

1:1 LOUISIANA GAMING CONTROL BOARD

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4 BOARD OF DIRECTORS' MEETING

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9 Wednesday, February 9, 2011

10 House Committee Room 6

11 Louisiana State Capitol

12 Baton Rouge, Louisiana

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16 TIME: 9:00 A.M.

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1 APPEARANCES:

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3 DANE K. MORGAN

4 Chairman

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6 VELMA ROGERS

7 Vice-Chairman

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9 AYRES BRADFORD

10 Board Member

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12 ROBERT JONES

13 Board Member

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15 MARK STIPE

16 Board Member

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18 GERALD JUNEAU, SR.

19 Board Member

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21 JAMES SINGLETON

22 Board Member

23

24 DENISE NOONAN

25 Board Member

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1 APPEARANCES CONTINUED:

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3 ELLIS BLOUNT

4 Board Member

5

6 MAJOR MARK NOEL

7 Ex-Officio Board Member

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9 LANA TRAMONTE

10 Executive Assistant to the Chairman

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12 REPORTED BY:

13 SHELLEY G. PAROLA, CSR, RPR

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1 I. CALL TO ORDER

2 CHAIRMAN MORGAN: Good morning.

3 Come to order. Please take a seat.

4 Miss Tramonte will call the roll,

5 please.

6 THE CLERK: Chairman Morgan?

7 CHAIRMAN MORGAN: Here.

8 THE CLERK: Miss Rogers?

9 MS. ROGERS: Here.

10 THE CLERK: Mr. Bradford?

11 MR. BRADFORD: Here.
12 THE CLERK: Mr. Jones?
13 MR. JONES: Here.
14 THE CLERK: Mr. Stipe?
15 MR. STIPE: Here.
16 THE CLERK: Mr. Juneau?
17 MR. JUNEAU: Here.
18 THE CLERK: Mr. Singleton?
19 MR. SINGLETON: Here.
20 THE CLERK: Miss Noonan?
21 MS. NOONAN: Here.
22 THE CLERK: Mr. Blount?
23 MR. BLOUNT: Here.
24 THE CLERK: Colonel Edmonson?
25 MAJOR NOEL: Major Noel for Colonel

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1 Edmonson.

2 THE CLERK: Secretary Bridges? [No
3 response.]

4 II. COMMENTS FROM THE CHAIR

5 CHAIRMAN MORGAN: We have nine in a
6 quorum. Good morning. If you listened,
7 you heard a new board member's name
8 mentioned, and the Chair would like to
9 recognize him as Mr. Ellis Blount, who
10 is recently appointed to the Board.
11 Welcome to the Board.

12 MR. BLOUNT: Thank you.

13 CHAIRMAN MORGAN: Why don't you pull

14 your mike down.

15 MR. BLOUNT: Thank you. I'd like to
16 thank the Governor for the appointment,
17 and I look forward to serving with this
18 Board.

19 CHAIRMAN MORGAN: Thank you,
20 Mr. Blount. He comes by way of the FBI
21 and represents the law enforcement
22 representative on the board.

23 III. PRESENTATION OF SUITABILITY REPORTS

24 CHAIRMAN MORGAN: We have a busy
25 day; we have an exciting day. I just

7

1 want to go over a few areas, the
2 organization of the meeting this
3 morning.

4 First of all, I'd like to thank the
5 three applicants and your willingness
6 and interest to invest in Louisiana. It
7 means a lot. I wish we had three
8 licenses to issue, but we only have one.
9 But we are very appreciative and look
10 forward to the successful candidate, to
11 working with them in the construction
12 phase and operations.

13 I'd also like to take the
14 opportunity to publicly thank the Office
15 of State Police and the Attorney
16 General's Office. Having had an

17 opportunity in the past to do these
18 backgrounds, they are a daunting task,
19 and I think they have gone above and
20 beyond the call of duty in getting these
21 done in the timely manner that they
22 have, especially with the information
23 that was provided to the Board. So I
24 thank you publicly for that and your
25 efforts.

8

1 The order of the day is we'll
2 receive investigative reports from the
3 Office of State Police Gaming Division
4 and the Attorney General's Office. Once
5 they have concluded their presentation,
6 we will allow board members an
7 opportunity to ask questions of State
8 Police and the Attorney General's
9 Office. I would just ask the board
10 members, would you be mindful of just
11 pushing the button so I can get you in
12 the order in which you have the
13 questions, and it helps the court
14 reporter.

15 The applicants will be given an
16 opportunity at the conclusion of the
17 State Police and the Attorney General's
18 Office presentation to address the
19 Board. I would ask that you cover new

20 information, if possible; however, I'm
21 mindful of the fact that you are willing
22 to spend a lot of money on this state, so
23 we want to afford you ample opportunity
24 to adequately address the Board with any
25 and all information that you think is

9

1 pertinent for the Board to receive to
2 help us make our decision.

3 We'll allow the board members to ask
4 questions of the applicants. Upon the
5 conclusion of that, be mindful that if
6 you're testifying in front of the board,
7 we'll need to swear you in under oath.
8 The Attorney General's Office will cover
9 some conditions that would be placed on
10 each applicant if they are the
11 successful recipient of the license, and
12 we would like public affirmation from
13 the applicants each that they agree to
14 the conditions that will be placed on
15 the license.

16 At the conclusion of the three
17 presentations, we will allow for public
18 comment period. There are cards that
19 are on the front table. If you would
20 please be respectful enough to obtain a
21 card and fill it out, and I will call
22 you individually up if you'll -- if you

23 desire to speak. If you do not desire
24 to speak but you do want to go on the
25 record, please so note on the card, and

10

1 we will certainly enter that information
2 into the record.

3 The Board will take this matter
4 under consideration. We will not vote
5 today, but we'll take it under
6 consideration at our regular scheduled
7 meeting which is next week, the 17th of
8 February, House Room 5 here in the
9 Capitol.

10 Okay. Is there any questions from
11 board members? [No response.] I
12 believe we reversed the order, so we
13 will have Office of State Police and the
14 Attorney General's Office come up and
15 present the information with regard to
16 St. Gabriel Downs.

17 Let me also has state for the
18 record, we do have resolutions that we
19 received from both Calcasieu Parish and
20 Jefferson Parish asking the board for
21 consideration of their respectful
22 applicants in each of their parish. So
23 each parish has to adopt a resolution
24 indicating they would have a local
25 referendum if a license was awarded to

1 an applicant in that area.

2 1. St. Gabriel Downs, LLC

3 CHAIRMAN MORGAN: Okay. Introduce
4 yourself.

5 MR. PITRE: Chairman Morgan, Board
6 Members, I'm Assistant Attorney General,
7 Earl Pitre, Jr., here in the matter of
8 the application for St. Gabriel Downs,
9 LLC. With me are Senior Trooper Ryan
10 Riley and Auditor Maggie Malone blown.
11 Also present are representatives of St.
12 Gabriel Downs, LLC.

13 We are here to report the findings
14 of State Police in connection with the
15 riverboat license application for St.
16 Gabriel Dows, LLC. At this time,
17 Auditor Maggie Malone will present her
18 findings to the Board.

19 MS. MALONE: Good morning, Chairman
20 Morgan and Members of the Board. I'm
21 Maggie Malone, Auditor with Casino
22 Gaming Corporate Securities. St.
23 Gabriel is proposing a \$165 million --
24 \$167.5 million project to be constructed
25 on the banks of Lake Charles at the foot

1 of the east end of the I-10 bridge. St.

2 Gabriel executed a one-year lease option

3 with the City of Lake Charles for the
4 23.5-acre construction site to be
5 comprised of the existing seven and a
6 half acres and 16 acres to be reclaimed
7 from Lake Charles lake bottom. St.
8 Gabriel provided a draft lease agreement
9 that indicates a lease fee on the
10 existing seven and a half acres with a
11 credit over 20 years for the actual cost
12 of reclaiming the additional acreage.
13 St. Gabriel also negotiated a fee of
14 4.2 percent of net gaming revenues with
15 the City of Lake Charles to be
16 distributed to local and regional
17 municipalities and entities.

18 In addition to the casino, St.
19 Gabriel is planning a 200-room hotel, an
20 outdoor amphitheater with 3,000 seats, a
21 pool and deck area, meeting space with
22 3,000 seats, and a surface parking for
23 2,000 cars. St. Gabriel anticipates
24 that the project would be complete first
25 quarter of 2013.

13

1 St. Gabriel proposes a capital
2 structure consisting of common and
3 preferred equity with the remainder
4 being funded through senior -- through a
5 senior credit facility. Mr. Trotter is

6 planning a \$5 million common equity
7 contribution through a personal loan
8 that is non-recourse to St. Gabriel.
9 St. Gabriel, through an agreement with
10 Innovation Capital Investment Bankers,
11 has been in discussion with numerous
12 investors over the past weeks to secure
13 the additional equity and debt
14 financing.

15 Under St. Gabriel's operating
16 agreement, Mr. Trotter, as the managing
17 member, will maintain control over St.
18 Gabriel's operations and ownership. St.
19 Gabriel provided information that the
20 project will be managed under a
21 management agreement with the Silver
22 Slipper. This agreement not only --
23 this agreement covers not only
24 management of the casino after opening
25 but also the project development and

14

1 construction phases. Management fees
2 prior to opening will be a negotiated
3 amount and after opening will be based
4 on a negotiated percentage of revenue.
5 St. Gabriel currently is in negotiations
6 with Hard Rock Casino and Hotel for use
7 of their tradename for branding and
8 marketing purposes. Innovation Group, a

9 consulting firm, estimates St. Gabriel
10 will grow the market but will also
11 divert funds from other existing gaming
12 facilities. The predictions indicate an
13 overall positive impact for the State.

14 St. Gabriel's projected financial
15 statements for a five-year period
16 indicates sufficient cash flows from
17 operations to maintain debt and fund
18 capital expenditures; however, audit is
19 unable to state with any degree of
20 certainty that St. Gabriel can achieve
21 its projected revenues or that it will
22 have sufficient cash flows from
23 operations to maintain its debt.

24 In summary, other than the issues
25 discussed in our report, audit did not

15

1 discover any financial matters to
2 preclude the board's consideration of
3 the granting the 15th license to St.
4 Gabriel.

5 MR. PITRE: Senior Trooper Ryan
6 Riley will present his findings to the
7 board.

8 SR. TROOPER RILEY: Good morning,
9 Chairman Morgan, Members of the Board,
10 my name is Trooper Ryan Riley, and I'm
11 with the Louisiana State Police Gaming

12 Enforcement Division.

13 A suitability investigation was
14 conducted on St. Gabriel Downs, LLC, and
15 key personnel. This investigation
16 consisted of inquiries through federal,
17 state and local law enforcement
18 agencies, computerized criminal history
19 databases, financial and civil
20 institutions, and gaming regulatory
21 agencies. Tax clearance request forms
22 were forwarded to the Internal Revenue
23 Service and the Louisiana Department of
24 Revenue in order to ensure the
25 applicants are current in filing their

16

1 taxes.

2 During this suitability
3 investigation, I discovered no
4 information which would preclude the
5 licensing of St. Gabriel Downs, LLC, or
6 Mr. William Trotter, II, who is managing
7 member slash owner. Mr. Anthony Horvat,
8 Chief Executive Officer, is currently
9 delinquent with the IRS. St. Gabriel
10 Downs', LLC, legal counsel, Deborah
11 Harkins, stated that she's been in
12 contact with Mr. Horvat's certified
13 public accountants, Blair, Thompson &
14 Company, who advised her that they're

15 currently working with IRS to resolve
16 the issue.

17 MR. PITRE: The Office of the
18 Attorney General has reviewed the file
19 compiled as a result of the
20 investigation conducted by the Office of
21 State Police. Except for the tax issue,
22 which is unresolved, our review
23 indicates that no information was found
24 that would preclude issuance of the
25 license to St. Gabriel Downs, but also

17

1 want the Board to be aware of Louisiana
2 Revised Statute 27 -- Title 27, Section
3 28J, which is in awarding a license, the
4 Board may consider the person is not
5 current in the filing of applicable tax
6 returns, payment of taxes to the -- owed
7 to the IRS, excluding items under formal
8 protest; however, if the Board were to
9 issue the license, the individual would
10 have 60 days from the date of issuance
11 to become current. Otherwise, they
12 would be deemed unsuitable.

13 From a -- we haven't been able to
14 determine whether it's been under formal
15 appeal, and, also, in sum I'd like to
16 make the Board aware that the applicant
17 has agreed to certain conditions, if

18 accepted by the Board, will be made part
19 of the license if awarded to St. Gabriel
20 Downs, LLC. The majority of the
21 conditions mirror the conditions
22 recently placed on licensees, and I
23 bring to the Board's attention the
24 following:

25 St. Gabriel Downs will take all

18

1 necessary steps to have the local
2 election on the first available date.
3 The berth site will be in Lake Charles
4 in Calcasieu Parish. The approved
5 project includes a gaming riverboat,
6 support facilities with restaurant and
7 retail space, a 200-room hotel, 3,000
8 square feet of pool and deck area, 1,500
9 seats in indoor theater, 3,000 seat
10 outdoor amphitheater, 3,000 square feet
11 of meeting space, and 2,000 square feet
12 for parking.

13 The minimum investment is
14 \$167,449,916. The timeline to submit
15 the plans will be 120 days after
16 certification of the election. The
17 timeline to submit contracts will be 128
18 days after acceptance of the plans. The
19 timeline to commence construction will
20 be 30 days after acceptance of the

21 contracts, and the timeline to complete
22 construction will be 15 months after the
23 commencement of construction. The
24 escrow agreement is \$16,700,000 which
25 will be funded 30 days after the

19

1 election certification. They cannot
2 draw from the escrow for development
3 expense prior to the commencement of
4 construction. The disbursements will be
5 made pursuant to the escrow agreement.
6 There will be a payment of \$16,700,000
7 to the State if no satisfactory progress
8 is made prior to commencement of
9 construction. And, also, the total
10 employment with benefits will be 800
11 employees. Thank you.

12 CHAIRMAN MORGAN: That concludes
13 your presentation?

14 MR. PITRE: Yes, sir.

15 CHAIRMAN MORGAN: Okay. Members,
16 I'd open it up for questions.

17 Mr. Jones.

18 MR. JONES: Yeah, a question for
19 Trooper Riley, I think. In the
20 background investigation relative to Old
21 Evangeline Downs, there was an issue
22 back in 2000 that went before the law
23 judge relative to how much money the

24 track owed the horsemen, and it was
25 resolved for \$1.6 million, which Judge

20

1 Brown said, well it wasn't gross enough
2 to deny the renewal of the license.

3 What was the nature -- 1.6 million
4 to me is a pretty big number. What was
5 the nature of that dispute; do you know?

6 SR. TROOPER RILEY: Well, the State
7 Police found a violation -- the Video
8 Gaming Section of State Police found a
9 violation with them. What happened was
10 they failed to report a civil suit in
11 their application for the years of
12 1996-1997, 1997-1998, 1998-1999, 1999 to
13 2000. That's what kicked off the
14 investigation. The civil suit was not
15 disclosed as it is required under law,
16 and that's where the administrative law
17 Judge Brown ruled that it was just a
18 mistake -- a business mistake.

19 The other issue with the
20 \$1.6 million that was paid out was due
21 to a underpayment to the Benevolent
22 Horsemen's Protective Association. They
23 were being under paid a certain
24 percentage, and when it was discovered,
25 they were ordered to make restitution to

21

1 them. For any other in-depth, I guess,
2 statements or anything like that, I
3 would have to defer that to the legal
4 counsel of St. Gabriel Downs or
5 Mr. Trotter, and maybe they can better
6 answer your questions for you if you
7 would like to go into greater detail.

8 MR. JONES: I do. That's all I
9 have.

10 CHAIRMAN MORGAN: Anyone else?

11 Mr. Bradford.

12 MR. BRADFORD: Were those two
13 totally unrelated situations?

14 SR. TROOPER RILEY: Yes. It seems
15 like to me by reading the old reports
16 that while -- while looking into the
17 violations for the nonreporting of the
18 civil suit, it -- that other judgment
19 was located, so I guess Judge Brown
20 included everything and wanted to make
21 sure before the issuance of the license
22 that that restitution was made prior to
23 him issuing St. Gabriel Downs their
24 license.

25 MR. PITRE: You mean old Evangeline

22

1 Downs.

2 SR. TROOPER RILEY: Oh, I'm sorry.

3 Old Evangeline Downs.

4 CHAIRMAN MORGAN: The board is
5 clear. I have a few questions with
6 regard to the corps of engineers permit;
7 and I know that the applicant might shed
8 some light on this, but I wanted to
9 ascertain if State Police or the
10 Attorney General's Office had any
11 communication with the corps of
12 engineers with regard to: Is it even
13 feasible to obtain a permit to do what
14 is proposed, and then what is the
15 reasonable timeline to expect?

16 SR. TROOPER RILEY: I can answer
17 that, Earl. I've been on that -- I've
18 been back and forth with St. Gabriel
19 Downs about this issue. I've actually
20 spoken to their representative who
21 they're using to contract the permit,
22 Mr. Reagan Brown. I got him on a
23 three-way call so that there would be
24 no, I guess -- so that there would be no
25 misunderstandings so that I could

23

1 actually hear the words for myself.

2 We called the person who he -- with
3 the corps of engineers who he's been
4 dealing with, which is a Mr. Ronnie
5 Duke, who is the New Orleans district
6 corps of engineer that has authority

7 over that area. He proposed a plan to
8 them, and Mr. Ronnie Duke said that it's
9 been done on Calcasieu Bay before. It's
10 not a issue. He has no doubt that, you
11 know, they would run into any trouble
12 when they do it.

13 I've also got a timeline for you.
14 It should take approximately 60 to 90
15 days for St. Gabriel Downs to secure the
16 permit from the corps of engineers, and
17 the reclamation process will take
18 approximately 180 days to fill in the
19 13.6 area that they're going to reclaim.

20 Now, I was advised to let the board
21 know that because the reclamation
22 process will take 189 days, that doesn't
23 mean that construction will not start
24 until 189 days. I was advised that
25 they're going to start construction of

24

1 the hotel approximately 40 days after
2 the commencement of dredging.

3 So I hope that is able to answer
4 your question.

5 CHAIRMAN MORGAN: Miss Malone, with
6 regard -- what -- is there any
7 confirmation on what equity is in the
8 project currently that has been
9 proposed? When we talk about financing

10 with all these projects, what equity
11 have y'all confirmed that is available
12 at this time for the project?

