might  
16 be, and it will be between 40 and  
17 \$50 million.

18 MR. STIPE: And that would be all of  
19 the -- so they will be written down to  
20 zero from the standpoint of your  
21 company?

22 MR. SANFILIPPO: But we have to do  
23 that.

24 MR. STIPE: I understand.

25 MR. SANFILIPPO: It's no longer on

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1 our balance sheet.

2 MR. STIPE: And that would include  
3 all the engineering costs to date, that  
4 would include all the attorney costs to  
5 date, all of the expert costs that  
6 you've incurred in getting your  
7 engineering work, construction  
8 contracts, all of those costs that  
9 you've incurred have been written down  
10 and will be written down to zero?

11 MR. SANFILIPPO: And the answer is,  
12 yes, every cost that was associated  
13 specifically with Sugarcane Bay, no  
14 matter what it was, will be written  
15 down.

16 MR. STIPE: Now, if you've written  
17 down all of those costs and you have  
18 designs and working drawings and  
19 conceptual drawings, interior design  
20 plans, specifications, engineering work,  
21 construction contract, soil tests, if  
22 you have all those things they have been  
23 written down to zero, do you have any  
24 hesitancy in turning those over to a  
25 successor entity that would want to

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1 develop the project?

2 MR. SANFILIPPO: The answer is yes.

3 MR. STIPE: Why?

4 MR. SANFILIPPO: We are a public  
5 company. We compete with other  
6 companies. It's not in our best  
7 interest to have somebody else step in  
8 the shoes from a Sugarcane Bay  
9 standpoint. I'll continue to go back  
10 to, we were hesitant to make that  
11 project work. Part of someone else's  
12 success in this situation that you're  
13 describing would be to draw from our  
14 customers is what they would do. They'd  
15 have a 400 room hotel; we have a  
16 thousand room hotel. They would be --  
17 they would -- we would be housing people  
18 that would walk into their casino.

19 So it is a -- it is a competitive  
20 issue that says: If it's not going to  
21 grow the market and give us an  
22 opportunity to be better, it's not in  
23 our best interest to have someone who  
24 might be parasitic next to us.

25 MR. STIPE: And if the facility next

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1 to you would build under the exact same  
2 drawings, architectural designs, concept  
3 plans as was on the board a month ago,

4 would your answer be the same?

5 MR. SANFILIPPO: Would you restate  
6 that?

7 MR. STIPE: My question is: Your  
8 concern about parasitic competitors and  
9 competitors that are not in the same  
10 level. My question -- that was what I  
11 took from your testimony. If an  
12 investor will come in and commit to  
13 build the exact same type of facility as  
14 was on the drawing board --

15 MR. SANFILIPPO: Well, please keep  
16 in mind we have already put significant  
17 costs into everything that Mr. Jones was  
18 asking about, so all the infrastructure,  
19 all the land that's been prepared, a  
20 facility that's far in excess of what  
21 Sugarcane Bay and L'Auberge. So I would  
22 turn that around and say if somebody  
23 offered me that deal to come pick up  
24 Sugarcane Bay to what it would cost to  
25 finish it but I was next to L'Auberge, I

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1 would do it every day of the week,  
2 because it would be such a good deal for  
3 them because all of work's been done,  
4 and they would be able to tap into our  
5 customer base that's already there.

6 So on the other side of the

7 equation, if somebody said, Anthony,  
8 we're going to give you that deal for  
9 your company, it would probably be a  
10 home run. But for us, again, there was  
11 multiple reasons. For us to spend  
12 another \$300 million and for us to  
13 expand further a project that we've  
14 invested hundreds of millions of dollars  
15 in, that doesn't make sense today.  
16 It's -- to me it's not as easy of just  
17 letting somebody else do it, because  
18 they would naturally take away from the  
19 customer base that we have, which is  
20 part of my concern that I've got right  
21 now with our facility, that -- that it  
22 would just dilute the customers that are  
23 coming into the port today.

24 So, again, I understand the  
25 question, but it depends on what side of

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1 the equation you're on. If somebody  
2 offered me that deal, I would probably  
3 take it, but could I offer it to  
4 somebody else after we've invested what  
5 we've invested into the L'Auberge  
6 property? It doesn't, on first blush,  
7 seem to make a lot of sense.

8 MR. STIPE: Isn't that the point  
9 you're at right now? All those costs



10 are subcosts, all that time is sunk --  
11 is gone, and that's the -- that's the  
12 position you're at.

13 MR. SANFILIPPO: No, it's not.  
14 There's still a couple of hundred more  
15 million dollars that's required for us  
16 to complete this project.

17 MR. STIPE: When do you plan to meet  
18 with Mr. Dees and the Port of Lake  
19 Charles?

20 MR. SANFILIPPO: Tomorrow.

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

23 CHAIRMAN MORGAN: Thank you.

24 MR. SINGLETON: I'm still trying to  
25 get clear: You're going to meet with

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1 the port tomorrow. I'm just trying to  
2 figure out control of what? Who owns  
3 the land? You're saying that -- we are  
4 asking you these questions. Maybe we  
5 just ought to be asking the Port. Do  
6 they control the land, or do you control  
7 the land?

8 MR. SANFILIPPO: I'll talk about  
9 that, but we -- the port -- well, I'll  
10 let Mr. Kortman.

11 MR. KORTMAN: Yeah, we are. The  
12 port is our partner. They are the

13 landlord; they are the landowner. We  
14 lease the property from the port. We  
15 have multiple options on long-term  
16 leases with the port, and to answer your  
17 question, the port owns the property.

18 MR. SINGLETON: But you have it --  
19 you have it under control or tied up  
20 right now through your own lease?

21 MR. KORTMAN: We have 400 and some  
22 odd plus acres. I don't know the exact  
23 amount, but, yes, sir, it is all under  
24 lease currently.

25 MR. SINGLETON: So I'm trying to

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1 see -- we -- if somebody else wanted to  
2 come in, you still in control whether  
3 they can come in as long as you control  
4 the lease, and unless you work out  
5 something with the port, you still could  
6 control another license trying to come  
7 into that area.

8 MR. SANFILIPPO: We need to sort out  
9 with the port the land that we've got  
10 leased. The question that came up was:  
11 Would you allow them to use the  
12 improvements or infrastructure that  
13 we've already made, all the roadways  
14 which is literally tens of millions of  
15 dollars that you've already made? The

16 port -- a new license holder could come  
17 in and put their own improvements in,  
18 and I do believe there's land probably  
19 available for them to do that.

20 So we have invested a lot of money  
21 to get the position that we have right  
22 now.

23 MR. SINGLETON: And I guess it  
24 bothers me a little bit. You seem to be  
25 a pretty smart fellow to come in in a

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1 month and make all these decisions about  
2 your company and the direction they're  
3 going to go in, but yet the questions  
4 that Mr. Jones, the Chairman and others  
5 have asked, you couldn't answer or you  
6 didn't want to answer, though? And I  
7 just find it a little hard to believe  
8 that you'd go through this whole process  
9 without analyzing and coming to some  
10 conclusion about if we are going ask  
11 these questions here today, how am I  
12 going to respond to them. And,  
13 basically, what you're saying is: I'm  
14 not prepared to respond at this time. I  
15 just find that a little bit amusing.