13 MS. MALONE: The \$5 million from
14 Mr. Trotter. He has given us a verbal
15 indication that that's available, plus a
16 letter from J.P. Morgan that he has set
17 up an account. Other than that, that's
18 all we have in writing on that. We have
19 a letter from Oxford with their
20 commitment to support an additional
21 amount on the common equity. Other than
22 that, we have a commitment for the debt
23 portion from Black Diamond. Other than
24 that there's just been some indication
25 that there are some serious other talks

25

1 going on and that there are investors
2 that are serious, but they're not at
3 this point willing and ready to give any
4 written commitment.

5 I believe in conversation with the
6 applicant this morning, that they can,
7 from their perspective, give you-guys a
8 little bit more assurance and provide
9 another level of comfort that we just
10 don't have in writing right now.

11 CHAIRMAN MORGAN: You do have a
12 commitment on the Black Diamond?

13 MS. MALONE: There's a letter from
14 Black Diamond.

15 CHAIRMAN MORGAN: We'll have the
16 licensee address that.

17 Mr. Pitre, with regard to the
18 delinquent tax status, it is your
19 appreciation that that matter is not --
20 that matter is still unresolved with
21 regard to the IRS?

22 MR. PITRE: Yes, sir.

23 CHAIRMAN MORGAN: They have not
24 taken the formal proceeding to contest
25 it?

26

1 MR. PITRE: Well, we're unable to
2 determine what they have taken -- have
3 taken a formal process. We know that
4 they're under settlement negotiations
5 right now, but how they got to that
6 point, whether it was through formal
7 appeal or just talking with the IRS and
8 working out settlement that way, we have
9 no knowledge of that. So technically it
10 still would be considered delinquent
11 status.

12 CHAIRMAN MORGAN: What is the 60
13 days based on; was that by the statute?

14 MR. PITRE: By statute.

15 CHAIRMAN MORGAN: They have 60 days

16 to resolve the issue.

17 MR. PITRE: Yes, sir.

18 CHAIRMAN MORGAN: Okay.

19 Mr. Bradford?

20 MR. BRADFORD: Miss Malone, the
21 letter from Black Diamond Capital was a
22 letter of interest or a letter of
23 commitment?

24 MS. MALONE: I have the letter here.
25 I can read it. I'll read it for you, if

27

1 that will --

2 "On behalf of Black Diamond
3 commercial funding, I'm pleased to
4 confirm Black Diamond's preliminary
5 interest in providing debt financing for
6 the construction and operation of your
7 proposed casino project in Lake Charles.
8 Based upon the information you have
9 provided and the discussions that we
10 have had to date, it is our
11 understanding that the project as
12 currently planned will include a 375,000
13 square foot facility encompassing 1,200
14 slot machines, 50 table games, a
15 200-room hotel, a live entertainment
16 area and various food and beverage
17 outlets. The project will be erected at
18 the site of the former Harrah's Casino

19 at a cost of approximately \$160 million.

20 We regret that Black Diamond has
21 recently been quite busy with loans and
22 other opportunities requiring the
23 year-end closing. Once this period is
24 behind us, we look forward to continuing
25 discussions about the project with you

28

1 and your colleagues at St. Gabriel
2 Downs.

3 And that was from -- that was dated
4 December the 15th. I have been told by
5 the license -- the applicant that Black
6 Diamond is prepared to move forward with
7 the debt portion, and St. Gabriel is
8 prepared to give further assurance on
9 this; but this is all we have in
10 writing.

11 CHAIRMAN MORGAN: Anyone else?
12 Okay, the board -- one more question.

13 MR. BRADFORD: This may actually be
14 for the applicant, but I guess, Miss
15 Malone, the applicant status as far as
16 their negotiations with Silver Slipper,
17 is that -- was that part of your
18 investigation?

19 MS. MALONE: Yes, it was. They have
20 a management agreement in place with
21 Silver Slipper with Mr. Alanis as

22 providing the expertise that we would
23 need for the ability to rely upon their
24 ability to complete the construction and
25 management. We do have an executed

29

1 management agreement.

2 CHAIRMAN MORGAN: Okay. Don't go
3 too far. We'll have the applicant come
4 now. Thank you for your presentation.
5 We'll have everyone introduce
6 themselves, and then we'll go ahead and
7 --

8 MS. HARKINS: Mr. Chairman, my name
9 is Deborah Harkins. I'm with the law
10 firm of McGlinchey Stafford, and I'm
11 here as a representative of St. Gabriel
12 Downs, LLC. With me he have Mr. William
13 Trotter, who is the Owner and Senior
14 Manager of St. Gabriel Downs, LLC;
15 Mr. Paul Alanis, who is the Senior CEO
16 of Silver Slipper; and Mr. Anthony
17 Horvat, who is the CEO of St. Gabriel
18 Downs, as well as Matt Sodl, who is the
19 Senior Vice-President of the Innovation
20 Capital investment.

21 CHAIRMAN MORGAN: Who will be
22 testifying representing -- everyone?

23 MS. HARKINS: Yeah, they will all
24 have a short -- we have others here that

25 are prepared to answer questions should,

30

1 you know -- with the expertise to answer

2 questions if that comes up.

3 CHAIRMAN MORGAN: Well, we might as

4 well get them.

5 MS. HARKINS: That's fine. I just

6 wanted to let you know. Mr. Paul

7 Girvan, who is with Innovation --

8 CHAIRMAN MORGAN: Is everyone listed

9 on what you presented?

10 MS. HARKINS: Um-hmm.

11 COURT REPORTER: Say it again.

12 MS. HARKINS: And Mr. Tom Hoskins,

13 who is with Brice -- Cunningham, with

14 the Cunningham Group; Mr. Bob Kelly, who

15 is Innovation Capital; Tom Hoskins, who

16 is with Roy Anderson. That's our team.

17 COURT REPORTER: Everybody, please

18 raise your right hand. Do you swear or

19 affirm that the testimony you will give

20 in the cause now in hearing will be the

21 truth, the whole truth, and nothing but

22 the truth, so help you God?

23 (Whereby the above-mentioned witnesses

24 representing St. Gabriel Downs, LLC, were duly

25 sworn.)

31

1 CHAIRMAN MORGAN: Thank you. The

2 floor is yours.

3 MS. HARKINS: All right. I'd like
4 to start off by thanking the committee
5 and all the hard work that Maggie and
6 Lana and Lieutenant Ryan Riley and Earl
7 and all of the gang put forth in working
8 with us and putting this application
9 forward. They've done a wonderful job,
10 a detailed job, and I'd like to
11 compliment and thank them for their
12 efforts on our behalf. And we sincerely
13 appreciate that.

14 I, also, just kind of want to bring
15 you up to date because you did mention,
16 Mr. Chairman, that the Parish of
17 Calcasieu did call the election. I just
18 wanted to point out that they have
19 called the election for the April 30th
20 election, which is very important, I
21 think, to the parish and to the State
22 but as well as the city, because in our
23 case -- and I don't know if you have
24 that, but I brought a certified copy for
25 you just in case you didn't -- the City

32

1 of Lake Charles has to call the election
2 in tandem with the parish, and that
3 election too has been called for
4 April 30th.

5 And the way that the process for the
6 April 30th, we've just got a little
7 ahead of the curve because it was the
8 desire -- it was our appreciation of the
9 desire to have the election sooner than
10 later, so we are on, you know -- and
11 it's available to be pulled, but we are
12 on the March 14th bond commission, and
13 if one of the Calcasieu Parish people
14 are lucky enough to be awarded the
15 license, then they are prepared with the
16 Secretary of State with the propositions
17 to move forward on an April 30th ballot.
18 So that is one of the things we just
19 wanted to emphasize to the Chairman and
20 let you know further that the City of
21 Lake Charles is in that equation.

22 I just wanted to be responsive to
23 the question related to the lawsuit that
24 required the 1.6 mill so that it was
25 clear. That particular lawsuit was

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1 against all four racetracks at the time
2 for the improper filling out of a State
3 Police form that was, in fact, the form
4 that everybody had a been using that
5 was, you know, produced to -- by State
6 Police, and all four tracks were
7 defendants in that suit. And the 1.6

8 was a settlement figure by Old
9 Evangeline Downs because we didn't want
10 to, you know, appeal it, and so that was
11 the settlement figure. But it was part
12 and parcel of a lawsuit that involved
13 all four racetracks and involved -- it
14 was, you know, eventually settled for a
15 large amount by all racetracks, but
16 quite frankly, they had all filled out a
17 form that was provided to them and had,
18 you know, paid the horsemen in
19 accordance with that.

20 MR. JONES: So each of the other
21 three also had to come up with --

22 MS. HARKINS: Yes, sir, yes, sir.
23 So I just wanted to clear that up so you
24 put it in perspective with the other --
25 what was going on at the time.

34

1 CHAIRMAN MORGAN: I believe the
2 Board was actually named --

3 MS. HARKINS: Yeah, I think that
4 y'all were part of it, as well.

5 CHAIRMAN MORGAN: -- in that suit.

6 MS. HARKINS: So it was all that
7 suit, and so I just wanted to put that
8 in perspective and clear that up so that
9 you understood that, yes --

10 CHAIRMAN MORGAN: I think we

11 prevailed, though.

12 MS. HARKINS: Yeah. Well, I think
13 we came out ahead by settling it, quite
14 frankly. You know, we had the lesser
15 amount, you know, in the -- so I just
16 wanted that cleared up so there were no
17 further questions related to that.

18 As pointed out by Mr. Pitre -- and I
19 think he wanted it articulated that on
20 behalf of the St. Gabriel Downs -- we
21 are, in fact, prepared to and ready to
22 meet the conditions that would be
23 imposed on us by the Gaming Control
24 Board should we be fortunate enough to
25 be awarded the license.

35

1 CHAIRMAN MORGAN: Who has --
2 Mr. Trotter, who has the legal authority
3 to affirm that on record for me?

4 MR. TROTTER: I do.

5 CHAIRMAN MORGAN: Have you reviewed
6 the conditions?

7 MR. TROTTER: Yes, I have.

8 CHAIRMAN MORGAN: And you agree to
9 that?

10 MR. TROTTER: I agree to do that.

11 MS. HARKINS: All right.

12 CHAIRMAN MORGAN: Thank you.
13 Anything else we need on that, Leonce?

14 MS. HARKINS: We're good with that?

15 All right. The -- I have with me a
16 quite qualified team who will be able to
17 bring you up to date on the issues
18 related to, you know, where we are. We
19 think we've come a long way since
20 December 16th. You know, not to say,
21 you know, financing is an easy thing,
22 but I can tell you and congratulate my
23 team on really the extensive and hard
24 work they have done, and I will allow
25 Mr. Alanis and Mr. Sodl, and whoever

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1 else seems appropriate, to give you an
2 update on where we are and how
3 comfortable we are at this situation on
4 the funding situation.

5 So at this time, I'd like to turn it
6 over to Mr. Alanis.

7 MR. ALANIS: Well, actually as it
8 relates to the financing, it would be
9 better, I think, if Mr. Trotter or Mr.
10 Horvat --

11 MS. HARKINS: Okay.

12 MR. ALANIS: -- because they're
13 directly involved in that. I'm
14 certainly here to help in any way I can,
15 but I'd like to --

16 MS. HARKINS: Well, I'm sorry.

17 We'll get Tony and Matt at the table.
18 Excuse me, I'll defer to Mr. Matt Sodl
19 and Mr. Horvat to bring you up to speed
20 on our funding efforts.

21 MR. HORVAT: Thank you. Good
22 morning. We've been working closely
23 with Innovation Capital to develop the
24 financing and funding for this project.
25 Mr. Matt Sodl here is the lead for

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1 Innovation Capital on this, and he's
2 requesting to update the Board on our
3 progress to date. I will reiterate what
4 Deborah had said, which is we feel that
5 we have made material and significant
6 progress since last being here in
7 December. We think that we are in an
8 excellent position to be able to fully
9 fund the project.

10 MR. SODL: Good morning, Matt Sodl,
11 with Innovation Capital. We're a
12 boutique investment bank, specifically
13 focused on the gaming hospitality
14 industry. We've been around since 2004
15 and have done close to 40 transactions
16 raising nearly \$3 billion -- completing
17 \$3 billion worth of transactions in that
18 time frame. We've been working very
19 closely, as Tony Horvat indicated, on

20 the capital structure and recent
21 financing for this project, and
22 previously our firm has issued a highly
23 confident letter in our -- expressing
24 our confidence in the ability to raise
25 the capital for this project. And this

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1 is right in a sweet spot of what we do
2 everyday, so I think putting forth a
3 letter of this nature is -- expresses
4 our sincere capabilities in getting this
5 done.

6 Since December, I would make some
7 high level comments, I think.
8 Specifically, I think, we have worked
9 closely over the last number of months
10 to firm up the capital structure, and I
11 think as of this morning, I think we
12 feel confident that we have circled the
13 equity for the capital structure to be
14 completed here and have been in
15 negotiations and -- excuse me,
16 negotiating terms of various agreements
17 and term sheets with prospective
18 investors on both the debt as well as
19 the equity financing for the project.

20 So we have -- we envision the
21 capital structure being tiered in number
22 of different tranches, from both senior

23 debt and a preferred equity, as well as
24 common equity, and we've been in
25 discussions with large money center

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1 banks to provide a senior credit
2 facility and feel confident that that
3 can get done.

4 In terms of a mezzanine piece, we've
5 been in negotiations quite recently with
6 a institution that is prepared to
7 provide -- provide a commitment at some
8 point to provide that mezzanine tranche,
9 and when married with the equity capital
10 that Oxford and Mr. Trotter are prepared
11 to provide, we think that we have a
12 capital structure that is circled.

13 CHAIRMAN MORGAN: What is your time
14 frame -- estimated time frame once the
15 license is awarded?

16 MR. SODL: Well, I think if we had a
17 positive indication from the Board next
18 week, I think we would, over the course
19 of 30, 45 days, be able to put together
20 commitments for the various tranches
21 that are being spoken for in this
22 capital structure.

23 CHAIRMAN MORGAN: Would you afford
24 the opportunity for board members to
25 come up to the table and ask questions

1 with regard to finance? Members?

2 MR. JONES: Yeah, a couple of
3 questions. One, the parent company,
4 Hard Rock, is having some
5 well-publicized financial difficulties
6 up in Las Vegas, and they may have new
7 management this week, or they may have
8 to go through chapter whatever. How
9 does that bear on this project?

10 MR. HORVAT: Yeah, I was going to
11 say: We actually are prepared to answer
12 that question. Mr. Alanis was the one
13 that was --

14 MS. HARKINS: He will bring you up
15 to date.

16 MR. HORVAT: -- bring you up to
17 date.

18 MR. ALANIS: Paul Alanis.
19 Mr. Horvat and Mr. Trotter have been in
20 discussions with representatives of the
21 company, and I have also been in
22 discussions with David Berman, who runs
23 a company called Regal Capital Advisors,
24 who is the advisor to Hard Rock in terms
25 all of their licensing agreements and

1 has negotiated those licensing
2 agreements in other situations.

3 Let me go back and explain to you a
4 little bit about the structure of Hard
5 Rock so that you understand exactly
6 what's happening and how that impacts
7 the overall company. In the early days,
8 Hard Rock was really split into two
9 parts, and the Seminoles -- Seminole
10 Nation controls the Hard Rock license as
11 it relates to restaurants and the
12 ability to develop casinos east of the
13 Mississippi. An entity owned by --
14 essentially controlled by the Morgan
15 Hotel Group took over Peter Morton's
16 ownership interest in the Hard Rock
17 Hotel in Las Vegas and inherited the
18 rights to develop casinos in the western
19 part of the United States.

20 After Mr. Morgan [sic] sold -- after
21 Peter Morton sold that to that group,
22 they entered into a major credit
23 facility, dramatically expanded the
24 facility, and it's that debt that you're
25 talking about that is now being -- that

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1 is now in default and where there is
2 negotiations going on and potential
3 foreclosures, which have been stayed at
4 this point, but which is troubling that
5 particular asset.

6 We don't see this as being a
7 situation which undermines the Hard Rock
8 as an entity or as a brand. It is a
9 problem isolated to that particular
10 property due to the amount of debt that
11 is on that property. That debt will
12 either being restructured in some
13 fashion, or it's possible that the
14 lender will foreclose on it, take it
15 back and sell it to another party.

16 The discussions I've had with Mr.
17 Berman where they have -- they have a
18 formula, and understand that the
19 agreement we're talking about doing with
20 Hard Rock is accretive to the company.
21 We're not asking them for a capital
22 investment. It is revenue streamed to
23 them in exchange for licensing, the
24 rights to the name, the trademark, the
25 intellectual property associated with

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1 Hard Rock.

2 So we see no reason why they will
3 not enter into this agreement; but at
4 the present time, they need the lender's
5 consent to do so, and with the issues
6 that are at hand, it has obviously
7 diverted their attention to negotiating
8 a specific agreement with us. They have

9 negotiated a specific agreement with a
10 tribe in Tulsa, Oklahoma, and one in
11 the -- one in the desert in California.
12 Those agreements they expect will go
13 forward. They are willing to do a
14 similar agreement with us, but we don't
15 have an agreement with them at the
16 present time. We still feel the Hard
17 Rock brand would be of significant
18 value, and we have every degree of
19 confidence that we can negotiate a fair
20 and reasonable agreement with them that
21 will make sense for this.

22 I think what Mr. Trotter has come to
23 this board with, though, is the
24 commitment and our commitment to you, if
25 granted the license, is that we will

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1 build a theme casino with a very strong
2 name brand associated with it. It is
3 intended that it be the Hard Rock, but
4 if there were problems with the Hard
5 Rock, there are others out there,
6 including Margaritaville and others who
7 we feel that we can go to and bring that
8 would bring strong brand identification
9 to this product and this site that would
10 grow the market.

11 It does not mean that we're not

12 going to continue our discussions with
13 Hard Rock, but they aren't the only fish
14 in the ocean. And we expect that it is
15 in their economic interest to move
16 forward with us, but if we were to run
17 into a roadblock with them for any
18 reason, our commitment would be that we
19 would bring a similar, just a strong
20 brand to this product -- to this
21 property to replace Hard Rock that would
22 be of similar nature as we've talked
23 about in terms of its demographics, its
24 appeal, its name brand identification
25 and its ability to grow the market in

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1 Lake Charles.

2 MS. HARKINS: And I want to
3 emphasize just in closing on that, is
4 that, you know, I've been describing
5 it -- to others and it makes sense, it
6 doesn't change the project at all. The
7 project will remain a 200-room hotel.
8 The same exact look will be there. All
9 we're talking about is the cover. So
10 you'll have, you know, everything that
11 we have committed and brought to the
12 table; it just may have another name, in
13 that worst case scenario, but everything
14 remains the same, our demographics, our

15 models. Everything remains the same.
16 Just, right now, our cut off end is
17 something that's outside of our control
18 related to that one particular property
19 that really has no bearing particularly
20 on our project.

21 MR. JONES: I just wonder if it does
22 become a Margaritaville or some other
23 brand name and the people voted for a
24 Hard Rock project, I wonder if they'd
25 have to vote again.

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1 MS. HARKINS: No, the project is --
2 you know, again, what the proposition
3 says, what everything that has been
4 presented is, in fact, the structure of
5 the project. It's not the name, and if
6 you look at the proposition, it is for
7 St. Gabriel Downs Casino project, not a
8 Hard Rock project.

9 MR. ALANIS: And I think that that
10 applies to other situations. For
11 instance, in Shreveport where the
12 Eldorado is now operating which used to
13 be a different, you know, First Players,
14 and so, you know, there are obviously a
15 lot of changes in ownership, changes in
16 the structure or the name of facilities
17 in the state that are taking place.

18 MR. JONES: Yeah. Another question:
19 Part of the project would encompass
20 where the tourist bureau sits, and I
21 believe y'all have agreed to locate
22 that. To where? Do you know where you
23 might be -- has that been resolved?

24 MS. HARKINS: If we move forward and
25 we move the Southwest Travel Center,

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1 whatever it's called -- Visitors'
2 Bureau, it's WOVB -- it would move
3 further down the lakefront. If you're
4 looking at the plat, you know, it bends.
5 Right there at the bend is what the
6 mayor told us would be a good -- where
7 he would be looking at. So it would
8 just be further down on the lake but
9 still on the lakefront and at that bend,
10 which they think would be in a better
11 location for it with the alligator pound
12 right there, so that's what he's looking
13 at.

14 MR. JONES: The only other question
15 I have, and this is for Innovation
16 Innovation Group. In their research, it
17 came up with a statistic that makes me
18 scratch my head. Talking about the
19 average income, your age group is 25 to
20 49 that you're shooting for, and it says

21 average income for that age group is
22 \$73,000 compared to those 50 and over
23 which is \$72,000. And it's hard for me
24 to get through my mind that people 25 to
25 49 are making more money than people 50

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1 and plus.

2 MS. HARKINS: I'll defer that to Mr.

3 --

4 MR. JONES: Are you including
5 everything in nursing homes and
6 whatever.

7 MR. GIRVAN: Those numbers are
8 provided to us by a national demographic
9 outfit called Claritas, and the
10 explanation for that is simply that when
11 you're over 50, a large portion of that
12 population will be retired and won't be
13 receiving income directly that we
14 reported. So that's the explanation.

15 MR. JONES: Okay. I was just
16 curious.

17 CHAIRMAN MORGAN: Mr. Singleton.

18 MR. SINGLETON: I'm a little
19 confused at this point. The first
20 question I need to answer is to try
21 and -- the relationship between Silver
22 Slipper and now you have Hard Rock, and,
23 Mr. Alanis, I guess I'm sitting here

24 listening because the picture you
25 painted at the last meeting was a little

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1 bit more glowing than the picture that
2 I'm getting today. But I feel like I
3 understand: What is this relationship
4 between Silver Slipper, Hard Rock and
5 whatever y'all are trying to do?

6 MR. ALANIS: The role that Silver
7 Slipper Gaming would have in this,
8 Mr. Singleton, would be to assist in the
9 development of the facility and then to
10 manage the facility. So it would be our
11 responsibility to put together the team,
12 the general manager and all of the
13 department heads, to develop all the
14 procedures, to determine the mix, if you
15 will, of slot machines and the layout of
16 the casino floor and all of those
17 things, the restaurant, the menus.
18 Everything that would go into the
19 day-to-day operation of the facility
20 would be our responsibility.

21 MR. SINGLETON: "Ours" meaning Hard
22 Rock?

23 MR. ALANIS: Meaning Silver Slipper
24 Gaming. Hard Rock's sole involvement in
25 this will be as the licensor of a name

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1 and of the intellectual property
2 associated with that name. They will
3 not have any role whatsoever in the
4 day-to-day management or in the conduct
5 of the business there. It will, of
6 course, have to be managed in a manner
7 consistent with their standards in terms
8 of their licensing standards, that they
9 care about the quality of the facility
10 that bears a Hard Rock name, so there
11 will be obligations in any licensing
12 agreement entered into with them, but
13 assuming that the licensee, that is St.
14 Gabriel through Silver Slipper Gaming as
15 its manager, complies with those
16 licensing covenants, then they're really
17 not involved at all.

18 So it's strictly licensing of their
19 name, the trademark and all of the
20 goodwill associated with the Hard Rock
21 name that they're paid a fee for, but
22 they didn't participate in that.

23 MR. SINGLETON: Hard Rock, as I
24 understood you said earlier -- for lack
25 of a better way of putting it, Hard Rock

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1 west and Hard Rock east --

2 MR. ALANIS: Yes.

3 MR. SINGLETON: -- I think is the

4 way you put it, so we're dealing with
5 east?

6 MR. ALANIS: No, we're dealing with
7 west. We're dealing with the -- we
8 would be dealing with the Seminoles, but
9 we are dealing with west, the Hard Rock
10 that controls west of the Mississippi.

11 MR. SINGLETON: Okay. Now, who --
12 the problem you're having in Vegas, is
13 that with the west or the east?

14 MR. ALANIS: Yes, it is. Yes, it
15 is, and that's the problem that has
16 diverted them from focusing on a license
17 agreement, which as I say, is nothing
18 but profit to them. That's why I feel
19 that in -- if we're successful and the
20 license is granted, I have little doubt
21 that we will come to an agreement with
22 them because it's to the economic
23 advantage, both the lender and the Hard
24 Rock entity. There isn't a financial
25 exposure to them in terms of asking them

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1 to put money into this, so that's why I
2 have every reason to believe that sound
3 businessmen will come to an agreement to
4 allow an agreement to go forward that
5 will help the financial situation of
6 that company, not hurt it.

7 MS. HARKINS: Hard Rock is a
8 marketing tool, for simplicity. You
9 know, it's the name, the brand we're
10 using as a marketing tool.

11 MR. ALANIS: And the entity, as I
12 mentioned previously, is in
13 negotiations. In fact, it's my
14 understanding that in the Tulsa,
15 Oklahoma, situation -- I think it's with
16 the Cherokees -- that that agreement is
17 essentially finalized. They have one
18 that's a repositioning of a casino in
19 the desert in California, one of the
20 Native American facilities there that is
21 sort of similar to where we are in terms
22 of discussions and movement toward a --
23 toward a licensing agreement that is
24 moving forward in good faith but is
25 somewhat sidetracked simply because of

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1 the immediate concerns they are focused
2 on in terms of restructuring the debt or
3 facing, you know, the financial issues
4 that they do with their lender.

5 MR. SINGLETON: Okay. Mr. Chairman,
6 my next question relates to the job
7 category, and I don't know if we're
8 ready to deal with this now, or when
9 somebody else comes up, that's going to

10 be able to talk about the employment
11 records and what you're going to do with
12 that. So I'd like to get a little more
13 information on that at some point before
14 y'all leave.

15 MS. HARKINS: We're prepared to
16 answer any questions that -- if I can't
17 answer, I've got a team here who can.

18 CHAIRMAN MORGAN: Go ahead.

19 MR. SINGLETON: I just want someone
20 to explain: I think in here from the
21 State Police and go back to the -- your
22 proposals proposal, I'm trying to
23 understand your employment, because it
24 seems it was a little bit different in
25 terms of number of employees you start

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1 with and the number you end up with are
2 not quite the same.

3 MS. HARKINS: Can you be more
4 specific?

5 MR. SINGLETON: The numbers, greater
6 or less.

7 CHAIRMAN MORGAN: Why don't you
8 clarify how many anticipated employees
9 you anticipate during the construction
10 phase and then post construction for
11 regular operation and a percentage of --
12 or the number of FTEs, because I was

13 going to get to that anyway. Is that
14 what you're asking?

15 MR. SINGLETON: Yes.

16 CHAIRMAN MORGAN: There were some
17 numbers that were, from the State Police
18 report versus the presentation, off a
19 little, and we just wanted to -- I have
20 a question on that, too, as to firm up
21 the anticipated number of --

22 MR. GIRVAN: Locally owned and
23 construction we estimate it will be 506
24 direct full-time equivalents on the
25 construction side locally in Lake

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1 Charles. When that's run through a
2 multiplier -- an economic multiplier
3 effect, that would increase the 187
4 full-time equivalents in the local
5 economy, Calcasieu Parish. Statewide
6 the number of employment directly would
7 be 571, increasing to 1,127 if you take
8 out -- cut all the indirect effects from
9 the economic multiplier.

10 MR. SINGLETON: I guess the problem:
11 You go from 500 and you multiply it and
12 increase. I didn't quite understand
13 how -- is that over a period of time?

14 MR. GIRVAN: Over the period of
15 construction, the 500 or so jobs we're

16 talking about are those directly
17 involved locally in constructing the
18 facility.

19 MR. SINGLETON: Okay.

20 MR. GIRVAN: When that is worked
21 through the economy and people and the
22 construction by cement, that creates
23 jobs at a cement factory at somewhere
24 else, and that's an indirect job, so we
25 add up all those indirect effects in the

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1 economy to get the total, which would be
2 over the 1,100 jobs.

3 MR. SINGLETON: And when you start
4 operating the casino, how many jobs?

5 MR. GIRVAN: I'm turning my pages
6 right. We're estimating in the casino
7 itself will employ 662 full-time
8 equivalents with some additional, excuse
9 me, 476 jobs in retail entertainment, F
10 and B and hotel, for a total of a 1,100.

11 MR. SINGLETON: Total of 1,100?

12 MR. GIRVAN: Yes, sir.

13 MR. SINGLETON: This is the 15th
14 casino, and what, we've been in business
15 in Louisiana now for gaming for how many
16 years?

17 CHAIRMAN MORGAN: Eighteen or 19.

18 MR. SINGLETON: And I guess when I'm

19 beginning to take a look at each one of
20 the casinos in terms of your structure,
21 your management structure, your
22 employment structure, especially as it
23 related to the diversity employment in
24 these things, and I don't see it there.
25 And I guess I'm going to be looking for

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1 you-all to tell me, before I vote
2 anyway, on this in terms of how you plan
3 to put this together. Specifically, I'm
4 more interested in local people, people
5 who have been in Louisiana for 20 some
6 odd years. You ought to have general
7 managers or vice-presidents or whatever
8 you want to call it, the higher echelon
9 structure -- y'all ought to have enough
10 trained people in Louisiana by now to
11 put people in position here in the state
12 for local people to take advantage of
13 these things rather than bringing all
14 these people in from Vegas or Jersey or
15 wherever they come from, but they're not
16 from Louisiana. And I want to have a
17 clear understanding. It may be some
18 kind of commitment as to how you're
19 going to do that, and I want to see that
20 before I vote on any of this with you;
21 not just you, whoever ends up with the

22 license, I'd like to see that.

23 And I want you to think about it. I

24 don't want you to give me a quick answer

25 right now, and then you'll come back

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1 later and say, well, I didn't mean it

2 that way. I want you to think it

3 through and tell me after you thought it

4 through how you propose to operate and

5 how you propose to meet these goals.

6 MR. ALANIS: Let me simply say this:

7 I, throughout my career in the gaming

8 industry, which began in 1992 with

9 Mr. Binion and developed the Horseshoe

10 Casino in Bossier City, have focused on

11 regional markets, and I am not involved

12 in Las Vegas. I've never been involved

13 in Las Vegas or Atlantic City. My focus

14 has been in jurisdictions such as

15 Louisiana and Mississippi. The casino

16 that at this own and operate in

17 Mississippi -- is in Mississippi. It is

18 the Silver Slipper on the Biloxi coast.

19 My relationships, the reason that I

20 am here is because of my desire to come

21 back to Louisiana, because of the

22 relationships I have in this state,

23 because of the success I've enjoyed in

24 this state and because of my competence

25 that I can put together a first-class

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1 management team that will be people who
2 understand this state, who have done --
3 who have operated in this state. I have
4 those kinds of relationships, and it's
5 certainly my intent to -- as to the
6 maximum extent possible to try to
7 recruit from Louisiana, to have that
8 diverse group of executives and
9 employees to exceed the standards that
10 are set by the state in that regard.

11 We certainly, I think, made every
12 effort to and did achieve that at
13 Horseshoe, and so I think the reason why
14 Mr. Trotter sought me out was because of
15 my relationship -- my relationships here
16 in the state and because of the success
17 I've had. So I can simply tell you that
18 as a professional who's been in this
19 business for almost 20 years, my focus
20 is here in the south, and particularly
21 in Mississippi and Louisiana; and I
22 would be thrilled to have the
23 opportunity to come back and recreate
24 the success we enjoyed with Horseshoe,
25 and I would make every effort to have

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1 the majority of the people, to the

2 maximum extent possible, be people -- it
3 only makes sense -- who know this
4 market, who understand Louisiana, who
5 know how to do business here, who
6 understand the customers.

7 And, Mr. Singleton, while that does
8 not give you specific percentages -- and
9 I think that's what you're warning me to
10 be careful of because it's always
11 difficult to say it's going to be X
12 percent or Y percent -- I would simply
13 tell you that you will have a commitment
14 that it will be focused on Louisiana
15 residents, Louisiana people who are
16 experienced in Louisiana.

17 You have a number of people, quite
18 honestly, in the gaming industry here
19 who may not have grown up here but have
20 spent the last 15 or 20 years of their
21 life here and who now consider
22 themselves proud Louisianians, and I
23 would consider them to qualify as people
24 who are the types of people we would
25 seek and recruit to be the key

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1 management for this property going
2 forward.

3 MR. SINGLETON: Okay. I would still
4 just repeat -- maybe this is not just

5 for you; but you happen to be at the
6 table -- and maybe this is for everybody
7 in this room -- that to operate a casino
8 somewhere here in Louisiana, my comment
9 is directed across the board -- you
10 happen to be here, and we have an
11 opportunity to deal with you because
12 you're trying to get a license.

13 MR. ALANIS: I understand.
14 Understood.

15 CHAIRMAN MORGAN: While we're on
16 employment: Do you anticipate the
17 management company being the employer of
18 the -- particularly the full-time people
19 working at the casino, or has that been
20 determined yet?

21 MR. ALANIS: Generally speaking, I
22 can tell you that in Mississippi that's
23 now how it works. The employees work
24 for the -- for the entity that owns the
25 operation, and we come in as the

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1 manager. It seems to make more sense
2 that way; and it could be either way,
3 but the way we've done it in the past, I
4 think the way most arrangements of this
5 type work, is that the employees will be
6 employees of the entity itself so that
7 the entity is responsible for

8 everything, not just the management
9 company.

10 CHAIRMAN MORGAN: Preferably with
11 regard to regulation.

12 MR. ALANIS: Yes.

13 CHAIRMAN MORGAN: I'm going to ask
14 the question -- and I know it's unknown,
15 but it would sure make a difference
16 while I'm trying to decide on which
17 applicant to support -- what is your
18 intent -- this might be for Mr.
19 Trotter -- with during the construction
20 of, have you identified a contractor? I
21 don't need to know a name, but I guess
22 my point is: Is this a Louisiana based
23 company; is it employing Louisiana
24 people; is it close to Texas? Nothing
25 against our fellow Texans. We want them

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1 to come over and gamble, but this is
2 about jobs in Louisiana. You know, has
3 any of that been determined yet as to
4 what impact that will have on the local
5 community with regard to construction
6 jobs?

7 MR. TROTTER: Mr. Chairman, Tom
8 Baird, Roy Anderson & Company and Brice
9 Construction out of Metairie, Roy
10 Anderson.

11 William Trotter, Tom Baird with Roy
12 Anderson Construction Company. Roy
13 Anderson Company has a wholly-owned
14 subsidiary in Metairie called Brice
15 Construction, and they have been in
16 business for how many years? .

17 MR. BAIRD: Since 1951. Been in New
18 Orleans. Been in business longer than
19 that, but been in New Orleans since
20 1951. And we -- our intention is to
21 absolutely maximize the local and then
22 regional participation and then
23 statewide participation at every level.
24 To that end, we actually come in, hold
25 job fairs real early during the design

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1 process to try to determine the
2 capabilities of the local contracting
3 community.

4 So, for example, I'm going to take
5 an example, maybe I -- maybe I have two
6 drywall companies that are from the Lake
7 Charles area, neither one of which are
8 big enough to do the whole job, but
9 maybe one could do the casino and one
10 could do the hotel. I would break that
11 into two pieces in a effort to maximize
12 the local community. It's their money
13 at the end of the day. We believe that

14 it makes the most sense and is the most
15 economical.

16 So we -- yeah, all of the engineers
17 we're working with are local. That is
18 our intention. That's what we do all
19 the time is try to maximize the local
20 participation. I'll happy to answer any
21 other questions in that regard.

22 CHAIRMAN MORGAN: Don't go too far.
23 I have -- I'll turn it over to the
24 board, but with regard to the timeline,
25 I noticed on the timeline that I have

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1 that was supplied by the Office of State
2 Police, the date used for the -- all the
3 other dates are based off of January the
4 3rd, and obviously we're going to be
5 pushed backs six weeks at least; is
6 that --

7 MS. HARKINS: Yes, sir. We've
8 updated that timeline, and we provided
9 that to Maggie yesterday. But Mr. Baird
10 did that, so maybe he can tell you.

11 CHAIRMAN MORGAN: Here's a quick
12 question: When are you going to open?

13 MS. HARKINS: March or May --

14 MR. BAIRD: May of --

15 MS. HARKINS: -- 2013. Yes. If you
16 update date the timeline and conform it

17 with the conditions that we signed --
18 that we are willing to sign with Leonce,
19 taking those factors in, so we've got,
20 you know, the election, the
21 certification of the election, the four
22 months for the contract, the
23 commencement of construction the 15
24 months, it would be May 2013, conforming
25 with everything -- you know, the award

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1 of the 17th, the election April 30th,
2 you know, an updated timeline, you know,
3 realistic timeline based on the
4 conditions that we have.

5 CHAIRMAN MORGAN: I love you
6 attorneys, you qualify everything.

7 MR. BAIRD: From my perspective, I
8 have a 14-month construction time
9 including the reclamation of the land,
10 and we'll make the 14 months.

11 CHAIRMAN MORGAN: Fourteen months.
12 Mr. Singleton.

13 MR. SINGLETON: I just want to
14 follow up on your question, Mr.
15 Chairman, since I happen to have no good
16 knowledge of Brice over the years, or
17 the last, I guess, what, 30 years or
18 whatever. And I'm listening to what
19 you're saying, but assure me that you're

20 going to be able to do that, you're
21 really going to do the things that you
22 say you're going to do; and I'm talking
23 about the diversity of the people that
24 you're going to hire.