16 MR. SANFILIPPO: Well, I did not  
17 want to be disrespectful to Mr. Jones  
18 and say no to all of his questions. I

19 thought it was most appropriate to state  
20 I haven't even met with Mr. Dees; I  
21 don't even know who a new license holder  
22 might be and to try to explain that I've  
23 got to make sure that while -- it's got  
24 to be mutually beneficial for the Port  
25 and for Pinnacle, too.

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1 And so it's just -- the questions  
2 that were being asked in all respects  
3 are just not appropriate questions for  
4 where we are in this process right now.

5 MR. SINGLETON: In your mind anyway.

6 MR. SANFILIPPO: Yes, sir.

7 CHAIRMAN MORGAN: One thing and I'll  
8 give it to Mr. Juneau. Anthony, we've  
9 known each other a long time, but the  
10 problem I'm having with this: The State  
11 of Louisiana, to benefit from this  
12 license that your company's had tied up  
13 for three and a half years, to benefit  
14 as quickly as possible, is to place a  
15 casino at the Sugarcane Bay location  
16 because we might not have to have a  
17 local referendum. We can have a company  
18 come in, start construction and move  
19 forward.

20 You can't have your cake and eat it,  
21 too, so y'all need to go back and do

22 some sharpening of the pencil and talk  
23 to Mr. Dees and ask him to be a good  
24 corporate citizen for the State of  
25 Louisiana, also, because you've got land

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1 tied up on a Lake; you've got this land  
2 tied up, and for us -- if we decide that  
3 Lake Charles is where the available  
4 license should be and it doesn't go into  
5 that location that the citizens of Lake  
6 Charles voted on, then we're looking at  
7 further delays, probably maybe a year,  
8 and that's all I have.

9 Mr. Juneau.

10 MR. JUNEAU: I've got a few little  
11 questions. I remember when you left  
12 Harrah's in Shreveport and you went to  
13 the Horseshoe. Same thing here at  
14 L'Auberge. Who is going to take Larry  
15 Lopinski's position?

16 MR. SANFILIPPO: There is not a  
17 candidate yet selected. There are  
18 candidates that we are in discussion  
19 with.

20 MR. JUNEAU: What about the  
21 Louisiana people? I know you're going  
22 to make some cuts. You made major cuts  
23 at the Horseshoe up there. Are you  
24 going to keep the Louisiana people

25 intact, or are you going to bring

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1 outside people in to run the team in  
2 L'Auberge? You've been one of the top  
3 casinos in the State of Louisiana.

4 MR. SANFILIPPO: We have our interim  
5 general manager here and two other key  
6 employees that are here in the session  
7 today. We have a terrific team that's  
8 at L'Auberge, so I have no plans to come  
9 in and strip L'Auberge out of the number  
10 of quality people that are running it  
11 today. This is a terrifically run  
12 facility.

13 MR. JUNEAU: That's one of my major  
14 concerns.

15 MR. SANFILIPPO: I understand.

16 CHAIRMAN MORGAN: Thank you. Any  
17 other questions? Why don't y'all just  
18 stay there then. We're fixing to go to  
19 the other item. The Attorney General's  
20 Office, do you have any comment? I know  
21 you don't have a microphone. If you can  
22 find one, Leonce, but if you could  
23 briefly tell the Board. I know you had  
24 to do research as to where we proceed,  
25 and if it's appropriate, Board Members,

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1 we would probably have you come forward

2 next meeting to give us guidance on  
3 where we go from here.

4 MR. GAUTREAUX: That would be my  
5 suggestion. I started looking at --  
6 it's been a busy week for me. I started  
7 looking at the issues. I think we need  
8 to fully develop whatever process or  
9 procedures we need to do with regard to  
10 this 15th license now. So it would give  
11 us time to put something together so  
12 that we would have a formal presentation  
13 to the Board, all the answers to the  
14 legal questions, particularly the local  
15 option issues that have been raised  
16 today.

17 CHAIRMAN MORGAN: Okay, thank you.

18 MR. JONES: Yeah, I just wanted to  
19 make a comment. My brother, Jimmy  
20 Boyer, served on this board for two  
21 terms. He's a Boyer, and I'm a Jones.  
22 We don't always claim each other, okay,  
23 but I visited with him over the weekend  
24 with one specific question in mind.  
25 Jimmy now serves on the ethics board.

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1 Indeed, of last week he's the  
2 vice-chairman of the ethics board, and I  
3 asked him this one specific question,  
4 which I think I knew the answer to

5 before I asked him, but he made it very  
6 emphatic. I said, suppose somebody has  
7 an idea for a license, plans to apply to  
8 the commission -- to the Board for a  
9 license, this 15th license, and somebody  
10 wants to come by my office and visit  
11 with me about it, is it proper or is it  
12 ethical for me to have such a meeting.  
13 He said, absolutely not. He said,  
14 there's only one forum to discuss  
15 proposed licensees and that's this in  
16 public hearing before this board; and so  
17 he -- I say this for the benefit of the  
18 board members, because we're going to  
19 all probably be approached by folks who  
20 are, perhaps, interested in getting that  
21 license. He said, it's very simple what  
22 you do: You give them our Chairman's  
23 name and telephone number, and he takes  
24 it from there.

25 So I say that for the benefit of not

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1 only the board members, but for the  
2 benefit of anybody in the audience that  
3 might be interested in that license.  
4 You might do more harm to your project  
5 than good by trying to contact members  
6 of the board.

7 CHAIRMAN MORGAN: Thank you, Mr.



8 Jones. And to echo that, we've already  
9 had phone calls and conversations,  
10 mostly by civic leaders who are  
11 interested in the license being located  
12 in their area.

13 Mr. Dees, do you mind coming  
14 forward, and we will have you back in  
15 just a second.

16 CHAIRMAN MORGAN: Morning, sir.

17 MR. DEES: Good morning.

18 CHAIRMAN MORGAN: We'll give you an  
19 opportunity to make comments to the  
20 board.

21 MR. DEES: Good morning, Mr.  
22 Chairman, Members of the Board, I'm  
23 Michael Dees. My official title, I  
24 guess, is general counsel. At this  
25 particular moment, we're without a port

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1 director, so I'm interim port director  
2 and general counsel.

3 I've been associated with the port  
4 in different capacities for about 30  
5 years, and in regard to the gaming, I  
6 guess that's probably been one of the  
7 primary function or roles I played since  
8 about '96 or so at the port. I've  
9 worked with Cliff Kortman, that was just  
10 sitting here with Pinnacle, for about

11 ten years on the L'Auberge project.  
12 It's been a very successful project, a  
13 very successful operation. And just so  
14 the for members of the board can  
15 understand, the port owned about  
16 500 acres on the Calcasieu River ship  
17 channel. L'Auberge initially leased  
18 225, or thereabouts, acres for that  
19 development. We've had a successful  
20 operation and building on that success  
21 before Sugarcane Bay became an issue and  
22 was proposed to us and to the community  
23 and to you on the basis of it would be  
24 something that would be as successful as  
25 L'Auberge.