25 You mentioned one example, how you

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1 take a drywall and break it into two
2 parts. What about the other, say,
3 minority contractors and other? How is
4 that going to fit into your project?

5 MR. BAIRD: Number one, Anderson
6 recently acquired Brice. That's been
7 within the last year. I came from the
8 Anderson side of that, so I'm probably
9 not as well versed with the long history
10 of Brice as you are, but I am well
11 versed with the -- I've been in charge
12 of casino construction for Roy Anderson
13 since 1993.

14 One of the reasons for having the
15 job fairs up front during the design
16 process is to try to maximize the
17 minority participation. We do that in a
18 number of ways, but the very first thing
19 that we try to do is determine what
20 minority -- what's the potential
21 minority market that exists? Then there
22 may be any number of things. Sometimes

23 you break things out in areas -- in
24 small enough areas that some of the
25 minority firms are smaller but they can

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1 handle. Sometimes we create joint
2 ventures with a bigger firm that can
3 help mentor a minority firm into a
4 bigger position. Many times we find
5 that there are minority firms that are
6 perfectly capable of -- they don't need
7 any help at all. They're very perfectly
8 capable, but you have our commitment as
9 a company; you have my personal
10 commitment. You can call me on the
11 phone any day you want to. You can come
12 sit down while we do this. I promise
13 you, we will maximize to every
14 reasonable extent minority
15 participation.

16 MR. SINGLETON: Will you have next
17 week, when you come back here, a list of
18 what contractors are available that you
19 possibly can use in this process? Since
20 you say you've already started that
21 process.

22 MR. BAIRD: No, sir. I said we
23 would start that during the design
24 process. We haven't started, not
25 knowing whether or not we're going to

1 receive the license. I don't know that
2 I can have a -- by next week, but in the
3 next couple of weeks I certainly could
4 and will be happy to if that's --

5 MR. SINGLETON: Okay.

6 CHAIRMAN MORGAN: Mr. Bradford.

7 MR. BRADFORD: I'm a contractor on
8 the board, so I feel your pain. Roy
9 Anderson is a very fine company based in
10 Mississippi.

11 MR. BAIRD: Yes, we are.

12 MR. BRADFORD: And would this
13 contract be awarded to Roy Anderson or
14 Brice?

15 MR. BAIRD: It will be under
16 contract to Brice.

17 MR. BRADFORD: Which is a Louisiana
18 based, wholly-owned subsidiary of Baird.

19 MR. BAIRD: Brice has an office in
20 Birmingham and an office in Metairie.
21 They've had the office in Metairie since
22 1951.

23 MR. BRADFORD: I'm familiar with
24 Brice. They are a very fine company.

25 MR. BAIRD: And this will be a Brice

1 contract.

2 MR. BRADFORD: Your issue with

3 subcontractor selection, I know the
4 issue. You want to get qualified
5 subcontractors at the right price. Are
6 you prepared to hire subcontractors at
7 some price higher than the best price to
8 meet minority goals or to meet Louisiana
9 goals because you're building a big
10 project in Lake Charles and all your
11 subs are not going to -- you can't build
12 something that big and meet the -- and
13 have all the -- just the subs in Lake
14 Charles meet your needs.

15 MR. BAIRD: That is true. That's
16 why I said local, then regional, then
17 statewide. We actually did the -- one
18 of the hotels for Isle of Capri in Lake
19 Charles. For example, some of our
20 subcontractors then came out of
21 Lafayette; some of them came out of New
22 Orleans. What I'm saying is that we
23 will maximize the local, then the
24 regional, i.e., Lafayette. We're aware
25 of where that state line is.

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1 MR. BRADFORD: I guess my question
2 more directly is: Are you prepared to
3 give preference to Louisiana
4 subcontractors?

5 MR. BAIRD: Yes, sir. Yes, sir, and

6 we do, and we are prepared to spend --
7 we do not adhere to the low price. We
8 look for the best value. These things
9 are complicated buildings, and they have
10 to be built in a hurry. So we look for
11 the best value; but we are prepared, and
12 we are prepared to help bring local,
13 regional people up to standard.

14 MR. BRADFORD: I don't mean to put
15 you on the spot. I know that's really a
16 question for the owner, you know. If
17 you've got a contractor that's going to
18 charge you \$50,000 for something and
19 somebody else is going to charge you
20 \$55,000 for the same thing, then the
21 owner's got to decide. I don't want to
22 put you speaking from --

23 MR. TROTTER: Mr. Bradford, I have a
24 list this long of close personal friends
25 that are in electrical, HVAC, have all

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1 called me, and I've said, when the time
2 comes, I will sit down with you, Tom
3 Baird, the construction manager, and we
4 will go over it. I guarantee you we
5 will start and use Louisiana first
6 because my friends will soon throw me
7 out, run me out of the state if I don't
8 attempt to get them into the project.

9 MR. BRADFORD: That's all my
10 questions.

11 CHAIRMAN MORGAN: Any other
12 questions with regard to the
13 construction phase?

14 MS. HARKINS: The only other comment
15 I just want to emphasize, and while
16 Mr. Baird's at the table, just to assure
17 you that the reclamation process is just
18 part of the construction process. It
19 will not delay construction. The
20 timelines that we've set forth as part
21 of reclamation process is within our
22 timelines that we've been provided.
23 And, you know, during that process we
24 will concurrently be working on other
25 aspects of the site, such as the casino,

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1 the barge site and along those lines.

2 So it is not a delaying factor.
3 It's been done before in that area.
4 It's not complicated. It's been
5 successful, and everybody, you know,
6 seems to be onboard in terms of moving
7 it forward.

8 CHAIRMAN MORGAN: I work for
9 government, and it's usually not y'all.

10 MS. HARKINS: I know.

11 CHAIRMAN MORGAN: So the concern I

12 have -- no offense to the corps of
13 engineers -- but things sometimes -- our
14 time frames don't meet theirs.

15 MS. HARKINS: Right.

16 CHAIRMAN MORGAN: I just wanted to
17 make sure that it was --

18 MS. HARKINS: Yes.

19 CHAIRMAN MORGAN: -- we're not
20 looking at a long delay with regard to
21 getting the permits.

22 MS. HARKINS: We -- we don't
23 anticipate that, and the mayor and the
24 team, you know, at the local level are
25 all prepared to help us facilitate the

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1 process.

2 MR. BAIRD: I will build that hotel
3 whether I have the dirt under it or not.
4 I need it there in time to plant the
5 flowers around it, but I will have that
6 hotel in the air whether that dirt's
7 there or not.

8 MS. ROGERS: Have you come across
9 any environmental issues with your
10 reclamation, any environmental issues?

11 MR. BAIRD: We have met twice with
12 environmental firms, and they have
13 indicated that they know of none. I
14 don't know that they've done an

15 exhaustive study yet, but the
16 indication --

17 MS. ROGERS: Is that something that
18 can come back to haunt you? Isn't that
19 something that you would need to
20 address, I would say?

21 MR. BAIRD: Well, there will
22 definitely -- the most serious one would
23 be is when we started to drill into the
24 ground, we found contamination of some
25 kind.

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1 MS. ROGERS: I'm talking about the
2 reclamation part of the --

3 MR. BAIRD: Yes, ma'am.

4 MS. ROGERS: -- that area, the
5 digging, the dredging.

6 MR. BAIRD: Yes, ma'am, so am I.
7 That could happen. We don't anticipate
8 that. All the records that have been
9 researched so far do not indicate that
10 that's a likely possibility, but it is
11 -- you know, it is a possibility.

12 MS. ROGERS: It's something I would
13 look into before.

14 MR. TROTTER: The city,
15 Mrs. Rogers -- the City of Lake Charles
16 has already done the process that we are
17 proposing to use in rebuilding the

18 lakefront where the civic center is and
19 that whole promenade area. That's why
20 the corps of engineers had said you're
21 doing what Lake Charles did earlier.

22 MS. ROGERS: It's been addressed.

23 MS. HARKINS: Yes, ma'am.

24 MR. BAIRD: Oh, yes, ma'am, it sure
25 has.

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1 CHAIRMAN MORGAN: Mr. Bradford.

2 MR. BRADFORD: I just had a quick
3 question out of curiosity. The filling
4 in of the lake for the additional
5 whatever it was, 12 or 15 acres, is that
6 going to be with imported fill or
7 dredge -- you're going to take some lake
8 bottom or bring it in, or a combination?

9 MR. BAIRD: The hope is, for cost
10 reasons, that it will be with dredged
11 fill out of the bottom of the lake that
12 is harvested, which is exactly what was
13 done where the civic center currently
14 sits. It does not have to be done that
15 way, and that is a possibility that if
16 we ran into some sort of a delay, we
17 could chose to import fill from some
18 other source.

19 MR. BRADFORD: And am I to
20 understand that creating that site takes

21 180 days? Is that -- sound like I've
22 heard that somewhere?

23 MR. BAIRD: 189 days is based on
24 dredging it out. That is from the time
25 that the corps gives us permission to

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1 dredge; that involves the sheet pile,
2 wall out front, plus all of the fill
3 inside based on dredging. If it changes
4 from dredging, that time frame will
5 change. If it does, I have contingency
6 plans that will not delay the opening.

7 MR. BRADFORD: Thank you.

8 CHAIRMAN MORGAN: Miss Harkins, I'll
9 turn it back over to you for any further
10 presentation.

11 MS. HARKINS: All right. Well,
12 again, we want to thank you, and we'd
13 like to close with just a few closing
14 comments. Number one, we believe -- and
15 we have a little handout. We believe
16 St. Gabriel Downs is the winning hand
17 for the state, and we hope you consider
18 it. And the reasons why is we think
19 that the lakefront in Lake Charles has
20 the most opportunity in the state for
21 growth of the gaming market. It's an
22 outstanding location coming from the
23 interstate exposing the casino to, in

24 excess, of 2 million visitors annually.

25 The project will provide an anchor for

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1 the downtown area of Lake Charles

2 attracting additional opportunities for

3 that area locally and statewide.

4 The project in Lake Charles has

5 strong community support. Everybody's

6 very excited about the project, the

7 location, where it will be in terms of

8 downtown and, you know, providing a

9 general appeal for that area and further

10 development of the lakefront in

11 accordance with their own master plans.

12 We believe we have the winning

13 project. The proposed project is

14 appropriately sized for today's market.

15 It's not oversized; it's a realistic

16 business plan with strong financial

17 stability. We believe that we're well

18 on the road and far down the line on our

19 financing of the project, and it offers

20 a unique type of entertainment venue

21 creating new revenue rather than simply

22 cannibalizing the existing gaming

23 market.

24 We're proud to have a winning team

25 in place. We have experienced

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1 management. We have a seasoned and
2 reputable development group with
3 extensive experience in the local
4 market, and we've been partnered with a
5 successful operator who has extensive
6 knowledge of Louisiana and this
7 particular marketplace.

8 Our numbers are winning numbers. We
9 have a project that will bring in over
10 \$167 million in direct investment into
11 the State of Louisiana, a project that
12 will result statewide in over 1,900 new
13 permanent jobs. The project will
14 generate over \$50 million in new tax
15 revenue to the state and local
16 governments. The construction project
17 will generate approximately 887 jobs
18 statewide while spending about
19 \$146 million in the local market.

20 We're ready; we have our team ready
21 to go. The election has been ready;
22 it's been called for April 30th, and
23 we're ready to participate as a member
24 and a new citizen of the casino
25 community, should the Gaming Control

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1 Board, and so we ask your support and
2 look forward to your decision on
3 February 17th.

4 Thank you very much for your time
5 and attention to our presentation.

6 CHAIRMAN MORGAN: We have another
7 question.

8 MS. HARKINS: Okay.

9 CHAIRMAN MORGAN: Mr. Singleton.

10 MR. SINGLETON: And would you help
11 me to understand and assure me, I guess:
12 Your project is in two phases. Going to
13 do the first phase, and then you have a
14 second phase that's going to come up.
15 But I'm really trying to understand the
16 growth in the market, and everybody's
17 come up here and said you're going to
18 grow the market. Can somebody explain
19 to me how you're going to grow?

20 MS. HARKINS: I'm going to defer
21 that to Mr. Paul Girvan, who is the
22 expert in that field. I keep making
23 Paul a Cajun. I think it's Girvan
24 (different pronunciation).

25 MR. GIRVAN: Scots-Irish.

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1 MS. HARKINS: That's the Duplechain
2 in me. Sorry.

3 MR. GIRVAN: Yeah. I mean, I think
4 when you look at this market, if you
5 look back to the period pre-storm when
6 both, you know, L'Auberge and Harrah's

7 was open, when L'Auberge came in, it
8 grew that market -- but Harrah's was
9 still there and I was still there -- by
10 42 percent. So I think when you bring
11 in another property that speaks to
12 another demographic, a younger
13 demographic from Houston, I think that
14 will also grow the market; and we're
15 projecting that the Hard Rock brand will
16 grow the market by, about, I think
17 \$4 million, netting \$1 million,
18 something in that range. It's about
19 5 percent growth in the market.

20 If you look at Biloxi, when the Hard
21 Rock Casino came in there, that market
22 grew by about five percent, you know,
23 just before and after -- between before
24 and after the Hard Rock opened. So I
25 think there's population in Houston --

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1 in the Houston area that is simply not
2 served.

3 MR. SINGLETON: How are you going to
4 reach that population in Houston? I
5 understand what you're saying. You
6 mentioned Hard Rock, and I guess that's
7 why I'm raising that question, again,
8 from last time. It sounded real good
9 last time because Hard Rock was no

10 problem. Now we -- it might not be Hard
11 Rock in the end. It could be something
12 else, and if that is the case -- you
13 made a good case for Hard Rock saying
14 the young people --

15 MR. GIRVAN: Right.

16 MR. SINGLETON: -- the brand, we're
17 going to bring in people along that
18 line. If that's not the case, how do
19 you grow the market; how do you get
20 people from Houston to come to Lake
21 Charles?

22 MR. GIRVAN: That's a good point.
23 We did a survey about two or three years
24 ago, and one of the questions we asked
25 in that survey was, you know, what

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1 brands would attract your, you know --
2 to a younger demographic we asked this
3 question, and let me -- the top three
4 brands, for example, were
5 Margaritaville, Hard Rock and House of
6 Blues. So there's three -- if Hard Rock
7 doesn't pan out, we've got -- there's
8 two other options there.

9 I would also throw into that mix the
10 Palms Casino in Vegas as a potential
11 brand. I mean, that's a great brand.
12 It plays to the basic casino crowd

13 during the day, the local market, and
14 then in the evening it really plays to
15 the younger brand. So that's another
16 brand. There's at least three or four
17 brands out there which I think are just
18 as strong as the Hard Rock brand in
19 terms of attracting people from the
20 Houston area, the younger folks.

21 MR. SINGLETON: I guess I'm still
22 looking for -- maybe it's your marketing
23 plan, I don't know. I don't understand
24 yet how you're going to draw additional
25 people to Lake Charles and not take

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1 what's already there and recycle it.

2 MR. GIRVAN: I think what we'll do,
3 I mean, one of the ideas -- and I'll let
4 Paul answer them. My opinion would be,
5 music would be one of the ways to do
6 that and differentiate yourself; F and B
7 the, decor, the Hard Rock brand itself.
8 I mean, and there's very -- there is no
9 international -- there is no
10 nationally-recognized brand in this
11 market that really gets people's
12 attention, and I think the ones I just
13 mentioned would.

14 MR. ALANIS: The key to growing
15 markets is hotel rooms, entertainment

16 and to a lesser degree, you know, the
17 quality of your food. It is also very
18 important in terms of the quality of
19 your employees that we're talking about.
20 Employees before and employee training
21 and how they treat the customer is
22 critical in any casino-type environment.

23 But make no mistake, hotel rooms and
24 entertainment offerings are key to being
25 able to grow markets because that means

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1 that someone can come and spend several
2 nights; and when they do that, you're
3 not just drawing off of the local
4 populous. You are bringing people from,
5 ideally, across state lines where it
6 adds to -- and this, of course, is the
7 perfect location in order to do that
8 because of the demographics and the
9 population base and the average income
10 of those people who are nearby in Texas
11 who come to that Lake Charles market
12 now, and there are millions of
13 additional people who can be attracted
14 to that market if you have the
15 facilities to accommodate them and if
16 you have entertainment and fine
17 restaurants and a quality facility that
18 they enjoy coming to.

19 So that's why hotel rooms are
20 critical to this particular project, and
21 a second phase would involve necessarily
22 an increase in the number of hotel rooms
23 because that would continue to grow the
24 market.

25 MR. GIRVAN: And just I want to make

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1 another point, too: When we talk about
2 growing the market, we're talking about
3 growing the market that is taxable to
4 the State of Louisiana. We have got a
5 large number of folks that are driving
6 in from the Houston area today. They're
7 driving right by Lake Charles and going
8 to Coushatta. That's non-taxable
9 dollars. That's non-taxable dollars.

10 What we're doing: With the location
11 of our facility, with an attractive
12 brand, is intercepting those folks and
13 bringing them back -- you know, their
14 dollars into the taxation system, and I
15 think that's one of the big benefits of
16 this project, both in terms of location
17 and the brand.

18 CHAIRMAN MORGAN: Mr. Alanis, while
19 we have you at the table, just to wrap
20 up quickly --

21 MR. ALANIS: Yes.

22 CHAIRMAN MORGAN: -- tell the Board
23 your experience as a manager. I'd like
24 to know because, obviously, that's a key
25 component. We have to make sure that we

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1 have the appropriate manager for the
2 property.

3 MR. ALANIS: Yes. Well, my
4 background is I began as an attorney in
5 Los Angeles and practiced law for about
6 ten years, and then I --

7 CHAIRMAN MORGAN: All right. You
8 shouldn't have said that.

9 MR. ALANIS: I know it, but see,
10 then I got smart, and I left the
11 practice of law. Maybe that will buy me
12 back some points.

13 In the 80's, I then left the
14 practice of law, built Embassy Suites
15 around the United States. The last
16 Embassy Suites that I built was in Lake
17 Tahoe next to Harrah's on their parking
18 lot, and through that relationship with
19 Harrah's both got the urge and the
20 opportunity to enter into the gaming
21 business. And I met Jack Binion in the
22 early 90's, at the point in which he was
23 thinking about going into Louisiana and
24 Mississippi and developing casinos. He

25 was a great operator, and my background

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1 in terms of law, finance and development
2 made us a good team.