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1 So we are, of course, pretty  
2 disappointed that Sugarcane Bay has been  
3 canceled, and I guess just understanding  
4 where I'm coming from, I have the  
5 greatest regard for Pinnacle and for  
6 their operation, for Mr. Kortman. I've  
7 known Anthony when he was with Harrah's  
8 or earlier, so this has nothing to do  
9 with anything as to what they have  
10 decided to do.

11 So on behalf of the port and the  
12 citizens that are the owners or  
13 shareholders of the port, we think it's

14 incumbent upon us to try to do what we  
15 can to have a similar development like  
16 Sugarcane Bay located on the area that  
17 it's currently leased to Pinnacle for  
18 Sugarcane Bay, and the way that can  
19 happen is -- your question is: The  
20 lease is conditioned on the project  
21 being built by Pinnacle, so if it's not  
22 going to be built, we have an  
23 opportunity to cancel that and then  
24 lease it for a new developer.

25 Now, it is true we're going to meet

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1 tomorrow and there may be other issues  
2 that we want to talk about, but when  
3 this idea of Sugarcane Bay came, it was  
4 going to be opened by both -- both  
5 projects were going to be owned and  
6 operated by Pinnacle, so the whole lease  
7 structure and all the thought and  
8 everything that was put into it was on  
9 the basis that both entities -- I mean,  
10 both projects would be owned and  
11 operated by Pinnacle. So there were a  
12 lot of issues like access and that type  
13 of thing that were not really put  
14 together contemplating what happened.

15 So I guess what I have detailed for  
16 you, there is a request where I think

17 the Gaming Board can assist the port and  
18 assist the citizens in southwest  
19 Louisiana that voted for this project  
20 and were assured that there was a market  
21 in Houston for it and that the market  
22 had not hardly been tapped; and that  
23 there would be a synergism of the two  
24 projects, and that's how all this was  
25 sold. You have studies in your record

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1 that promote that idea, and I don't --  
2 my thought in Anthony's position, that  
3 is his position, but I think there are  
4 others that have the position that was  
5 presented to you originally when the  
6 Sugarcane Bay was brought in front of  
7 you. And so I think I'm obligated on  
8 behalf of the port and the citizens to  
9 make sure everything is done so that  
10 that potential could be realized for  
11 this acreage.

12 The port took a number of steps,  
13 sort of detrimental steps. This area  
14 was used by the port for dredge material  
15 placement. So when the property was  
16 leased, we went to the Corps of  
17 Engineers and had them release that  
18 spot -- that easement that they had for  
19 dredge material disposal. To get that

20 done so that they could build Sugarcane  
21 Bay, we made a commitment to replace --  
22 I think it's about a million and a half  
23 or two million cubic yards of dredge  
24 material which is going to cost a great  
25 deal of money over the next 20 years to

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1 the port.

2 CHAIRMAN MORGAN: Do you know how  
3 much?

4 MR. DEES: No, sir. We have a --  
5 there is a dredge material management  
6 plan study almost finished which  
7 estimates around \$60 million for the  
8 whole channel in dredge material. That  
9 would not relate to just this one. We  
10 have, about, over 20 sites like this up  
11 and down the channel. So you can kind  
12 of get a scope, though, of what we're  
13 talking about. And years ago people  
14 donated their property to be filled in.  
15 Today nobody donate anything. So it's  
16 all pretty a costly function.

17 So I guess what I'm asking for in  
18 detail is what I presented to you in the  
19 record, is that we would like the  
20 assistance of the Gaming Board, and I'm  
21 no expert about the gaming law. So I  
22 don't know whether you have that

23 authority or not -- I think you do -- to  
24 ensure that the license can be developed  
25 by another developer that doesn't have

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1 the capital structure concerns that  
2 Pinnacle has and that would produce the  
3 economic benefit for the State, the  
4 local bodies and the jobs that were  
5 previously proffered.

6 CHAIRMAN MORGAN: Thank you for  
7 appearing, and we will ask: Do you  
8 think you can reappear --

9 MR. DEES: Yes, sir.

10 CHAIRMAN MORGAN: -- to the board in  
11 the future? Maybe even as early as next  
12 month. Is there any questions for Mr --

13 MR. JUNEAU: Are you going to bring  
14 on expenses that will be incurred on  
15 this project?

16 MR. DEES: From the port's  
17 standpoint, it's just been my time, I  
18 guess, the administrative time in  
19 accomplishing all this. We had no  
20 out-of-pocket expenses in regard to the  
21 project. Pinnacle had already spent a  
22 number of their dollars for L'Auberge to  
23 put in the infrastructure: Roadways,  
24 sewer, drainage, that type of thing like  
25 that.

1           So their -- they were going to  
2           undertake a hundred percent of the  
3           development costs on that in Sugarcane  
4           Bay.

5           MR. JUNEAU: Thank you, sir.

6           CHAIRMAN MORGAN: Thank you,  
7           Mr. Dees. Is there anyone with any  
8           comment from the audience in regard to  
9           this project? Any other questions?

10        B. Consideration of approval of contracts for  
11        PNK-Baton Rouge project, License No.  
12        R01100001 and authorization for proceed on  
13        approved project

14           CHAIRMAN MORGAN: We'll go to item B  
15           under Consideration of the Approval of  
16           the Construction Contract, PNK-Baton  
17           Rouge project. Come on back up. We  
18           have received the construction contracts  
19           and have submitted information to each  
20           board member. Do y'all need to make a  
21           presentation?

22           MR. ORLANSKY: No, sir. We're just  
23           here to respond to any questions and  
24           request this Board approve the contract  
25           as submitted.

1           CHAIRMAN MORGAN: Mr. Gautreaux, you  
2           want to brief the Board?

3 MR. GAUTREAU: Real briefly to  
4 remind the Board, according to Condition  
5 15B of the conditions on the Baton Rouge  
6 Project, which were modified by this  
7 board on October 20th, 2009, Pinnacle  
8 was required to submit construction  
9 contracts on or before March 31st of  
10 2010. Pinnacle did timely make those  
11 submissions.

12 Accordingly, under Condition 15C of  
13 the license, once the contracts are  
14 accepted by the Board, Pinnacle would  
15 have 30 days to commence construction on  
16 the project, and then from that date, a  
17 total of 18 months to complete the  
18 project. If I did my numbers right,  
19 should the Board accept the contracts  
20 today on or before May 20th, 2010, the  
21 project has to start construction, which  
22 will -- 18 months will get us through  
23 November 20th of 2011.

24 Pursuant to the conditions, Pinnacle  
25 would have to adhere to this timeline

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1 unless they would come back to the Board  
2 for some sort of extension which would  
3 be granted in the Board's sole and  
4 absolute discretion in accordance to the  
5 conditions.



6 As another point, the contract is  
7 with Manhattan Construction who, I  
8 believe, did the L'Auberge project and,  
9 I think, did the Hollywood, which is now  
10 Eldorado up in Shreveport. They are  
11 currently licensed as a non-gaming  
12 supplier; and I checked with the State  
13 Police, and the license is through  
14 October 16th, 2011. So they're  
15 contracted with somebody who currently  
16 has a license, so we don't have to delay  
17 for looking at them.

18 The contract itself is a  
19 construction contract. The bottom line  
20 budget is \$154 million that it came back  
21 from Manhattan. I will -- I will point  
22 out that the contract provides for a  
23 commencement date upon notice by  
24 Pinnacle to the contractor that the  
25 project commences, and it has a maximum

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1 construction timeline for 24 months.  
2 That being said, this Board's timeline  
3 is 18 months, and that is the one that  
4 will control as far as we are concerned  
5 as the State.

6 CHAIRMAN MORGAN: The bottom line,  
7 it will be constructed in 18 months?

8 MR. KORTMAN: The provision in the

9 contract is up to 18 months -- I'm  
10 sorry, up to 24 months, and we needed to  
11 make that provision just to make sure  
12 that we had enough time in the contract,  
13 because if you do the date specific  
14 contracts as some of these gentlemen  
15 recognize, then you'll get into some  
16 enormous dollars that get associated  
17 with penalties, so consequent to damages  
18 and some things like that. So that's  
19 what we agreed to was up to 24 months.  
20 Our current timeline, based on your  
21 approval today, is 18 months.

22 CHAIRMAN MORGAN: Okay. We -- in  
23 light of the situation in Lake  
24 Charles -- we came to an agreement with  
25 the company, with Pinnacle, but I've

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1 asked that \$25 million be escrowed to  
2 ensure that the project in Baton Rouge  
3 moves as approved by the Board. We have  
4 a resolution that has been drafted. We  
5 will read that into the record in a  
6 minute, but I wanted to give this  
7 opportunity to any board members to ask  
8 any question with regard to the  
9 resolution or the matter before the  
10 Board.

11 Are there questions? [No response.]

12 Miss Tramonte, do you have a microphone?

13 Do you want to read the resolution into  
14 the record.

15 THE CLERK: On the 20th day of  
16 April, 2010, the Louisiana Gaming  
17 Control Board did, in a duly noticed  
18 public meeting, consider the review and  
19 approval of the construction contract as  
20 required by 15B of the statement of  
21 conditions to the PNK-Baton Rouge  
22 Partnership's license; and upon motion  
23 duly made and seconded, the Board  
24 adopted the following resolution: Be it  
25 resolved by the Board that the

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1 construction contract for the approved  
2 project, in accordance with Condition  
3 15B, is deemed submitted and accepted by  
4 the Board, and licensee is authorized to  
5 proceed with the project in accordance  
6 with the Condition 15C of the Statement  
7 of Conditions.

8 Be it further resolved that the  
9 following condition be placed upon the  
10 licensee as Condition 27 in the  
11 Statement of Conditions to riverboat  
12 gaming license of PNK-Baton Rouge  
13 Partnership, to escrow according to a  
14 Board approved escrow agreement in an

15 interest bearing account at a board  
16 approved financial institution, a sum of  
17 \$25 million. The escrow amount shall be  
18 deposited in the escrow account on or  
19 before May 18th, 2010. Evidence of this  
20 deposit shall be submitted to the Board  
21 when made. Such escrow account shall be  
22 under the control of Pinnacle  
23 Entertainment, Incorporated, and  
24 PNK-Baton Rouge Partnership or other  
25 board approved Pinnacle subsidiary with

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1 the stipulation that the funds therein  
2 may be invested in accordance with the  
3 Board approved escrow agreement.

4 Should the licensee withdraw from or  
5 cancel the approved project or should  
6 the license be revoked for any reason,  
7 the escrow amount shall be paid to the  
8 State of Louisiana through the board in  
9 accordance with the terms of the escrow  
10 agreement as a reasonably imposed  
11 condition for nonperformance of the  
12 approved project.

13 Upon such payment of the escrow  
14 amount, PNK-Baton Rouge Partnership  
15 shall surrender its license to the  
16 Board. PNK-Baton Rouge Partnership and  
17 Pinnacle Entertainment, Incorporated,

18 agree to execute any documents the Board  
19 deems appropriate to reflect the payment  
20 of the escrow amount and subsequent  
21 surrender of the license. The escrow  
22 agreement shall terminate upon  
23 commencement of gaming operations by  
24 licensee, at which time the escrow  
25 amount may be withdrawn by Pinnacle

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1 Entertainment. The Board shall execute  
2 all necessary documents to terminate the  
3 escrow agreement so that the escrow  
4 amount may be withdrawn.

5 Be it further resolved that the  
6 Board authorizes its Chairman to execute  
7 the escrow agreement on behalf of the  
8 Board subject to ratification at the  
9 Board's duly scheduled monthly meeting  
10 on May 18th, 2010. This done and signed  
11 in Baton Rouge, Louisiana, this 20th day  
12 of April 2010.

13 CHAIRMAN MORGAN: That's the  
14 resolution. Is there any questions with  
15 regard to the resolution?

16 MR. SINGLETON: Move for approval of  
17 the resolution.

18 MR. JUNEAU: Seconded.

19 CHAIRMAN MORGAN: We have a motion  
20 by Mr. Singleton to approve the

21 resolution, seconded by Mr. Juneau.

22 Take a roll call vote, please.

23 THE CLERK: Major Mercer?

24 MAJOR MERCER: Yes.

25 THE CLERK: Miss Rogers?

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1 MS. ROGERS: Yes.

2 THE CLERK: Mr. Bradford?

3 MR. BRADFORD: Yes.

4 THE CLERK: Mr. Jones?

5 MR. JONES: Yes.

6 THE CLERK: Mr. Stipe?

7 MR. STIPE: Yes.

8 THE CLERK: Mr. Juneau?

9 MR. JUNEAU: Yes.

10 THE CLERK: Mr. Singleton?

11 MR. SINGLETON: Yes.

12 THE CLERK: Mr. Berthelot?

13 MR. BERTHELOT: Yes.

14 THE CLERK: Chairman Morgan?

15 CHAIRMAN MORGAN: Yes. The motion

16 passes.

17 MR. BRADFORD: One question probably

18 for Cliff, I think. Have you entered

19 into a contract with Manhattan

20 Construction?

21 MR. KORTMAN: We have, sir.

22 MR. BRADFORD: And they've accepted

23 the contract and it's a signed document,

24 and so all they're waiting for is a  
25 notice to proceed?

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1 MR. KORTMAN: Yes, sir.

2 MR. BRADFORD: And when do you  
3 expect that to be given?

4 MR. KORTMAN: I think the 15th or  
5 19th. We expected to get our Corps  
6 permit literally any day. We've been  
7 given the nod, but as you know, the  
8 levee board has allowed us to start the  
9 work as soon as the river goes down on  
10 remediation work, so we think Corps  
11 permit comes the 29th of this month.  
12 We're hopeful that it happens then, but  
13 we'll start the archeological work as  
14 soon as the river goes down below...

15 MR. BRADFORD: Thank you.

16 CHAIRMAN MORGAN: Major Mercer?

17 MAJOR MERCER: Back on a point  
18 previous, maybe when we started  
19 discussing it last, I asked a question  
20 about the Baton Rouge project, if you  
21 were going to try a different market or  
22 who were you going to market your Baton  
23 Rouge project -- and I think they told  
24 me primarily Baton Rouge area. So are  
25 you going to just be a parasite to these

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1 other companies, or are you going to  
2 actually try and go out and market?