3 I joined him first as a consultant,
4 and then he made me the President of
5 Horseshoe Gaming. We developed the
6 facility in Bossier City. We were then
7 and until, I think, L'Auberge, were --
8 Horseshoe remained the number one
9 performing riverboat casino in the State
10 of Louisiana. I designed that facility
11 and then expanded it to a \$300 million
12 investment with a 600-room hotel
13 entertainment facility. We also built
14 the Horseshoe Casino in Tunica,
15 Mississippi, which also was -- and
16 remains the most successful casino, I
17 think, certainly in Mississippi in terms
18 of return on investment.

19 Beau Rivage is obviously bigger, but
20 when it opened in 1990 -- I think it was
21 actually '95 -- it was by far the most
22 successful casino. We expanded that
23 facility to be a \$250 million total
24 investment with approximately 500 hotel
25 rooms. I spent seven and a half years,

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1 seven years with Jack and then joined

2 Pinnacle Entertainment and was hired to
3 become the CEO of Pinnacle Entertainment
4 and as the CEO was responsible for the
5 operation of -- at that time, seven
6 casinos in the portfolio.

7 I oversaw the design and development
8 of Belterra in Indiana, which I welcome
9 all of you to look on the Internet. I
10 think it's a beautiful and very
11 successful casino. We were challenged
12 in that situation because it was the
13 last license in Indiana, and unlike the
14 last license here in Louisiana, where
15 you have the opportunity to put it where
16 it will work the best, in Indiana, there
17 were five casinos licenses for the Ohio
18 river and five up near Lake Michigan
19 near Chicago, and there was one for each
20 county. So this was the last one, and
21 it was the most remote and most
22 difficult, Switzerland County in Ohio --
23 I'm sorry, in Indiana across on the Ohio
24 River.

25 But we built a destination resort

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1 with the Tom Fazio Golf Course, a
2 beautiful hotel, a quality riverboat;
3 and it's been one of the Pinnacle's, you
4 know, best performing properties since.

5 After I left Pinnacle, I formed
6 Silver Slipper Gaming and have developed
7 a casino and continue to own and operate
8 the Silver Slipper Casino, which is in
9 Bay St. Louis, Mississippi. We have
10 been open for four and a half years, and
11 we're doing well there. And I would
12 hope that I would have the opportunity
13 to come back to Louisiana and continue
14 the success that I had with Horseshoe
15 and with Pinnacle; and it was I who
16 proposed L'Auberge to this board several
17 years ago, and you granted the license
18 to Pinnacle at that time, and my
19 successor, Dan Lee, who you're going to
20 hear from next completed that project.
21 And it is a beautiful project, and it's
22 certainly a credit to the state.

23 CHAIRMAN MORGAN: Thank you very
24 much, sir. I appreciate it. That's all
25 we have unless there's any questions.

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1 MR. ALANIS: Thank you.

2 CHAIRMAN MORGAN: Mr. Gautreaux, you
3 wanted to fill us in on that legal
4 issue.

5 MR. GAUTREAUX: Yeah. Leonce
6 Gautreaux, Assistant Attorney General.
7 To Mr. Jones' question regarding the

8 previous administrative action and Old
9 Evangeline Downs, I just wanted to make
10 sure that we're clear on that.

11 There was a lawsuit that Miss
12 Harkins referred to with all the
13 horsemen suit, all the tracks because of
14 discrepancy in payment. This was
15 actually a separate issue from that,
16 too. This was an administrative action.

17 I looked at the Hearing Officer's
18 decision real quick when this came up.
19 The administrative action, that
20 evidently the claim was the split
21 between the device owner of the video
22 poker devices and the track was a 60/40
23 split; and then there was an additional
24 20 percent payment being made to the
25 track, but the contention was, should

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1 have been included in the calculation to
2 decide what goes to the horsemen. And
3 the hearing officer in reviewing it,
4 looks like he relied on the fact that
5 the contract was entered into prior to
6 Mr. Trotter and his group buying the
7 track out of bankruptcy and they
8 inherited it, and it was not
9 intentional; but that, yes, it should
10 have been -- that 20 percent should have

11 been included, and if they would pay
12 that 1.6 million, which was the
13 calculation of 20 percent over that
14 time, what it should have been to the
15 horsemen, then that would satisfy him.

16 So I just wanted to make it clear
17 that there were two distinct issues;
18 there was the lawsuit with the horsemen
19 but there was still this separate
20 action.

21 MS. HARKINS: Thank you. That
22 concludes our presentation.

23 CHAIRMAN MORGAN: Thank you very
24 much for your time. The Board will be
25 at recess for five minutes, and then

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1 we'll hear from the next.

2 [RECESS.]

3 2. CREATIVE CASINOS OF LOUISIANA, LLC

4 CHAIRMAN MORGAN: Let's come to
5 order. We have the Office of State
6 Police and the Attorney General's Office
7 to present their findings on the
8 Creative Casinos.

9 MR. GAUTREAU: Good morning,
10 Chairman, Members of the Board, my name
11 is Leonce Gautreaux, Assistant Attorney
12 General. Here with me today I have Miss
13 Evie Ficklin with the Louisiana State

14 Police Audit Section, Sergeant Richard
15 Swearingen, with the Louisiana State
16 Police.

17 As the Chairman noted, the applicant
18 before you now is Creative Casinos. It
19 was an applicant for the available
20 riverboat license. The actual license
21 applicant is Creative Casinos of
22 Louisiana, which is a Louisiana limited
23 liability company, wholly-owned by
24 Creative Casinos, LLC, a Delaware
25 limited liability company, which is

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1 owned 83 and one-third percent by
2 Mr. Dan Lee, and 16 and two-third
3 percent by HFI Gaming, LLC.

4 As described in the presentation
5 that was before the Board on
6 December 16th, 2010, it is a proposed
7 \$400 million project to be located on
8 the Calcasieu River in Lake Charles.
9 The project is to be located on property
10 leased from the Lake Charles Harbor and
11 Terminal District adjacent to L'Auberge
12 du Lac, and now Miss Ficklin will make a
13 presentation.

14 MS. FICKLIN: Morning, Mr. Chairman
15 and Board Members. I'm Evie Ficklin.
16 I'm an auditor in the State Police

17 Gaming Section.

18 If granted the 15th gaming license,
19 Creative Casinos plans to construct the
20 \$400 million Mohito Pointe project in
21 four consecutive phases. Amounts
22 budgeted for each of the phases is shown
23 on page three of Audit's report.

24 Phase 1, the entitlement phase,
25 began last spring, and if Mohito Pointe

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1 is granted the license, it will continue
2 until the outcome of the referendum. To
3 date, in Phase I, Creative Casinos has
4 secured the project site by entering
5 into a lease option agreement with the
6 Lake Charles Port and enlisted the
7 assistance of outside professionals and
8 consultants, including the project's
9 architects, and conducted ongoing
10 negotiations with various investment
11 banks related to the financing of Mohito
12 Pointe.

13 Creative Casinos entered into the
14 lease option agreement with the Lake
15 Charles Port on September 23rd, 2010.
16 The lease option has an initial 18-month
17 term required payments to the Port
18 during the initial term are shown on
19 page ten. The lease option agreement

20 also includes a six-month extension of
21 additional times required to secure the
22 necessary approvals for the project.
23 The rental payments increase to \$35,000
24 monthly if the company exercises the
25 six-month extension.

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1 While Creative Casinos has not as
2 yet secured the greater part of the
3 project's financing through its ongoing
4 negotiations with the investment banks,
5 its negotiations have resulted in two
6 actual engagement letters with
7 investment bankers Morgan Stanley and
8 Jeffries & Company. It's also received
9 a letter of interest from FBR Capital
10 Markets, as well as a \$5 million
11 investment in seed capital from HFI
12 Gaming, LLC.

13 Creative Casinos' management
14 anticipates that if granted the license,
15 the company will be better positioned to
16 negotiate with potential lenders. Its
17 plans have been to arrange its funding
18 along a timeline to avoid payment of
19 unnecessary commitment fees and related
20 costs to its lenders that sometimes
21 result when funding is arranged
22 prematurely.

23 Create Casinos will use the time in
24 Phase II, the development phase, to
25 produce Mohito Pointe's actual working

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1 drawings for construction professionals
2 to bid on and to employ some of its
3 officers, including its general counsel
4 and the chief financial officer. The
5 development phase is projected to
6 conclude with the commencement of
7 construction in late 2011.

8 Creative Casinos has allocated the
9 greater part of Mohito Pointes' budget
10 to Phase III, the construction phase.
11 Plans for the \$385 million budgeted in
12 this phase include its road development
13 projects and the land site construction
14 of Mohito Pointe's two hotels housing
15 400 rooms, including 30 luxury suites,
16 its 18-hole golf course, championship
17 tennis center and spa, the 2,500 seat
18 entertainment facility, and a parking
19 garage and surface lot with 1,500 spaces
20 each.

21 Phase IV, the commencement of
22 operations at Mohito Pointe, begins with
23 the plan completion of construction in
24 December 2013. The sources and uses
25 schedule on page six allocates the --

1 excuse me, depicts the allocation of the
2 entire \$400 million project cost.

3 Mohito Pointe's projections for its
4 first three years of operations is shown
5 on page 22. Its projected financial
6 statements are shown beginning on page
7 23. As shown, EBIDA for its first three
8 years are projected to reach
9 approximately 44 million, 63 and
10 75 million respectively. Creative
11 Casinos projects sufficient cash flows
12 from situations to maintain its debt and
13 fund capital expenditures; however,
14 audit is unable to state with any degree
15 of certainty that Mohito Pointe can
16 achieve its projected revenues or that
17 it will have sufficient cash flows from
18 operations to maintain its debt.

19 Other than the issues discussed in
20 our report, audit did not uncover any
21 financial matters to preclude the Board
22 from considering Mohito Pointe be
23 granted the 15th license. And I'll pass
24 it over to Sergeant Swearingen for the
25 results of his investigation.

1 SGT. SWEARINGEN: Good morning,
2 Chairman Morgan, Members of the Board.

3 Sergeant Richard Swearingen with
4 Louisiana State Police Gaming
5 Enforcement Division.

6 A suitability investigation was
7 conducted on Creative Casinos, LLC, and
8 Mr. Dan Lee. This consists of inquiries
9 through federal, state and local law
10 enforcement agencies, computerized
11 criminal history databases, financial
12 and civil institutions and gaming
13 regulatory agencies.

14 Tax clearances were obtained from
15 Internal Revenue Service and the
16 Louisiana Department of Revenue to
17 ensure the applicant is current in
18 filing his taxes.

19 During the suitability
20 investigation, I discovered no
21 information which would preclude
22 licensing of the applicant.

23 MR. GAUTREAUX: Board Members, I'd
24 just like to cover two other issues as
25 we move on, and I know at the

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1 presentation, this question was asked by
2 one of the board members of the pending
3 litigation. It's my hope to provide you
4 with a summary of the allegations -- a
5 brief summary of the allegations of each

6 side and keep Mr. Orlansky and
7 Mr. Duncan in their seats, because I
8 don't think this is the appropriate
9 place for them to come tell their side
10 of the story. So I hope I do a good
11 enough job on that.

12 The first suit is Pinnacle versus
13 Dan R. Lee and Creative Casinos, which
14 with filed in Clark County Nevada.
15 Briefly, Pinnacle alleges that Mr. Lee
16 violated the terms of a separation
17 agreement between Pinnacle and Mr. Lee.
18 If you remember, Mr. Lee, the former CEO
19 of Pinnacle, he resigned in November of
20 '09; and they crafted a separation
21 agreement to cover that resignation.

22 Basically, Pinnacle alleges that Lee
23 breached the agreement in that there was
24 some disclosure of confidential
25 information, which is a breach of the

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1 nondisclosure clause of the agreement,
2 and that Mr. Lee attempted to solicit
3 Pinnacle employees, which is a breach of
4 the nonsolicitation clause of that
5 agreement.

6 In their request for relief,
7 Pinnacle was seeking damages and
8 injunctive relief. I think the more --

9 the one that is probably of the greatest
10 concern is asking for an injunction to
11 prohibit Mr. Lee from owning or working
12 for Creative Casinos or any other casino
13 gaming business that's in the market in
14 which Pinnacle operates.

15 Of course, Mr. Lee and Creative
16 Casinos have filed their answers denying
17 all the allegations and have made
18 counterclaims of abuse of process, civil
19 conspiracy and unfair trade practices.

20 If you read through all of the
21 various answer in the legal memorandums,
22 the allegations of Mr. Lee basically
23 boil down to, he's alleging that
24 Pinnacle is just using this litigation
25 to create a cloud over the licensing

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1 process.

2 So far there's been one legal
3 proceeding in this matter. It was a
4 hearing on a preliminary injunction
5 which was held on November 22nd, 2010.

6 At that time, the judge in Nevada
7 declined to issue a preliminary
8 injunction against Mr. Lee and Creative
9 Casinos, citing a lack of evidence
10 presented to show immediate and
11 irreparable harm; however, that doesn't

12 mean that the lawsuit is over.

13 The lawsuit is still proceeding.

14 They're currently in a discovery phase
15 right now, and as to the results of that
16 litigation, it would be unknown at this
17 time until it comes to some conclusion.

18 The second lawsuit of note is
19 Pinnacle Lake Charles versus the Lake
20 Charles Harbor and Terminal District.
21 Pinnacle filed suit against the Port
22 alleging breaches of the two leases that
23 it had with the Port, the one governing
24 L'Auberge and the one that governed the
25 Sugarcane Bay lease. They're seeking

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1 remedies that include damages, specific
2 performance and injunctive relief.

3 Particularly, Pinnacle is asking the
4 court to enforce a contract of purchase
5 regarding 50 acres which is located in
6 acreage which composed the Sugarcane Bay
7 site. They're alleging that as part of
8 the lease, that they had a right to
9 designate 50 acres that they would buy.

10 The Port contends it's an option;
11 Pinnacle contends, no, that was actually
12 a purchase agreement. We were entitled
13 to that 50 acres of our choosing.

14 The second point I want to make

15 today is they're asking, also, for an
16 injunction against the Port from
17 performing under the lease agreement
18 they have with Creative Casinos. The
19 Port answered the lawsuits denying all
20 allegations. They also asked for a
21 summary judgment, which was heard on
22 November 8th, 2010. At that time, the
23 court in Lake Charles did grant partial
24 summary judgment in favor of the Port
25 dismissing Pinnacle's claims seeking an

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1 order to convey title to that 50 acres
2 that they have in question and also
3 dismissed Pinnacle's claim to enjoin the
4 Port from performing under the lease
5 with Creative Casinos.

6 Pinnacle has appealed that decision.
7 That is currently on appeal with the
8 Third Circuit. Briefs have not yet been
9 filed on it, but the other aspects of
10 the litigation, there's some damage
11 claims and some rent claims that
12 Pinnacle's claiming is owed back to
13 them, payment of rent claims, that those
14 will obviously keep proceeding because
15 the judge did rule on those claims.
16 That is the current status of the two
17 lawsuits. Again, I think they've just

18 got to run their course.

19 The other thing I the want to
20 highlight is particular conditions that
21 Creative Casinos has agreed to. As Mr.
22 Pitre said earlier, most of these
23 conditions are standard conditions that
24 have been used in the past licensing and
25 berth site moves. The conditions

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1 require minimum investment of \$400
2 million; a commitment to construct the
3 approved project which will consist of a
4 gaming riverboat, support facilities
5 with restaurant and retail space, 400
6 room hotel with 370 main rooms and 30
7 VIP suites; pool and docking facility;
8 18-hole golf course; 2,500 person
9 capacity entertainment facility; spa,
10 tennis courts, and croquet facilities;
11 1,500 space parking garage; and a 1,500
12 space surface parking lot.

13 The timeline set forth in the
14 conditions is the plans for the project
15 will have to be submitted within 120
16 days from certification of the local
17 election. The contracts will have to be
18 submitted to the Board 60 days from the
19 Board's acceptance of the construction
20 plans. The commencement or construction

21 has to commence 30 days from the Board's
22 acceptance of the contract and then
23 completion of construction within 24
24 months of commencement of construction.

25 This creates, about, approximately a

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1 two-and-a-half year process from
2 certification of the election.

3 The escrow agreement is structured
4 that 25 days after the election, no
5 later than 25 days after certification
6 of the election, there will have to be a
7 \$10 million -- at least a \$10 million
8 deposit in the construction escrow
9 account. That would be subject to an
10 escrow agreement. There will be
11 controlled disbursements through this
12 phase. If the project is abandoned
13 during this phase, then \$2 million, or
14 the remainder of what's in the escrow
15 account, will be forfeited to the State.
16 Then prior to the commencement of
17 construction, a deposit of \$25 million
18 will be made in a separate Louisiana
19 Gaming Control Board escrow account,
20 which would be two separate accounts, a
21 construction account and the Louisiana
22 Gaming Control Board escrow; and the
23 payment of that \$25 million will go to

24 the State if the project is abandoned or
25 the Board finds that there is

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1 unsatisfactory progress on the project
2 through completion of construction.

3 There's also a condition with a
4 commitment to develop a good-faith plan
5 in the hiring of procurement of minority
6 women and Louisiana to be submitted to
7 the Louisiana Gaming Control Board for
8 review and approval 120 days after
9 commencement of construction.

10 There's also included, which I think
11 was mentioned at the Board's
12 presentation, a commitment to establish
13 a staffing office to focus on minority
14 women, Louisiana residents, staffing and
15 procurement; and there's also a
16 condition to employ 1,500 full-time
17 equivalents at the opening of the casino
18 and 70 percent of the total workforce be
19 afforded benefits commensurate with
20 full-time employment.

21 CHAIRMAN MORGAN: With regard to the
22 lawsuits, Mr. Gautreaux, I notice on
23 page six of report that Jeffries &
24 Company indicate they need to perform a
25 due diligence. Has due diligence been

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1 conducted.?

2 MR. GAUTREAU: That, I don't know
3 the answer to. I think there's a
4 representative from Jeffries.

5 CHAIRMAN MORGAN: Would the --
6 mainly the effect on the lease, the land
7 lease, the lawsuit, I would like to have
8 someone indicate the effect that might
9 have on the project with regard to
10 loaning money.

11 MR. GAUTREAU: As it stands right
12 now, if the Third -- if the opinion of
13 the corps on the partial summary
14 judgment is affirmed through the
15 appellate process, then I think the
16 dangers of the project, those aspects of
17 the lawsuit will have been settled. If
18 anything's overturned and eventually
19 Pinnacle prevails on the -- that they
20 are entitled to 50 acres out of the
21 site -- mind you, this is the same site
22 that is pursuant to the lease option
23 agreement with Creative Casinos that was
24 the old Sugarcane Bay site. So they get
25 to pick 50 acres that they purchased.