3 MR. SANFILIPPO: If you will be  
4 specific to Baton Rouge as well as to  
5 New Orleans, I believe that this  
6 market's defunct, and that I believe  
7 that it has ability to build a facility  
8 that will be most attractive in Baton  
9 Rouge; that after it's built, we will be  
10 the market leader. I don't believe we  
11 will wholly grow the market. I don't  
12 think that there is a market that's big  
13 enough to do that. I think we will  
14 become a casino of choice. While the  
15 market might grow some, I don't think  
16 we're going to see it grow in total from  
17 another third facility coming in.

18 MAJOR MERCER: So you're, basically,  
19 going to draw from the other --

20 MR. SANFILIPPO: There's a defined  
21 number of customers at play in the Baton  
22 Rouge area, and it's a very good  
23 question because it's the same concern  
24 that I have in Lake Charles. It's the  
25 exact same concerns I have there.

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1 MAJOR MERCER: It would seem like in  
2 Lake Charles, you have a better market  
3 than you would in Baton Rouge, to me.



4 MR. SANFILIPPO: But I think the  
5 primary issue to me becomes all licensed  
6 holders, their ability to invest further  
7 in their facilities to attract more  
8 customers, and that's -- if you look at  
9 what's been invested in many markets,  
10 and that's why its through the industry,  
11 there's been little to no investments  
12 because of just -- the state of our  
13 economy.

14 MAJOR MERCER: And Mr. Stein, I  
15 think, testified back during one of the  
16 hearings that according to his  
17 projections, that Baton Rouge couldn't  
18 support three casinos.

19 MR. SANFILIPPO: That very well may  
20 be the case that all three can't. When  
21 you look at, again -- and I will just  
22 point out: If you look at the two  
23 licenses that are together in Lake  
24 Charles right now, one of those licenses  
25 that are connected to the other just

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1 does 12 percent of the total revenue.  
2 They probably wouldn't be able to  
3 survive as a stand-alone license doing  
4 revenue of over just one million dollars  
5 a month.

6 MAJOR MERCER: Okay.

7 CHAIRMAN MORGAN: Thank you.

8 VIII. RULEMAKING

9 A. Adoption of amendments to LAC

10 42:VII.2707, 2715, 2713; LAC

11 42:IX.2707, 2715, 2717, 2723; & LAC

12 42:XIII.2707, 2717, 2723 (Accounting  
13 Regulations)

14 CHAIRMAN MORGAN: Item VIII,  
15 Rulemaking, Adoption of amendments to  
16 Louisiana Administrative Code 42.2707.

17 Mr. Wagner, guide us, please.

18 MR. WAGNER: Good morning, again,  
19 Mr. Chairman. I've got two rulemaking  
20 items on the agenda. The first is final  
21 adoption of the amendments to the  
22 administrative code that ran in the  
23 notice of intent in February. That  
24 notice of intent instructed any  
25 interested persons to contact my office

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1 directly with any questions, comments,  
2 concerns, anything pertaining to the  
3 Board's proposed amendment. I received  
4 none.

5 I then made my second report to the  
6 oversight committee -- the oversight  
7 committees and heard nothing back from  
8 them after allowing the 30-day waiting  
9 period that the law mandates.

10 So at this time, there needs to be a  
11 motion before the Board to adopt the  
12 final amendments to the item under  
13 Rulemaking A.

14 CHAIRMAN MORGAN: Is there any  
15 questions on this? We need a motion  
16 to --

17 MAJOR MERCER: I'll make a motion.

18 CHAIRMAN MORGAN: A motion by Major  
19 Mercer to adopt -- final adoption of the  
20 rules for Item A. Is there a second?

21 MR. JONES: Second.

22 CHAIRMAN MORGAN: Second by  
23 Mr. Jones. Is there any opposition?  
24 [No response.] No opposition. It's  
25 approved. Item B.

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1 B. Institution of rule-making procedures to amend  
2 LAC 42:XI.2403, 2405, 2407 & 2415  
3 (Definitions, Application and License,  
4 Operation of Video Draw Poker Devices and  
5 Gaming Establishments)

6 MR. WAGNER: Item B is Institution  
7 of Rulemaking Procedures to amend the  
8 video poker section of the  
9 Administrative Code. This has been a  
10 project long in the works between my  
11 office, State Police and the industry  
12 itself covering a variety of the issues

13 in video poker. At this time, there  
14 needs to be a motion by the Board to  
15 provide -- if there are no questions  
16 about the proposed notice of intent so  
17 that rulemaking may be instituted for  
18 this -- for these amendments.

19 CHAIRMAN MORGAN: Is there any  
20 question with regard to Item B?

21 MR. STIPE: I do have a couple.

22 MR. WAGNER: Yes, sir.

23 CHAIRMAN MORGAN: Mr. Stipe.

24 MR. STIPE: In terms of advertising  
25 and promotion --

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1 MR. WAGNER: Yes, sir.

2 MR. STIPE: -- okay, you added the  
3 definitions in 2403, and then in 2407.  
4 Like, paragraph eight that you added in,  
5 is that meant to track or use these  
6 definitions you were adding?

7 MR. WAGNER: Yes, sir. These  
8 definitions that were going into 2403  
9 will be applicable to the entire section  
10 of the video poker gaming rules.

11 MR. STIPE: And, generally, if you  
12 could summarize for me what these  
13 regulations will bring into play in that  
14 area. The others are clear to me in  
15 terms of the parking lot and all that

16 kind of stuff. In terms of promotion,  
17 what are we doing?

18 MR. WAGNER: A while back the  
19 legislature passed a statute saying that  
20 video poker licensees may engage in the  
21 promotion of their business; however,  
22 they failed to define it. Well, that  
23 was our first test, to distinguish  
24 promotion from advertising, so that's  
25 why we defined the two. As you see,

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1 advertisement is public notice; whereas,  
2 promotion is more an activity, a prize  
3 or event.

4 MR. STIPE: Okay.

5 MR. WAGNER: Does that answer your  
6 question?

7 MR. STIPE: Yeah. I'll get with you  
8 afterwards.

9 MR. WAGNER: Yes.

10 MR. STIPE: Thank you.

11 CHAIRMAN MORGAN: Captain, do you  
12 want to testify?

13 CAPTAIN: I'm here.

14 CHAIRMAN MORGAN: We'd need a motion  
15 to institute the Rulemaking for items  
16 under B.

17 MR. JONES: I'll move.

18 CHAIRMAN MORGAN: Motion by

19 Mr. Jones, seconded by Major Mercer.

20 MAJOR MERCER: Yes.

21 CHAIRMAN MORGAN: Any opposition?

22 Hearing none, it's approved.

23 IX. PROPOSED SETTLEMENTS FROM HEARING OFFICERS'

24 DECISIONS

25 1. In Re: Renata T. Woods d/b/a L & R Bar

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1 and Lounge - No. 3601115609

2 2. In Re: Petit Coin De Plaisir, Inc.,

3 d/b/a E & J's Bar and Lounge - No.

4 2605114777

5 CHAIRMAN MORGAN: Item IX, Proposed

6 Settlements from Hearing Officers'

7 Decisions, Number One.

8 MS. BOGRAN: Good morning, Chairman

9 Morgan, Board Members, I'm Olga Bogran,

10 Assistant Attorney General on behalf of

11 the Louisiana State Police Gaming

12 Division.

13 The first two settlements on the

14 agenda today are mine. Both settlements

15 arise from the same violation for

16 failure to attend the required seminars

17 on compulsive gaming. Both settlements

18 have a penalty of \$500 and the

19 requirement that the licensees attend a

20 future seminar. The settlements are

21 before you for final approval, and it's

22 your pleasure if we take them  
23 separately.

24 CHAIRMAN MORGAN: Any questions? Do  
25 we have a motion to approve both of

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1 these settlements?

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

3 CHAIRMAN MORGAN: Motion by  
4 Mr. Juneau.

5 MR. JONES: Second.

6 CHAIRMAN MORGAN: Seconded by  
7 Mr. Jones. Any opposition? [No  
8 response.]

9 MS. BOGRAN: Thank you.

10 3. In Re: John Silvy, Jr., d/b/a Brothers Three  
11 - No. 360110369

12 CHAIRMAN MORGAN: Item Three, John  
13 Silvy.

14 MR. TYLER: Good morning, Chairman,  
15 Members of the Board. I'm Assistant  
16 Attorney General Michael Tyler. I'm  
17 here in the matter of the proposed  
18 settlement of John Silvy, Jr., d/b/a  
19 Brothers Three. John Silvy, Jr., was  
20 cited by the Division for failing to  
21 notify the Division of a July 16th,  
22 2003, arrest for DWI, reckless  
23 operation, wrong way on a one-way street  
24 and failure to wear a seat belt, as well

25 an incident on March 30th, 2004, which

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1 resulted in an arrest for DWI, careless  
2 operation and wrong way on a one way.

3 On December 11th, 2009, a notice of  
4 recommendation of administrative action  
5 was issued to John Silvy, Jr. In lieu  
6 of administrative action against its  
7 license, John Silvy, Jr., has agreed to  
8 settle the matter in payment of a civil  
9 penalty of \$1,000. The Division accepts  
10 the \$1,000 in lieu of administrative  
11 action. This settlement has been  
12 approved by the hearing officer and now  
13 will be submitted for your approval.

14 CHAIRMAN MORGAN: He's not driving  
15 for the company, is he?

16 MR. TYLER: I don't think so.

17 CHAIRMAN MORGAN: He'll be in  
18 trouble. Any questions?

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

20 CHAIRMAN MORGAN: We have a motion  
21 by Mr. Stipe to approve the settlement.

22 The second --

23 MR. BERTHELOT: Second.

24 CHAIRMAN MORGAN: -- by  
25 Mr. Berthelot. Any objection? [No

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1 response.] It's approved. Thank you.



2 Number four -- you got the rest.

3 4. In Re: Deloris Adams d/b/a Big Time Tips Bar  
4 & Lounge - No. 3601107572

5 MR. TYLER: I got the four, five,  
6 six and seven.

7 CHAIRMAN MORGAN: Go ahead and knock  
8 them out.

9 MR. TYLER: This is once again  
10 Assistant Attorney General, Michael  
11 Tyler; appearing on behalf of the  
12 Division in the matter of Deloris Adams  
13 d/b/a Big Time Tips Bar & Lounge.  
14 Deloris Adams was cited by the Division  
15 for failing to attend the mandatory  
16 compulsive gambling training. On  
17 October 15th, 2009, a notice of  
18 recommendation of administrative action  
19 was issued to Delores Adams.

20 In lieu of administrative action  
21 against the license, Deloris Adams  
22 agreed to settle the matter for payment  
23 of a civil penalty of \$500. The  
24 Division has agreed to accept the \$500  
25 civil penalty in lieu of administrative

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1 action. The settlement agreement has  
2 been approved by the hearing officer and  
3 is now submitted for your approval.

4 CHAIRMAN MORGAN: Item IV, is there

5 any questions?

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

7 CHAIRMAN MORGAN: Motion by  
8 Mr. Juneau to accept the settlement.

9 MS. ROGERS: Second.

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

13 5. In Re: Minnows, LLC, d/b/a Lucky

14 Dollar Casino - No. 5000512212B

15 CHAIRMAN MORGAN: Item 5 -- is 5 and  
16 6 same? That's different.

17 MR. TYLER: Five and 6 are similar  
18 individuals.

19 CHAIRMAN MORGAN: Lets just go ahead  
20 and independently do them.

21 MR. TYLER: Good morning, I'm  
22 Assistant Attorney General, Michael  
23 Tyler appearing on behalf of the  
24 Division in the matter of Minnows, LLC,  
25 d/b/a Lucky Dollar Casino. Minnows was

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1 cited by the Division for failing to  
2 notify the Division of the following  
3 matters: A September 14th, 2004,  
4 transfer of ownership; a February 15th,  
5 2005, transfer of ownership; a  
6 April 21st, 2006, change in ownership; a  
7 May 21st, 2006, change in ownership; and

8 a change of its office location.

9 On February 8th, 2010, the notice of  
10 recommendation of administrative action  
11 was issued to Minnows. In lieu of  
12 administrative action again its license,  
13 Minnows has agreed to settle this matter  
14 with a payment of a civil penalty of  
15 \$2,250. The Division has agreed to  
16 accept the \$2,250 in lieu of  
17 administrative action. The settlement  
18 agreement has been approved by the  
19 hearing officer, and now we submit it  
20 for your approval.

21 CHAIRMAN MORGAN: Mr. Stipe, do you  
22 have a question over there?

23 MR. STIPE: I guess all of them.  
24 This Lucky Dollar Casino -- and if you  
25 kind of outline it -- how did all of

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1 these -- we have a transfer of one for  
2 one of these license; we have two  
3 different fines that I find in another  
4 individual -- a couple of individuals  
5 for a different facility that are paid.  
6 How did this all come up and end up on  
7 our docket at the same time?

8 MR. TYLER: Well, to answer some of  
9 your questions --

10 MR. STIPE: Yeah.

11 CHAIRMAN MORGAN: Can you pull that  
12 mike over a little closer.

13 MR. TYLER: To try to answer some of  
14 the questions, from the standpoint of  
15 the matters are individualized because  
16 they involve different entities and  
17 different individuals in different  
18 transactions on very different days.

19 With that, a request was made to  
20 consolidate, but since the issues were  
21 different throughout, I did not want to  
22 go along with the consolidation because  
23 it might have confused -- given the  
24 amount of transfers here, it definitely  
25 would have confused a lot of the issues

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1 involved.

2 So what we did is we kept them  
3 separate; they were all written up  
4 separately; they were all settled  
5 separately, and the amounts are going to  
6 be different because the incidents, the  
7 transfers in all of the other actions  
8 that were involved are different. Some  
9 are going to have more instances of  
10 actions as opposed to others.

11 So that's why the amounts with  
12 regard to the settlement are different.

13 MR. STIPE: And those that are --

14 where they're agreed to a fine are  
15 transfers where they're seeking approval  
16 or you were notified after the fact; is  
17 that accurate?