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1 I mean, I can't tell you what
2 50 acres. I can imagine which 50 acres
3 they would pick.

4 CHAIRMAN MORGAN: Assuming they pick
5 that 50 acres, my question: How does
6 that effect any -- if they decide to
7 move the project with a local
8 referendum, where are we at legally with
9 that?

10 MR. GAUTREAUX: I asked Mr. Lee if
11 there was an alternative in case the
12 worst case scenario developed. He
13 indicated that there are alternative
14 sites, but he as no right to them at
15 this point because this is the most
16 desirous site. If that happens and the
17 site is changed, then, yes, you'd have a
18 legal issue because we would have a new
19 berth site that would have to be
20 approved with this project. Also, the
21 local option election probably -- I have
22 not seen a proposition, but probably
23 will identify to that berth site. So
24 any move to another site caused by this
25 litigation would require approval of the

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1 change by the Board and possibly another
2 election, yes.

3 CHAIRMAN MORGAN: And the case is in
4 the appellate court?

5 MR. GAUTREAUX: Those two specific
6 issues are on appeal to the Third

7 Circuit. A briefing schedule hasn't
8 been set yet, so briefs haven't been
9 filed.

10 CHAIRMAN MORGAN: And this might be
11 for later, but we have discussed a
12 concern I had in the land lease with
13 regard to the district having authority
14 over gaming and that just absolutely
15 just the Board cannot except that so
16 that needs to be renegotiated. The
17 Board has the sole authority over
18 whether a casino opens or not, not the
19 Port.

20 MR. GAUTREAUX: And we will work on
21 that with the Port.

22 CHAIRMAN MORGAN: Okay.
23 Mr. Singleton.

24 MR. SINGLETON: I guess after going
25 through all of this, it's a little

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1 confusing. When y'all completed the
2 report at the end of it, you said there
3 was nothing to -- that you found that
4 would prevent them from being issued the
5 license, and then you turned around and
6 bring all the lawsuits and everything
7 else up to date. I'm a little confused
8 as to where are we right now?

9 Let's just say we get to the point

10 we were going to issue a license and we
11 voted to issue the license, where are
12 we?

13 MR. GAUTREAU: As far as?

14 MR. SINGLETON: Going forward is
15 concerned.

16 MR. GAUTREAU: Then I think we --
17 we as the regulator expect them to go
18 forward with their project. I can't
19 give you an opinion as to what's going
20 to happen in the lawsuits. I don't
21 know. But there is that possibility,
22 and I think it's only fair to bring that
23 to your attention.

24 MR. SINGLETON: Okay.

25 CHAIRMAN MORGAN: I felt --

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1 MR. SINGLETON: You raised another
2 question. I'm not sure maybe if I
3 should do it now, but under the ground
4 lease arrangement, there was several
5 other things like hiring, I think one
6 that says 80 percent Louisiana residents
7 and all, and this is voluntarily
8 information that they included? Because
9 I know it's the first one we just
10 finished. That information wasn't in
11 there. So in this one, somebody had to
12 put more detail somewhere that you were

13 able to get more information to state
14 that here in the report.

15 MR. GAUTREAU: Actually, I think
16 what you're referring to is something
17 they worked out with the Port in their
18 ground lease agreement.

19 MR. SINGLETON: Okay. So it's the
20 Port, not the Board --

21 MR. GAUTREAU: Yeah.

22 MR. SINGLETON: -- at this point.

23 MR. GAUTREAU: At this point.

24 MR. SINGLETON: But we could require
25 them to do certain things on the

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1 volunteer basis? I know most of the
2 others have been voluntary, and I'm just
3 trying to make sure I understand that if
4 we wanted to include that, since they
5 volunteered to do it, it becomes a
6 voluntary commitment on their part.

7 MR. GAUTREAU: You can request that
8 from them if they want to make that as
9 part of the conditions. I think the
10 intent was that they have to submit
11 their good faith plan with all their
12 voluntary conditions for approval to the
13 Board.

14 MR. SINGLETON: Okay.

15 MR. GAUTREAU: I know the Board's

16 going through that process with all the
17 other licensees, so hopefully that in
18 conjunction with that, they can come up
19 with their plans in conjunction with
20 that instead of making them do it twice
21 in front of the Board. That was the
22 intent.

23 MR. SINGLETON: Okay, thank you.

24 CHAIRMAN MORGAN: I'll try to add
25 clarity to that. Those are goals; and

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1 goals need to be very fluid, and I think
2 the problem in the past was that the
3 goals -- that the Board had not
4 entertained amending those as
5 environment changes. And so I think we
6 would be on sound ground to, you know,
7 view those as we do the regular
8 licensee, because those are goals, to
9 try to reach.

10 Miss Ficklin, what is the current
11 equity in the project that y'all have
12 confirmed?

13 MS. FICKLIN: At this point, there
14 was -- I confirmed yesterday a
15 \$3 million deposit out of a \$5 million
16 capital investment. \$3 million has been
17 invested already, and the other \$2
18 million will be invested if the

19 referendum passes and if they're granted
20 the license.

21 So -- and they have commitment
22 letters -- not commitment letters,
23 excuse me. They have engagement letters
24 from Morgan and Stanley and from
25 Jeffries and then letters of interest

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1 from FBR Capital, and Cantor Fitzgerald
2 is also very interested in the project.

3 CHAIRMAN MORGAN: Thank you. Mr.
4 Jones?

5 MR. JONES: Yeah, just two questions
6 for Leonce. In the report on page 12,
7 it gives warranties and representations
8 of the Lake Charles Port, one of which
9 says there are no actions, suits or
10 proceedings pending against the
11 Division, which obviously there are.
12 Why is this wording in here?

13 MR. GAUTREAUX: I don't know.
14 That's -- that was negotiated between
15 the Port and them. They may have
16 actually entered this before the lawsuit
17 is filed, which is my guess.

18 MR. JONES: Okay. The other
19 question was: There's a -- and this is
20 a more general question, but they
21 provide that they're going to give

22 4.2 percent of the net gaming revenue to
23 the local political subdivisions, same
24 with Hard Rock; but then gaming is going
25 to give 6 percent to the Jefferson

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1 Parish.

2 MR. GAUTREAUX: There is some
3 differences in the statute as to the
4 maximum amount that's set forth. I'd
5 have to go back and look. I think
6 Jefferson is a little higher than the
7 other ones, but usually what they do,
8 instead of going with the head count as
9 far as the statute, they work out
10 cooperative agreements with the local
11 and the casino, which is also allowed by
12 statute.

13 MR. JONES: Yeah. I think the
14 statute is four-and-a-half percent
15 maximum in Calcasieu Parish.

16 MR. GAUTREAUX: Right.

17 MR. JONES: I was just wondering why
18 it is different in Jefferson, and I
19 wonder what it is in Shreveport.

20 MR. GAUTREAUX: I'll have to go back
21 and look, and, in fact, I'll do a
22 breakdown for you at some point. But
23 there is some differences, and there is
24 also -- the statute also dedicates, and

25 each one has different dedications

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1 within the community of what -- where

2 those certain percentages go.

3 MR. JONES: Okay. That's all I got.

4 CHAIRMAN MORGAN: The Board is

5 clear. Does anyone have a question?

6 Any other question? [No response.]

7 Okay. We'll get the applicant up. We

8 probably need to get everyone again to

9 introduce themselves that's going

10 testify and provide information.

11 MR. DUNCAN: With me are Dan Lee,

12 whom you-all have met before; Bill

13 Newby, who is a Managing Director at

14 Jeffries in Los Angeles; and Edward

15 King, how is the Managing Director of

16 Morgan Stanley in Los Angeles. And I'm

17 Kelly Duncan of the Jones Walker Law

18 Firm.

19 COURT REPORTER: Can everybody raise

20 your right hand, please. Do you swear

21 or affirm that the testimony you will

22 give in the cause now in hearing will be

23 the truth, the whole truth, and nothing

24 but the truth, so help you God?

25 (Whereby the above-named witnesses

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1 representing Creative Casinos of

2 Louisiana, LLC, were duly sworn.)

3 CHAIRMAN MORGAN: If you would do me
4 a favor, to incorporate -- we can
5 move -- to incorporate in your
6 presentation, Mr. Duncan, Mr. Lee, maybe
7 some of the areas that we had questions
8 proposed on the previous applicant, if
9 you would go ahead and incorporate those
10 also into your presentation that Mr. Lee
11 gave us and answer the questions.

12 MR. DUNCAN: Having heard what you
13 said about attorneys, I'm going to let
14 Mr. Lee do all the talking.

15 CHAIRMAN MORGAN: I love attorneys
16 when I need them.

17 MR. DUNCAN: Again, I do -- as
18 Deborah said, we certainly do appreciate
19 all of the tremendous assistance of the
20 Louisiana State Police and particularly
21 Evie Ficklin and Lana Willingham and
22 Donna Jackson, and also on the
23 suitability side Sergeants Swearingen
24 and Gautreaux, and then last but not
25 least, certainly Leonce Gautreaux from

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1 the A.G. side. They've all been
2 tremendous in their assistance in making
3 sure that we understand what they need,
4 and hopefully we've been responsive to

5 their needs.

6 I've previously said that Mr. Lee,
7 who is the managing partner and CEO of
8 Creative, is sitting to my left, and
9 then to his left is Edward King, who is
10 the managing director of Morgan Stanley.

11 I did also mention Bill Newby of
12 Jeffries is here today. He made a
13 presentation last time but is here to
14 answer any questions that you-all might
15 have as you've heard today about the
16 engagement letters with both Morgan
17 Stanley and Jeffries. Bill Rimes is
18 well known to you-all, and he's also
19 here today.

20 So with that I'll turn this over to
21 Dan.

22 MR. LEE: Well, actually first,
23 Kelly, you were going to address some of
24 the legal stuff that came up.

25 MR. DUNCAN: Yeah. Let me do that

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1 just real quickly.

2 CHAIRMAN MORGAN: Before, can you go
3 on the record, at least, and before I
4 forget about the conditions.

5 MR. LEE: Sure.

6 CHAIRMAN MORGAN: Have y'all
7 reviewed the conditions and you've

8 agreed to the conditions?

9 MR. LEE: Yes, sir, we have. Talked
10 at great length with Leonce about it,
11 and they're agreeable to us.

12 CHAIRMAN MORGAN: Thank you.
13 Mr. Duncan, go ahead.

14 MR. DUNCAN: I know Leonce asked me
15 not to get out of my seat, and I promise
16 to sit down. But I do want to make it
17 clear, as I think I did in the last
18 December 16th, the summary judgment that
19 was granted the court with respect to
20 both the 50 acres, as well as the
21 attempt on the part of Pinnacle to
22 enjoin or keep Dan Lee from developing
23 this project, was very definitively
24 ruled upon; and the only thing that
25 could have kept that from happening is

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1 if there was a question of material fact
2 for which the trial judge found on, or a
3 question of law which the trial judge
4 simply said, at the point that Pinnacle
5 surrendered its license to this gaming
6 board, at that point, it could no longer
7 fulfill the conditions of that lease.

8 It couldn't be clearer. I just want to
9 say that, because I do think it's
10 important to the extent that there's

11 this sort of, anything's possible air
12 out there.

13 MR. LEE: Yeah. I would add to it.
14 Listen, anybody can file a lawsuit. It
15 doesn't mean that it has merit, and my
16 personal opinion, none of these lawsuits
17 have any merit. They're just trying to
18 stop competition and put a cloud over
19 us. If you carry it through, the
20 lawsuits against me, they're claiming
21 that I tried to hire somebody from their
22 company, which is not the case. In
23 fact, it's somebody I don't even know
24 called one of their employees and said,
25 gee, would you work for Dan Lee; and

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1 they're saying, therefore, I solicited
2 this employee and therefore I shouldn't
3 be able to compete with them in any
4 market in which they operate, which is
5 absolutely absurd.

6 If I had called that employee
7 directly and offered them a job, the
8 right remedy should be that I wouldn't
9 be able to hire that employee. But I
10 never called that employee, and the
11 person that did I don't even know.

12 So they're clearly just trying to
13 create something to create a noncompete,

14 and the judge in Las Vegas saw through
15 it and refused to do that. Now, as
16 these lawsuits go, they asked, you know,
17 we want to see e-mails; and we said,
18 okay, we want to see your e-mails, too.
19 So we swapped e-mails. They dumped
20 31,000 e-mails on us. So our lawyers
21 are trying to sort through 31,000
22 e-mails as part of the discovery, and
23 they're trying to ramp up the legal fees
24 to try and scare me away from this.

25 Now, as a practical matter, the

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1 separation agreement with Pinnacle was
2 with me, not with Creative Casinos. It
3 doesn't stop Creative Casinos even if
4 the judge said I can't compete. By the
5 time this stuff is adjudicated, Creative
6 Casinos will be its own public company
7 with other owners than me. Worst case,
8 I'd have to step down and the company
9 goes on, and you still get Mohito
10 Pointe. And I think that's extremely
11 unlikely, but I'd point out to you that
12 Creative Casinos was not a party to the
13 separation agreement.

14 Anyway, but by the way, they were
15 successful. They have created a
16 distraction. We've already spent many

17 minutes talking about something that is
18 nothing but a nuisance lawsuit.

19 Now, let me talk about what does
20 matter. Just to recap what we talked
21 about December 16th: Houston is big.
22 If there's anything I want you to
23 remember about December 16th is that
24 Houston is big. It's 6 million people.
25 That's more people than there are in the

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1 State of Louisiana. It's grown in the
2 last nine years by more people than live
3 in New Orleans; and, in fact, you could
4 add a new casino in the Lake Charles
5 market about every second or third year,
6 and just the growth in the population of
7 Houston would support that casino. So
8 that was the first thing I really wanted
9 to make sure you remember.

10 Second, we can finance this, and at
11 the last meeting you remember -- and
12 part of reason we focused on this,
13 because I think it's very clear that
14 Mohito Pointe brings the most to the
15 state. It is four times the investment
16 of Penn, three times the investment of
17 Hard Rock, more jobs, more tax revenues
18 by any measure, because the question
19 always comes back: Can you pay for it?

20 Can you get it financed?

21 So at the last meeting we had three
22 different investment banks stand up and
23 say, yes, this can be financed:
24 Jeffries, Canter Fitzgerald and FBR
25 Capital, all of which are very

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1 successful and knowledgeable banks.

2 Now, since December 16th, what's
3 happened? Capital markets have
4 continued to improve, first. Second,
5 the Howard family stepped in with the
6 HFS -- HFI, LLC. It's an entity that is
7 for a trust for their children. Who is
8 the Howard family? The Howard family
9 owned a chain of newspapers that they
10 sold in 2002 for \$800 million. They
11 continue to own an oil company that
12 actually does businesses in Louisiana
13 called Howard Energy, and they continue
14 to own a medical products company. If
15 you go to the doctor and you get a shot
16 and the hypodermic needle has a sheath
17 over the end of it, it's made by a
18 company called Safety Syringes. They
19 own that. Very wealthy, very private
20 family. You don't read a lot about
21 them; but they're terrific people, and I
22 know them well. They stepped up and put

23 up \$5 million, and they own one-sixth of
24 Creative Casinos at this point.

25 Now, \$5 million isn't much relative

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1 to \$400 million, and I frankly didn't
2 need the money. I have the money
3 myself; I have no debt; I have a pretty
4 good net worth. I didn't need the
5 money, but I wanted to show you that
6 this wasn't just me, and so now there is
7 a very savey, wealthy family who stepped
8 up and put up money. And if we don't
9 get the \$400 million, that 5 million is
10 at risk. So they put money at risk on
11 whether we can get to the finish line.

12 Third thing that's happened is we
13 provided letters of endorsement from
14 major money managers saying they can't
15 make an investment unless we provide
16 them with a prospectus and we do all
17 sorts of due diligence; but they know
18 me, they know Louisiana, and they would
19 look very careful at a prospectus if it
20 was provided to them.

21 For example, one of those people is
22 Bill Miller, who is the Chief Investment
23 Officer of Lake Mason. Lake Mason
24 manages \$850 billion. So this is very
25 savey people who are some of the biggest

1 investors in the gaming industry, and
2 we've provided letters saying that they
3 are interested in investing. We also
4 provided numerous letters of endorsement
5 from business leaders and political
6 leaders in Lake Charles showing that we
7 have local support.

8 We negotiated the conditions with
9 Leonce, as we talked about at great
10 length; and perhaps most importantly
11 we've now brought in Morgan Stanley to
12 join our team of anchors, and I think
13 that probably fills it out. We now have
14 four major investment banks involved,
15 and let me -- and then last thing is
16 Jeffries stepped up yesterday and gave
17 me a commitment for \$300 million.

18 Now, frankly I haven't read it yet
19 myself; and I said, are there any
20 surprises in this or anything else, and
21 they've assured me there aren't. And as
22 soon as I'm done reading it, I'll
23 provide it to the staff, but I think
24 that's pretty important. But before we
25 introduce Bill Newby to mention that,

1 let me introduce Edward King, who is the
2 Managing Director of Morgan Stanley, to

3 talk about Morgan Stanley's involvement
4 here.

5 MR. KING: Thank you, Dan. Thank
6 you, Mr. Chairman and the Board. As Dan
7 mentioned, my name's Edward King. I'm
8 the Managing Director within Morgan
9 Stanley's investment banking department
10 and responsible for all our investment
11 banking activities in the gaming sector,
12 that would include mergers and
13 acquisitions, advice and capital raising
14 activities.

15 We are very pleased to join Dan,
16 Creative Casinos and his financial
17 partners, on helping to finance this
18 project, and what we have done is just
19 prepared a short deck of materials that
20 you should have in front of you to just
21 talk through a few salient points that
22 we think are important for you to
23 digest.

24 Let me start, if I could do, though,
25 by just providing a brief overview of

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1 Morgan Stanley. I'm very privileged to
2 work for the firm. I think it's one of
3 the most prestigious investment banks
4 that exist. We have \$840 billion of
5 total assets and employ 63,000 people

6 across the globe throughout 1,200
7 offices located in 42 countries. Year
8 in, year out we come in in the highest
9 echelons of the lead tables, and, in
10 fact, since 2010 have had been the
11 leading advisor across global mergers
12 and acquisitions, and also head of the
13 leaders in terms capital raising
14 activities.

15 In fact, in the sheet on page two in
16 front of you, you'll see with respect to
17 equity, we raise approximately one
18 dollar in every \$5 for a 22 percent
19 market share with all equity raised
20 across the private and public equity
21 markets, including IPOs. Then with
22 respect to debt capital markets, we
23 completed, either through leading or
24 participating in, in excess of 1,400
25 different debt transactions in the past

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1 12, 13 months alone.

2 So hopefully that gives you a
3 snapshot that we sit here with
4 significant experience across the
5 capital markets, and then with respect
6 to the casino industry and development
7 financings, akin to the one that we are
8 contemplating here, Morgan Stanley has

9 led or participated in a series of
10 transactions, a selection of which are
11 shown on the page, page two on the top
12 right-hand corner, from City Center in
13 Las Vegas, Marina Bay Sands in
14 Singapore, Alex Entertainment in Macau,
15 Foxwoods in Connecticut, Redhawk in
16 California or Revel Entertainment in
17 Atlantic City.

18 On page three, what I'd like to do
19 is spend some time drawing your
20 attention to three components that I
21 think will help you understand Creative
22 Casinos' capacity to be able to fund
23 this development. Number one -- and
24 we'll go through each one of these in
25 detail. Number one, it's the state of

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1 the current financing environment.
2 Equity evaluations have rebounded; and
3 there's a historically low cost of debt
4 finance, and debt is more readily
5 available now from what it has ever been
6 and on more attractive terms and
7 conditions and costs.

8 Number two is the capital structure.
9 We envision putting in place a capital
10 structure that's been used multiple
11 times successfully in this industry, and

12 then Number 3 is performance expectation
13 of Mohito Pointe itself.

14 As we review Dan Lee's and the
15 management team's performance forecast,
16 we find them to offer very attractive
17 returns on investment capital and equity
18 investment returns which will draw
19 pockets of capital across the spectrum,
20 and then I'll conclude the presentation
21 talking about the timeline.

22 Turning to page four, on the
23 left-hand chart, we summarize the state
24 of the current equity markets as a
25 multiple of EBIDA or cash flow, Mohito

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1 Pointe is expected to be able to be
2 constructed for less than six times.
3 That is the red horizontal bar in the
4 graph. Current equity valuations are
5 valued in excess of seven and a half
6 times. So there is upon opening
7 immediate equity value creation from the
8 construction of this facility, which
9 will you draw in and attract equity
10 investors, absolutely private,
11 potentially public equity investors.

12 The equity markets have rebounded
13 substantially since their lows. In
14 fact, the valuations of equity companies

15 have increased 400 percent since a low
16 point in towards the end of 2008, once
17 again, an indication of the strength and
18 health of the equity markets that will
19 be drawn towards a project such as this.

20 In the debt markets, the cost of
21 debt is at a historical low. In fact,
22 over the course of the past 12 to 13
23 months, cost of debt within the gaming
24 industry itself has contracted or become
25 cheaper to the tune of approximately 300

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1 basis points, or 3 percent, so that the
2 average cost of debt among high yield
3 gaming companies is around 7 percent,
4 the green line in the chart on the
5 right-hand side, or as the yellow bars
6 indicate, the cost of debt financing for
7 development projects ranges -- if we
8 just took the middle -- to between eight
9 and nine percent; I think once again,
10 clearly indicating that there is a very
11 healthy debt market out there to support
12 the equity markets. Page five just
13 illustrates how five precedent
14 developments have been financed.

15 The conclusions I'm hoping to draw
16 you towards is the fact that separately
17 project financing a new Green Field

18 Casino development has been completed
19 multiple times in the past. In fact,
20 outside of the larger corporations, it's
21 the standard way in which -- in which
22 casinos have been funded, and they've
23 been funded successfully in both the
24 debt, the green portion, and the red
25 equity portions of the capital markets.

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1 We would envision doing no more than
2 what has been done successfully in the
3 past.

4 The statistics towards the bottom of
5 the page, two rows; one labeled debt to
6 EBIDA, one labeled investor ROIC -- ROIC
7 standing for return on invested
8 capital -- provides some statistics on
9 how other gaming companies shape up
10 towards Mohito Pointe. As we'll turn to
11 in a second, you'll find that this
12 project stacks up particularly favorably
13 on both of those measures towards
14 projects that were financed in the past,
15 once again I think underscoring the
16 attractiveness of this project.

17 So let's talk about this project on
18 the next page. Dan and his management
19 team have provided to us their financial
20 forecast. On the top right, we

21 illustrate EBIDA or pretax cash flow,
22 the earnings generation power of this
23 facility. The expectation is once
24 stabilized, it will generate
25 approximately \$75 million of EBIDA.

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1 L'Auberge in 2010 generated in
2 excess of \$19 million, and so the --
3 considering we're looking out two to
4 three to four years, we have been very
5 conservative in what we're asking people
6 to believe in when asking them to commit
7 today to a future project.

8 How does then that performance
9 expectation drive into attractiveness
10 towards financiers? On the left-hand
11 side, we show the expected credit
12 profile of the entity, and you can see
13 that over 50 percent of the debt is
14 repaid in the first four years of
15 operation, and the remainder can be
16 repaid soon thereafter. That is a
17 profile that is sought after by debt
18 holders, whom, of course, in the past
19 have found that because of the over
20 leverage in other investments, companies
21 have not been able to service their
22 debt. Here, we have a very, very
23 comfortable debt profile.

24 And then on the right-hand side
25 turning toward equity investors, the
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1 project upon these numbers will generate
2 18 percent ROIC, or turning it into an
3 equity return expected to generate
4 returns with an approximate 20 percent
5 RIR. To put that into context, the
6 public equity markets and public equity
7 investors generally ask for a ten to
8 twelve percent return on their
9 investment, and so this offers a return
10 approximately double what they would get
11 in the public markets.

12 Turning towards the timeline, the
13 debt and equity raising process that we
14 will undergo is no different to that
15 which we have done on a multitude of
16 times before. Coming back to the
17 earlier page, if you recall, we've
18 completed in excess of 1,400 debt
19 transactions alone in the course of
20 2010, and have a 20 percent market share
21 in raising equity. The timeline for
22 that process is around three to four
23 months.

24 As we have advised Dan to date, he
25 would realistically not wish to raise

1 the money until ground breaking in order
2 to minimize the cost of the debt and the
3 cost of the equity. That being said,
4 working in conjunction with our
5 partners, including Bill Newby at
6 Jeffries, we're contemplating advancing
7 that timeline up to beginning, if we are
8 fortunate enough to be awarded the
9 license -- begin that process just as
10 soon as possible to take advantage of
11 the very, very favorable capital market
12 conditions that exist today, because
13 providing Dan and yourselves and
14 everybody else certainty of financing,
15 even if at a potentially slightly high
16 cost, we believe is advantageous rather
17 than taking market risks.

18 But nevertheless, the point of the
19 slide is, it's been done multiple times
20 before, both in the markets and by us,
21 and it's a very, very defensible
22 timeline and a process that is well
23 understood.

24 MR. LEE: Okay. Let me introduce
25 Bill to explain this 50-page letter that

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1 he delivered to me at nine o'clock last
2 night, which I haven't had a chance to
3 read but he can paraphrase it.

4 MR. NEWBY: Good morning. Thank
5 you. Good to see y'all again. As we
6 learned last time we was here, Jeffries
7 did, in fact, provide what we call a
8 highly confident letter to Creative
9 Casinos and Dan Lee, and what that said
10 is that we felt as a firm, in our
11 judgment, having many, many years in
12 this business raising capital for
13 casinos and for persons in Louisiana,
14 that we felt this transaction could get
15 financed in the normal ways in the
16 capital markets.

17 But as my friend and colleague,
18 Edward King, mentioned, the capital
19 markets are in very, very good shape; in
20 fact, the best shape we've seen probably
21 in the last three or four years, and so
22 we feel even more confident that the
23 financing is, in fact, available in the
24 markets. As Dan mentioned earlier, just
25 so that we can remove all doubt to the

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1 largest portion of the capital raised,
2 which is the \$300 million or so of debt,
3 Jeffries did approve yesterday through
4 committee a commitment to Creative, \$300
5 million of debt financing to be used in
6 conjunction with that project. And as

7 Dan mentioned, what started out last
8 weekend with a couple of my colleagues,
9 Steve Croxton, who is here today with
10 me, on the back of the envelope or
11 something written on a cocktail napkin.
12 It did morph into, once the lawyers got
13 ahold of it, a rather substantial
14 document, which as Dan said, we
15 delivered to him last night for his
16 perusal. So he has not read it, in
17 fact.

18 There are some blanks in it, of
19 course, but it would be executable
20 should he desire to execute it. Our
21 recommendation and Edward's
22 recommendation would be, of course, if
23 we go to the capital markets and execute
24 a transaction or series of transactions
25 today using a process that we think

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1 would be more advantageous to the
2 company than necessarily taking down the
3 financing represented herein, but this
4 is to show you-all that if needed,
5 \$300 million of this is done. It's
6 right here.

7 MR. LEE: Actually, last week I had
8 dinner with Steve Croxton, and then when
9 the bill came, we had this little debate

10 about who was going to pick it up, and I
11 said, I'll pick up dinner if you pay for
12 the casino. And he took me kind of
13 seriously, so here we are. But I will
14 tell you from experience -- I haven't
15 read that letter yet -- but from
16 experience, a letter like that says,
17 here's the financing. It will be on
18 terms that will be pretty expensive, and
19 so they kind of say, this may not be
20 your best financing, but if you need it
21 it's here. And that's kind of what I
22 expect to see when I read it.

23 So let me go to these posters and
24 show you what I think is ultimately the
25 most important thing, because for this

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1 to be successful, it is about building
2 the revenue, building the jobs and
3 building something that gets people's
4 imagination and frankly gets them to
5 drive over from Houston. It's two hours
6 away, it's 6 million people. How do we
7 get them to come over?

8 And let's start with this: You know
9 the site; and if you recall, we ran out
10 of time last time just as I got to the
11 pretty pictures, and y'all didn't like
12 computers, so I brought pretty pictures

13 so I can show you what is quite
14 important.

15 This is L'Auberge, of course, up
16 here, and we've committed to build a
17 highway infrastructure to improve the
18 transportation ingress and egress both
19 to our property and to L'Auberge and to
20 the entire neighborhood, and the
21 agreement with the Port requires us to
22 work jointly with the Port to figure out
23 the road network that's best for the
24 entire community, and we have to pay for
25 it. And that is part of our project

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1 costs.

2 This is the entrance road into
3 L'Auberge, and you notice this little
4 curve in the road. That is there
5 intentional. Maybe it helps slow people
6 down a little bit. The main reason is
7 you're peeling the onion. You're trying
8 to get somebody to go to a resort, and
9 if you do it best, you have to introduce
10 it by stages. Like, when you go to Las
11 Vegas and you see Bellagio and it has
12 the fountains, and you see the fountains
13 and across the lake up on a hill and you
14 see this spectacular casino, and you
15 want to go there. And the one across

16 the street, the Planet Hollywood, was
17 built at about the same time, cost the
18 same money. They didn't do that. They
19 built it right on the sidewalk with no
20 setback. They went bankrupt in six
21 months, and Bellagio is the most
22 successful casino in Las Vegas.

23 But you see the fountains, you see
24 the lake, and then you drive on this
25 bridge that brings you up; and you walk

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1 inside this wonderful lobby, and the
2 casino's off the lobby. So it kind of
3 lures you into the slot machine, and
4 then you're happy and you stay. And the
5 wonderful thing about slot machines:
6 The people leave, the money stays and it
7 works. And so this squiggle means that
8 as you're driving through the middle of
9 the golf course, you see the tall
10 building, but you don't see the port
11 cochere. And I did that squiggle.
12 That's the Dan Lee squiggle, because
13 there's some trees there; and as you
14 enter the trees, you lose site of the
15 tall building, and when you pop out,
16 you're here and you're looking at the
17 porte cochere.

18 So it's the reveal of, okay, here's

19 the building; oh, the building's gone,
20 and here's the port cochere. Now,
21 frankly, I borrowed that from the
22 designer we had on that project that we
23 have on this who used to be head of
24 architecture and design for Disney, and
25 if you think of approaching the Disney

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1 theme parks, they use that all the time.
2 You'll see the castle in the background.
3 Then it disappears, and you see
4 something in the foreground.

5 Well, again we have a squiggle for
6 the same reason, okay, and now we didn't
7 put it through the middle of the golf
8 course. There's some down sides of
9 putting it through the middle of the
10 golf course. You have to get golf carts
11 to go back and forth across the road.

12 Now, at L'Auberge there's a number of
13 traffic signals that work pretty well,
14 but it's a little close to my heart
15 because of the Belterra property, which
16 Paul mentioned earlier, which has the
17 Tom Fazio golf course. There was a
18 golfer one day who was rushing to get to
19 a hole after a thunderstorm who drove
20 across the road, and literally a dump
21 truck came around the corner and hit him

22 and killed him.

23 So if you can have the golf carts
24 all on one side of the road, it's so
25 much better, and it ends up being a very

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1 remarkable golf course because of the
2 extensive views of Indian Bay, Prien
3 Lake, the Calcasieu River; and remember,
4 you have ocean ships going by here.
5 It's quite spectacular. And unlike most
6 golf courses, we're not using that
7 frontage for homes and anything else.
8 We can use it for golf holes, and that's
9 quite spectacular.

10 Probably the most famous golf hole
11 in the country is the 18th Hole at
12 Pebble Beach, one that Jack Godfrey
13 knows well because he plays it all the
14 time. And that's a very expensive golf
15 course, beautiful golf hole, and it runs
16 parallel to the coast -- the Pacific
17 Ocean, and you're always tempted, like,
18 boy, do I cut the corner and risk losing
19 the ball in the water? Well, we can do
20 the same thing here on Calcasieu River
21 with the 18th hole coming back to a
22 green that's in front of the villas and
23 parallels the water. So it's actually a
24 spectacular piece of land for what you

25 can do with that golf course.

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1 That left us with the landscaped
2 area on the other side. We said, we're
3 going to landscape it; what can we do?
4 What can we do here that helps build the
5 resort amenities of it? And a few years
6 ago I was at a resort in Ireland called
7 Ashford Castle; and we're there, and
8 they had a school of falconry. So I'm
9 game; we signed up, and it was a hundred
10 dollars a person for me, my wife and our
11 two kids to go down for a session with
12 the falcons. And they bring out a snowy
13 owl and are telling my kids about the
14 snowy owl and everything it does, and
15 then they bring out an eagle, then they
16 bring out a falcon; and they say, now
17 we're going to feed the falcon and bring
18 out this big, heavy glove, and they put
19 it on me. And they said, okay, here;
20 they send the bird up. The bird goes
21 out about as far as you can see, and
22 then they put a little piece of chicken
23 meat in my hand; and I hold it up like
24 this as the bird comes swooping back out
25 anywhere and lands on my hand. And I

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1 thought, boy, this is the best \$400 I've

2 spent in a long time. It was just a
3 wonderful afternoon.

4 And I thought, well, the Mirage has
5 dolphins. In fact, I spent \$25 million
6 building the tanks for dolphins at
7 Mirage Resorts when I was there. Then
8 it has the Siegfried & Roy white tigers,
9 and the MGM in middle of their casino
10 has white lions in the gaming cage,
11 because MGM is the lion. If you go down
12 to Atlantis, you can swim with the
13 dolphins. If you go to Mandalay Bay --
14 all of these are resort casinos --
15 Mandalay Bay has the shark tanks. You
16 can go see sharks and go through this
17 glass tunnel to the sharks. And I
18 thought, Calcasieu, it's the Calcasieu
19 River. That means Screaming Eagle.
20 That's the name of our golf course, by
21 the way, Screaming Eagle Golf Course.
22 Why not? It has connotations to golf,
23 and I thought, we'll have a school of
24 falconry. They have one at the
25 Greenbrier Resort, now they have one at

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1 the Equinox Resort; and you have to
2 hire, under Louisiana law, a trained,
3 licensed falconist for every three
4 birds, and we set that up. That's a

5 great use for that land there. It ties
6 in with the rest of the property. High
7 rollers will love it.

8 So we did that, and then you come in
9 and you pull up to the porte cochere,
10 which is here. And so as you come out
11 of the squiggle and you see the front
12 door, and here we actually made the
13 porte cochere a little bit understated,
14 because we have banquet rooms and
15 meeting rooms up on the second floor,
16 and I wanted to have an outside deck, if
17 you have a cocktail party or a break or
18 something and the weather's nice
19 outside, and we put it on top of the
20 porte cochere. So you pull into the
21 porte cochere, but then when you get out
22 and walk in, there is a grand atrium
23 lobby very similar to what they have at
24 Grand Floridian, high ceilings,
25 balconies that look down, skylight,

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1 30-foot tall Christmas tree in there at
2 Christmas. And so you get this down,
3 and then you get out of your car, walk
4 in, "Wow."

5 Okay. And, in fact, the very first
6 one was the Hyatt in downtown Atlanta.
7 They used to call it the Jesus Christ

8 Hotel, not because there was anything
9 religious about it, but if you stood
10 just inside the front door, everybody
11 who walked in went, "Jesus Christ,"
12 because it was this great big lobby.
13 And it was a very successful hotel. It
14 is, I guess, 30 years old, which kind of
15 dates me; but this is the lobby, and you
16 come straight across and you're in the
17 casino.

18 If you go to the right, we go down
19 here, a 2,500 person entertainment
20 facility. Lake Charles needs something
21 like that, and it's indoors. So last
22 week there was ice storm in Lake
23 Charles; it snowed in Lake Charles. I
24 didn't know it could snow in Lake
25 Charles. Well, I wouldn't want to have

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1 a concert outdoors when it's snowing, of
2 course; and in the summer it gets pretty
3 hot there, and other times a year you
4 get swarms of mosquitoes, so this, I
5 think, really has to be indoors.

6 Although I agree with Paul, if you say
7 how are you going to bring people over
8 from Houston, well, you know, Whitney
9 Houston, Shakira, Bill Cosby, Jay Leno.

10 I mean, if you have the right

11 entertainment, you will get people over
12 from Houston. You know, L'Auberge does
13 some of that, but they have to convert
14 their ballroom to do it, and when they
15 convert their ballroom, it takes it out
16 of service for a day, and then you don't
17 have a place to have a meeting or a
18 convention. We have meeting rooms on
19 the second floor here, plus this, so we
20 don't lose the ballroom when we're
21 having entertainment.

22 A big parking garage here with
23 elevators to come down, an entrance to
24 the casino there and an entrance here.
25 Because when the showroom lets out --

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1 you'll notice, by the way, normally
2 you'd think the entrance to the showroom
3 should be here, except you-guys make us
4 have a paddle wheel, and that means I
5 can't have a door into the casino here.
6 So we flipped it around. You come out
7 of the showroom up here, so I can have a
8 door to the casino directly across,
9 which is in my best interest as well as
10 your best interest that everybody that's
11 in that showroom ends up in the casino.
12 So we've thought out these details.