18 MR. TYLER: Can you repeat that  
19 again?

20 MR. STIPE: Yeah, bad question.  
21 I'll try that again. The two where  
22 they've agreed to a fine or where there  
23 were transfers that occurred in the past  
24 and no one was notified of those  
25 transfers, and as a result they've

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1 agreed to a fine; is that correct? Is  
2 that fair?

3 MR. TYLER: To an extent. What we  
4 had was through the negotiations, we did  
5 have some instances on some of the  
6 allegations where evidence of attempted  
7 notice was made; and we did receive  
8 that, and we did have to give them  
9 credit for some things. But on the rest  
10 of the transactions, for the most part,  
11 your question is correct.

12 MR. STIPE: And the reason I ask  
13 is -- you know, we've approved it, but  
14 earlier we -- this T & D Ventures, LLC,  
15 I mean, they we're seeking approval  
16 after the fact, too, for the transfer,

17 correct?

18 MR. TYLER: Well, to get more into  
19 that actual transfer, because I brought  
20 the trooper who actually did the  
21 investigation, and I would allow him to  
22 sort of explain some of this transaction  
23 and what's going on there.

24 CHAIRMAN MORGAN: Is that on  
25 Minnows; is this applicable to Minnows?

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1 MR. TYLER: Right now we're on  
2 Minnows. I think he wants to get on  
3 T & D.

4 CHAIRMAN MORGAN: Let's conclude  
5 Minnows.

6 MR. STIPE: I'll move to approve  
7 Minnows.

8 CHAIRMAN MORGAN: By Mr. Stipe,  
9 moved to approve the settlement for  
10 Minnows, seconded by Mr. Berthelot.

11 MR. BERTHELOT: Sure, okay.

12 CHAIRMAN MORGAN: Is there any  
13 objection? [No response.] So that's  
14 approved.

15 Now, T & D Ventures, you want to go  
16 ahead -- do you want to offer any  
17 further discussion on T & D Ventures?

18 I'm one ahead of you.

19 6. In Re: T & D Ventures, LLC, d/b/a Lucky

20 Dollar Casino - No. 4701512880C  
21 MR. TYLER: Assistant Attorney  
22 General, Michael Tyler, appearing on  
23 behalf of the Division in the matter of  
24 the proposed settlement of T & D  
25 Ventures, LLC, d/b/a Lucky Dollar

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1 Casino.

2 T & D was cited by the Division for  
3 failing to notify the Division of the  
4 following matters: A July 26th, 2001,  
5 transfer of ownership; a February 5th,  
6 2003, transfer of ownership; and an  
7 August 19th, 2003, transfer of  
8 ownership, and changes to its revenue  
9 recipient.

10 On February 2nd, 2010, the notice of  
11 recommendation of administrative action  
12 was issued to T & D. In lieu of  
13 administrative action against its  
14 license, T & D has agreed to settle this  
15 matter with a payment of civil penalty  
16 of \$3,000. The Division has agreed to  
17 accept the \$3,000 civil penalty in lieu  
18 of administrative action.

19 This agreement has been approved by  
20 the hearing officer, and now we submit  
21 it for your approval.

22 CHAIRMAN MORGAN: Do you have any

23 questions on that?

24 MR. STIPE: Now maybe you can  
25 explain.

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1 TROOPER VAN ETTA: Mr. Stipe, in  
2 regards to your question, if I  
3 understand it correctly --

4 CHAIRMAN MORGAN: Can you use the  
5 mike and introduce yourself.

6 TROOPER VAN ETTA: Oh, I'm sorry.  
7 Senior Trooper Josh Van Etta with the  
8 Louisiana State Police. If I understand  
9 your question correctly, when it comes  
10 to transfers of interest in video poker,  
11 the transfers always occur first. It  
12 doesn't -- we don't have to get Board  
13 approval or the licensee doesn't have to  
14 get board approval to effect that  
15 transfer before it occurs. That would  
16 occur in your casino side of the house.

17 Pursuant to this investigation, I  
18 was able to uncover numerous transfers  
19 that occurred with members that were  
20 previously made suitable under the  
21 license and they sold to existing  
22 members in the corporation. That member  
23 then borrowed money back from this one  
24 over here and as a term of collateral  
25 received that interest back to hold for



1 a certain period of time, and then when  
2 that remuneration was taken care of, it  
3 transferred back over.

4 So that's, essentially, what we had  
5 in this particular issue.

6 MR. STIPE: So, mechanically, you're  
7 always going to be looking at transfer  
8 after the effective date of the  
9 transfer?

10 TROOPER VAN ETTA: We, by video  
11 poker rule, on ten days of execution of  
12 that transfer, would be required to be  
13 notified with appropriate suitability  
14 documents to conduct that background,  
15 and then from there we go forward at  
16 that point.

17 MR. STIPE: Thanks, I appreciate it.

18 CHAIRMAN MORGAN: Are there any  
19 other questions? Do we have a motion?

20 MR. JUNEAU: Motion.

21 CHAIRMAN MORGAN: Motion by Mr.  
22 Juneau, seconded by Mr. Jones that we  
23 accept the settlement. Is there any  
24 objection? Hearing none, it's approved.

25 7. In Re: Little Deuces, Inc., d/b/a Little

1 Deuces - No. 5302605379A

2 MR. TYLER: Once again, Assistant

3 Attorney General, Michael Tyler,  
4 appearing on behalf of the Division in  
5 the proposed settlement of Little  
6 Deuces, Incorporated, d/b/a Little  
7 Deuces. Little Deuces was cited by the  
8 Division for failure to notify the  
9 Division of the following matters: A  
10 1998 and 1999 change in ownership, of an  
11 arrest of one of its officers, of the  
12 issuance of a criminal summons to one of  
13 its officers, of the marriage and  
14 divorce of one of its officers, and of  
15 the issuance of a protective order  
16 against one of its officers.

17 On February 4th, 2010, a notice of  
18 recommendation of administrative action  
19 was issued to Little Deuces. In lieu of  
20 administrative action against its  
21 license, Little Deuces has agreed to  
22 settle this matter for payment of a  
23 civil penalty of \$3,250. The Division  
24 has agreed to accept the \$3,250 civil  
25 penalty in lieu of administrative

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1 action. The settlement has been  
2 approved by the hearing officer and now  
3 is submitted for your approval.

4 CHAIRMAN MORGAN: Thank you. Any  
5 questions on Item 7? Do we have a

6 motion?

7 MAJOR MERCER: Move we approve.

8 CHAIRMAN MORGAN: We have a motion

9 by Major Mercer, seconded by Miss

10 Rogers. Is there any objection?

11 Hearing none, it's approved.

12 8. In Re: Horseshoe Entertainment L.P., d/b/a

13 Horseshoe Casino - No. R010800198.

14 CHAIRMAN MORGAN: Item eight.

15 You're earning your money today.

16 MR. HEBERT: Good morning,

17 Christopher Hebert, Assistant Attorney

18 General, representing the Louisiana

19 Office of State Police in the matter of

20 Horseshoe Entertainment, L.P., doing

21 business as Horseshoe Casino.

22 MR. WEST: Good morning, Chairman,

23 Paul West on behalf of Horseshoe.

24 MR. HEBERT: The facts that give

25 rise to this administrative action are

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1 as follows: Horseshoe failed to comply

2 with its compulsive and problem gambling

3 program in allowing a self-excluded

4 person to gain access to the gaming

5 floor on at least five occasions.

6 Failure to detect the presence of the

7 self-excluded person on the gaming floor

8 and allowing the self-excluded person to

9 game, and its six employees completed 13  
10 credit card cash advances for the  
11 self-excluded person without accessing  
12 the self-excluded list.

13 Horseshoe and the Division did meet  
14 to discuss this, and since the incidents  
15 involving the self-included person, the  
16 responsible gaming memos have been  
17 distributed to all cashiers, punitive  
18 actions taken against employees for  
19 failure to follow these procedures and a  
20 reward system has been established for  
21 employees who follow proper procedures  
22 and identifying excluded persons  
23 attempting to access the property.

24 The property has also increased  
25 training on this issue from yearly to

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1 quarterly sessions, and no self excluded  
2 person of this type have occurred since  
3 the incident involving the person in  
4 question here. And in lieu of further  
5 administrative action, Horseshoe has  
6 agreed to pay a civil penalty of \$55,000  
7 and will additionally make a donation in  
8 the amount of \$3,500 to the Compulsive  
9 and Problem Gaming Fund.

10 This settlement has been signed off  
11 by on the hearing officer, and we are

12 here this morning seeking your approval.

13 MR. JONES: I have a question.

14 CHAIRMAN MORGAN: Mr. Jones.

15 MR. JONES: Yeah, the self-excluded  
16 person is someone who says, "Don't let  
17 me gamble at your place"?

18 MR. HEBERT: Exactly.

19 MR. JONES: Once he signs it, it's  
20 for everything, five years?

21 MR. HEBERT: Well, there's a  
22 procedure in place which allows them to  
23 take them self off of the list, but  
24 that --

25 MR. JONES: But this guy was on the

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1 list?

2 CHAIRMAN MORGAN: A few questions:  
3 Was there any evidence that indicated  
4 that the casino sent out coupons to the  
5 person or solicited them to participate  
6 in gaming at their location?

7 MR. HEBERT: Absolutely not. No.

8 CHAIRMAN MORGAN: And, also, just a  
9 procedural question -- you might not be  
10 able to answer this -- the \$3,500 to the  
11 Compulsive Gaming Fund, I thought by  
12 statute they had a limitation on what  
13 could go to that fund. I mean, I'm all  
14 for them --

15 MR. WEST: The statute requires that  
16 any losses or gains to the casino be  
17 forfeited to the fund so that the casino  
18 itself can't profit from a self-excluded  
19 person being on the floor. This  
20 individual withdrew \$3,500 from his  
21 credit card improperly because our  
22 cashiers never ran his name through the  
23 system. If they had just pushed a  
24 button, they would have seen his name,  
25 and he would have been escorted off the

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1 property. But that's the amount he  
2 withdrew, so for the sake of the  
3 settlement, we just assumed he lost all  
4 of it, so we're donating that amount to  
5 the fund.

6 CHAIRMAN MORGAN: I'm a hundred  
7 percent behind you donating the amount,  
8 it's just the mechanics of it, because I  
9 think it has to be appropriated through  
10 the State system, but anyway, you might  
11 not get the money, is what I'm saying.  
12 It might end up going to the coffers,  
13 but if I understand it correctly, I  
14 think it has been appropriated through  
15 state appropriations to the Department  
16 of Social Services. So it's a good  
17 gesture. I just don't know that it's

18 going to end up where it needs to end  
19 up.

20 MR. MIDDLETON: Send it to me,  
21 Mr. Chairman, and I'd be happy to --

22 CHAIRMAN MORGAN: Okay. Are there  
23 any questions? And you have remedied  
24 the situation to where it won't happen,  
25 as best you can.

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1 MR. WEST: Every one of these  
2 cashiers had been trained; every one of  
3 them had been tested and -- most of them  
4 are now fired; but you train them and  
5 you train them and you train them, and  
6 they just don't do it.

7 MR. HEBERT: In meeting with the  
8 Division, it was clear that the  
9 procedures were in place.

10 CHAIRMAN MORGAN: Okay. Do we have  
11 a motion.

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

13 CHAIRMAN MORGAN: Motion by  
14 Mr. Juneau to approve the settlement,  
15 seconded by Mr. Jones. Any opposition?  
16 Hearing none, it's approved.

17 X. PUBLIC COMMENTS

18 CHAIRMAN MORGAN: Last item is --  
19 thank you very much -- Public Comments.

20 MR. WEST: Can I just make one

21 comment, Mr. Chairman? I had sent a  
22 letter to each of you through the  
23 control board notifying you and inviting  
24 you to the International Association of  
25 Gaming Regulators Meeting in D.C. I

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1 know budget -- State budgets are tight  
2 and the State probably is not going to  
3 pay for all of you to fly up there, but  
4 I'll reiterate the invitation. We'd  
5 love to have you up there.

6 I think Louisiana regulators  
7 attended this conference many years ago  
8 when it was in Phoenix. I know they all  
9 enjoyed it because I was there with  
10 them, and they learned a lot and they  
11 enjoyed the networking with regulators  
12 from across the world, actually, and  
13 meeting with regulators from different  
14 states.

15 So we'd love to see you up there,  
16 and if you let us know that you're  
17 coming or if you're interested in  
18 speaking on the panel or interested in  
19 certain subjects, we'd be happy to  
20 accommodate that.

21 MR. JONES: What's the date?

22 MR. WEST: It's October 10th, I  
23 believe.



24 MR. JUNEAU: Where do you send the  
25 letters to?

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1 THE CLERK: No. You should be  
2 getting it. It went out Friday.

3 MR. JUNEAU: Where is it going to be  
4 located?

5 MR. WEST: Washington D.C., at the  
6 J.W. Marriott Hotel.

7 CHAIRMAN MORGAN: Thank you. Any  
8 other comments? Just a reminder to tell  
9 everyone on the board that we will meet  
10 back here for two more months.

11 MR. JUNEAU: Do we have golf carts?

12 XI. ADJOURNMENT

13 CHAIRMAN MORGAN: I think the Major  
14 is going to help us out with getting you  
15 folks over there. Do we have a motion  
16 to adjourn?

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

18 CHAIRMAN MORGAN: Motion by  
19 Mr. Juneau, seconded by Major Mercer.  
20 Any objection? [No response.] We're  
21 adjourned.

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1 REPORTER'S PAGE

2

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

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3 I, Shelley G. Parola, Certified Court  
4 Reporter and Registered Professional Reporter, do  
5 hereby certify that the foregoing is a true and  
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12 I further certify that I am not an  
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15 or counsel connected with this action, and that I  
16 have no financial interest in the outcome of this  
17 action.

18 Baton Rouge, Louisiana, this 1st day of  
19 June, 2010.

20

21

22

\_\_\_\_\_

SHELLEY G. PAROLA, CCR, RPR

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