13 If you come straight into the

14 casino, we have a welcome help desk
15 right into the middle, and you go to the
16 back and there's a two-story space back
17 here, because we put the key restaurants
18 up on the second floor. Now that you
19 don't have to meet the Coast Guard
20 regulations, you can do some things. At
21 L'Auberge the point of refuge -- the
22 Coast Guard used to assume that your
23 boat's out in the middle of the Gulf of
24 Mexico. It just lit on fire; therefore,
25 they want the fire to spread very, very

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1 slowly. Everybody had to have a safe
2 point of refuge to go to, and at
3 L'Auberge it is the roof of the casino.
4 So you're supposed to go up there
5 and sit there waiting for a Coast Guard
6 cutter to come and rescue you, which is
7 absolutely absurd. If I'm ever in
8 L'Auberge and there's a fire, I'm
9 running out to the 18th hole of the golf
10 course, but the Coast Guard regs require
11 that. And we had to jump through real
12 hoops, so when it had a fire exit sign
13 that satisfied the Coast Guard,
14 technically the fire exit signs lead you
15 to the point of refuge, which is the
16 roof of the casino. So we had to set it

17 up so you were satisfying the Coast
18 Guard, but you also had a path that led
19 you directly outside so people would
20 actually do the safe thing, go directly
21 outside.

22 Now that you don't have those rules,
23 it allows us to develop the second
24 floor, and so we use the second floor to
25 have restaurants that look out and take

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1 advantage of the water views that are
2 here. Frankly, we missed that on
3 L'Auberge. When I first joined
4 Pinnacle, yes, Pinnacle had the license
5 to build a casino there. We completely
6 redesigned it, totally different, and
7 the first time I went there, it was,
8 basically, a swamp. And it was funny,
9 we designed it for the golf course and
10 everything. We never realized it had
11 really nice water views. As it was
12 getting ready to open, you'd find out
13 all the construction crews would take
14 their lunch out watching the boats go
15 by, and we're going to remedy that.

16 This takes a lot of the advantage of
17 the views of the water, and these
18 escalators are curved escalators. This
19 is very similar to what Wynn has at Wynn

20 Las Vegas. His restaurants are down
21 from the casino. Ours will be up.
22 These curved -- there's only a few of
23 them in the whole country; it's almost
24 like the Gone With the Wind staircase,
25 but it's an escalator. So that's how

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1 you get up to the buffet, the Player's
2 Club that's over here.

3 If you come in and go left on an
4 access, you have a corridor that comes
5 down looking out at the pool that's on
6 an access and anchored by the spa that's
7 down here. So this is a heck of a view
8 intentionally of giving you this resort
9 feel with the spa that's out here. We
10 wanted the spa to be in conjunction with
11 the golf course clubhouse for a number
12 of reasons, and there's some synergies
13 there. You can have a restaurant that
14 can be used for golfers when they're
15 through or halfway through it, but golf
16 courses don't really keep a restaurant
17 busy enough to be profitable. Spas have
18 the same problem. You'll get some
19 people who will go work out and they
20 want a smoothie and so on, not quite
21 enough to make a profit. I said, well,
22 if we put them together, we can make a

23 restaurant work out here.

24 But then we had an interesting
25 problem. We said, well, we're going to

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1 have a high-end hotel back here, and we
2 want the cars to be able to come around
3 this way. So you had a problem. If you
4 took the road out here, you have golf
5 carts crossing the road again. If we
6 put the road in here, customers coming
7 to and from the spa would have to cross
8 the road. So we finally said, wait a
9 minute. Take the building, split it in
10 half, and we'll use it as the gates
11 coming back here.

12 So it actually creates a wonderful
13 visual entrance into the motor court for
14 the luxury hotel, and on the second
15 floor, there's a bridge across which
16 helps kind of frame it. So if you're
17 staying in the luxury hotel, you come
18 back here, the butler takes your car,
19 parks it here and you walk in; and this
20 is a garden that is screened on the top,
21 and all the 30 suites are off this
22 garden. And that's a tourist attraction
23 in and of itself. You walk in and you
24 say, wow, this is cool, very lush and
25 very screened and looks kind of like

1 this; and this is all screened so you
2 don't have bugs, and actually because it
3 has an angle to it, if it's raining but
4 not raining too hard, the water will
5 sheet off. If it's raining really hard,
6 I'm going to have to give you an
7 umbrella, but most of the time this will
8 be great.

9 And these suites actually have
10 private patios on this side that are
11 inside the bug-free environment, and
12 then each suite also has a private patio
13 on the other side that is not screened
14 from bugs, but it either looks at the
15 river and the boats going by or it looks
16 at the swimming pool. So you have
17 either a pool view or river view; but
18 you also have part of this environment,
19 and that's it.

20 That's, I think, the key features,
21 and I know you can see the building
22 is -- articulates specifically in and
23 out. Every hotel room has a balcony.
24 Every hotel room has a shower separate
25 from the bathtub, which is kind of the

1 sign of a four-star hotel. Of course,
2 the luxury hotel is five-star, which

3 will be a step up from that, and we're
4 pretty excited about this.

5 So, you know, I don't think I have
6 to remind you that I was the guy that
7 conceptualized and built the most
8 successful riverboat you have. I was
9 the guy who then was going to go build
10 Sugarcane Bay, and I realize part of the
11 angst of all of this is, well, you
12 promised us Sugarcane Bay, and what
13 happened. Well, I did my best on the
14 Sugarcane Bay. The Board of Directors
15 of Pinnacle wanted to go a different
16 direction. I ended up starting a new
17 company. They've gone a different
18 direction, but we've designed this which
19 is better.

20 We can get it financed. You've
21 heard from guys writing big checks.
22 We've already brought in outside
23 investor money. We will get this
24 financed, and if you let us, we will get
25 this built. On that, I'd be happy to

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1 take any questions.

2 CHAIRMAN MORGAN: Thank you. I'll
3 open it up from the board for any
4 questions. Mr. Jones.

5 MR. JONES: Yeah, two questions:

6 One, the commitment from Jeffries, the
7 \$300 million in debt financing, that's
8 after you have a \$100 million equity in
9 the till?

10 MR. NEWBY: That would be a
11 condition precedent because it typically
12 would be. All the financing would come
13 together really at the same time.

14 MR. JONES: Y'all would be involved
15 on the equity side, as well?

16 MR. NEWBY: Yeah, I think it would
17 be safe to say that both firms, and the
18 other firms would be simultaneously
19 involved in a cooperative matter. It
20 might be a lead on one and a different
21 lead on the other but all working
22 together for the same purpose.

23 MR. LEE: Part of the reason I
24 reached out for Morgan Stanley, besides
25 knowing Edward, in an earlier life I was

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1 the Chief Financial Officer of an
2 Internet company called Homegrocer.com,
3 and it didn't consist of much more than
4 dreams. We were going to do grocery
5 delivery. Go to an Internet website,
6 order your groceries, and we bring them
7 to your house. And we did a \$265
8 million IPO with Morgan Stanley as the

9 lead, and they were very impressive.
10 When you have 18,000 retail brokers and
11 1,400 offices and so on and you go on
12 the road, and we got it done. And that
13 was one of the largest Internet IPO's
14 done.

15 A few months later, we figured out
16 that the margins in the grocery business
17 were really bad, and we ran around and
18 sold the company for a billion one,
19 again with Morgan Stanley's help, and
20 the woman who is in charge of that,
21 actually, who is kind of the equivalent
22 of Edward, has become the Chief
23 Financial Officer of Morgan Stanley,
24 which has got to be one of the most
25 powerful business women in America. And

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1 it was impressive, so sometime ago I
2 called up Edward and said, work with me
3 on this; we can get this done.

4 And we do envision, of course,
5 taking this public either through our
6 traditional IPO or one of these new --
7 they have a Rule 144 IPO, which is
8 faster; but only institutions can invest
9 in it, and frankly, half the investment
10 banks in this think we can do Rule 144,
11 and the other half think we're better

12 off doing it the other way. And I
13 haven't made a decision yet. Either way
14 you prepare a prospectus, and it's our
15 intent to start the prospectus literally
16 within 48 hours if we're chosen. It
17 takes about three months to get through
18 the SEC; it's going to take us a couple
19 months to get to this local referendum
20 on April 30th. Just like the previous
21 group, we also have it approved by the
22 police jury to be on an April 30th
23 ballot. That would set us up to be in
24 the market -- quite honestly part of
25 what has us all excited is a project

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1 partly built in Atlantic City had
2 stalled a few years ago, and they got
3 their financing last week. It's \$1.3
4 billion of financing at an average cost
5 of, about, 9 percent -- about 9 percent,
6 and we said, wow, if -- and Atlantic
7 City is a declining market, and Lake
8 Charles is not.

9 And we said, wow, if they can get
10 that done, we should go as fast as
11 possible, and so for the last several
12 months, I've been driving Evie nuts
13 saying, I don't want to raise the money
14 too early or I'll have to start paying

15 interest too early, and last night at
16 dinner, we said if the interest rates
17 are that low, screw the negative
18 carrier. Let's get this done.

19 MR. JONES: The markets are great
20 right now.

21 MR. LEE: Yeah.

22 MR. JONES: Just one other question.
23 Both the other projects have a Phase I
24 and Phase II. I'm looking at 98 percent
25 Phase I because there's no way we can

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1 force a Phase II. But you did mention
2 in your proposal that the design is such
3 that you could add hotel rooms, if you
4 needed to, and I don't know when you
5 built L'Auberge if you had Phase II,
6 because you did a Phase II. But can you
7 envision what might be a Phase II?

8 MR. LEE: Yeah. In fact, the full
9 history of L'Auberge, I think the
10 commitment to the Gaming Commission was
11 three or four hundred rooms, and we
12 built 750. There was no commitment to
13 be bigger than three or 400 rooms, but
14 when I went to the capital markets, we
15 were able to raise more money and we
16 built something bigger. I'm used to
17 bigger properties.

18 I mean, the first one I financed was
19 Treasure Island; it was 3,000 rooms. To
20 put that in perspective: If you set up
21 to sleep one night in every room, it
22 would take you ten years. The second
23 one was Monte Carlo. It was 3,000
24 rooms. The third one was Bellagio; it
25 was 3,000 rooms and a billion six which

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1 we thought was just a huge number at the
2 time, and it was. Then we did -- the
3 small property was done in Biloxi with
4 1,700 rooms and Beau Rivage, I think it
5 was, and so on.

6 I would love to have more than 400
7 rooms, okay, but the commitment is 400
8 rooms. If we find a way to do more, we
9 will do more, and it is designed to do
10 more. I'd love to have a thousand, and
11 we've actually designed it to be able to
12 go to a thousand. But in effect at one
13 point, in one of the commitment letters,
14 it referenced a number of 475. I think
15 it was in Edward's letter, and Evie
16 called me up and said, what's the
17 number? You said 400 and they're saying
18 475; and I said, well, I know whatever
19 number I give the Gaming Commission,
20 Leonce is going to put it in as a

21 minimum investment number, so of course
22 you're going to use the low end of the
23 range of what you intend to invest. And
24 when you're talking to the bankers about
25 how much money you need to raise, you

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1 want to use the high end of the range,
2 because you don't want to be too close
3 to -- you want to have a little extra
4 money in case something goes wrong. So
5 that's kind of the range.

6 But it -- I haven't talked about it.
7 I could have played around and said
8 we're going to have a second phase of
9 another 600 rooms that we might build in
10 the next millennium someday maybe. I
11 think that's dishonest. We're
12 committing to build 400 rooms all at
13 once. It will all be opened in two and
14 a half years, and then we'll look from
15 there as to how to expand it or enhance
16 it.

17 CHAIRMAN MORGAN: Mr. Stipe.

18 MR. STIPE: On the financing on page
19 four, other than -- I'm sorry, just real
20 quickly, other than this -- this in red
21 referring to Mohito Pointe, I mean, this
22 slide generally speaks to the status of
23 debt and equity in the capital markets,

24 correct?

25 MR. KING: That's right.

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1 MR. STIPE: And on page five, you
2 were kind enough to summarize some of
3 the debt equity ratios. Under this kind
4 of definition, preferred would fall into
5 the category of equity for purposes of
6 your slide.

7 MR. KING: Correct.

8 MR. STIPE: What's the timeline for
9 construction for your project?

10 MR. LEE: The intent is to start
11 construction near -- by year end, so the
12 fourth quarter of this year, and it
13 would take about two years to build.
14 It's a pretty big project, so.

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

16 CHAIRMAN MORGAN: Miss Rogers?

17 MS. ROGERS: My question might be to
18 Leonce. I'm not quite sure. In your
19 brochure you said something about that
20 the financial suitability was not in
21 accordance with general auditing. Why
22 would -- why would that --

23 CHAIRMAN MORGAN: That's going to be
24 for State Police. That's a boilerplate
25 language they put in just about

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1 everything.

2 MS. ROGERS: Oh, okay. That was
3 just kind of confusing.

4 CHAIRMAN MORGAN: Attorneys have
5 their boilerplates. EPA's have their
6 boilerplates.

7 MR. LEE: Yeah, I'm not sure exactly
8 what that would reference.

9 MS. ROGERS: It's just confusing.

10 CHAIRMAN MORGAN: I think it's in
11 every report except for possibly Penn
12 might not.

13 MR. LEE: What it might relate to is
14 Creative Casinos is a new casino, and up
15 until a week ago, I owned all of it.
16 And so we don't have audited financial
17 statements. I actually met with the
18 senior partner of one of the larger
19 accounting firms just the other day, and
20 he gave me a bid for what they would
21 charge to do the audit for Creative
22 Casinos and help prepare a prospectus,
23 so we're keying up to do that. But I
24 don't -- Creative Casinos only had 50
25 transactions, so.

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1 MS. ROGERS: Okay.

2 CHAIRMAN MORGAN: We're getting
3 short on time, but can you inform the

4 Board as much as possible, with regard
5 to the construction company, what your
6 intent is, and you heard my previous
7 question to the previous applicant that
8 is very important to us, creating jobs
9 in Louisiana.

10 MR. LEE: Well, I think first off,
11 let me point out, it almost always is
12 better on many measures to have it be a
13 Louisiana company. They don't have to
14 drive here from Texas. I mean, they're
15 usually the lowest bidder anyway.
16 They're here.

17 Second, my principle concern is to
18 have a construction company that's large
19 enough to be bonded so that you can have
20 certainty of it being done. Now, I will
21 tell you we reached out to Shaw at first
22 just because like it's the biggest
23 building in town, and looked at it and I
24 did some research and said, Shaw's a
25 really big company; I wonder if we can

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1 get them interested. And what we found
2 out is they have so much work building
3 nuclear power plants that they didn't
4 want the work.

5 Now, I know there's five or six
6 construction companies in the south that

7 are large enough to be bondable for a
8 \$400 million project. Okay. You know,
9 certainly Roy Anderson is a very good
10 construction company. I don't know
11 anybody there, but if we're chosen,
12 they'd be free to talk to us. There's
13 one out of Mississippi called Yates;
14 there's a couple out of Texas; there may
15 also be a possibility by banding
16 together a group of contractors in
17 Louisiana to form a company that might
18 be big enough to be bonded, and we
19 intended to explore all of that.

20 But at the end of the day, I'm
21 trying to get the best project for the
22 money, and so -- and have certainty of
23 completion, and that's actually in the
24 State's best interest, too. Because
25 give you an example: Let's suppose

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1 there's a Louisiana based contractor and
2 they're a little more expensive, and so
3 I use them; and as a result my
4 \$400 million doesn't go quite as far.
5 So there's some part of the hotel,
6 instead of having marble floors, it has
7 carpet. That makes the hotel a little
8 less special; and, therefore, it will
9 have a little less revenues, and you'll

10 have a little less tax revenues. At the
11 end of the day, we made some contractor
12 a little more money, but it may not be
13 the best thing for the State.

14 Now, the fees that contractors get
15 these days are going to be pretty small.
16 There's not a lot of work out there, and
17 so I intended to squeeze them as much as
18 possible to get as much for our money.
19 If it's an equal contest between a
20 Louisiana firm and Texas firm, of course
21 I'm going to pick the Louisiana firm,
22 and that's whether it's the general
23 contractor, subcontractor and so on.

24 And, in fact, at the office we
25 talked about setting up, which would be

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1 an office minority and local
2 participation. That's part of their
3 job. Go find subcontractors and
4 contractors from -- and minority
5 contractors from Louisiana and from the
6 community and be the in-house advocate
7 for those people to basically say, hey,
8 this guy is capable of doing the work,
9 give him a shot, and we might even go
10 back -- it's fairly common in
11 contracting, Mr. Bradford would know --
12 where you might go back to someone and

13 you say, you know what, your price is a
14 little high, and you go back to the
15 Louisiana guy and say, if you'll match
16 this bid from Texas, you'll get it. But
17 I -- I'm just being absolutely honest,
18 my primary concern is to get this thing
19 done, get it done as well as possible,
20 and we will use Louisiana people as much
21 as we can to do that.

22 CHAIRMAN MORGAN: There's no
23 anticipated problems with the corps of
24 engineers for this site?

25 MR. LEE: It was already permitted

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1 for Sugarcane Bay. We met with Ronnie
2 Dukes. We will have to get our own
3 permits. There will be some wetlands
4 mitigation. There's some wetlands on
5 the site. Ironically, we found out -- I
6 had forgotten this -- but we found out
7 from Ronnie Dukes that Pinnacle had
8 already purchased wetlands mitigation
9 credits that are actually worthless to
10 them because they're only pertinent to
11 this site, which is a piece of land they
12 no longer control.

13 So I'm going to end up buying
14 wetland mitigation credits from some
15 land bank, and actually I can talk over

16 my shoulder to Jack Godfrey, I put that
17 in the column of how do we settle all
18 these lawsuits. I can buy his wetland
19 mitigation credits which are worthless
20 to him, as well as I can buy them from
21 Stream, Inc., but we'll have to buy
22 wetlands mitigation credits at some
23 point and seek our own permits. But it
24 was permitted before by the corps of
25 engineers, so I suspect it could be

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1 permitted again.

2 CHAIRMAN MORGAN: That's all the
3 questions. Oh, Mr. Singleton.

4 MR. SINGLETON: This 50-acre
5 business is still kind of bothering me a
6 little bit. If you cut out the 50 acres
7 and you can't have it and it's gone
8 somewhere else, how do you build the
9 project?

10 MR. LEE: I'm glad you brought it
11 up. I had forgotten to address it. I
12 should give you the background of the
13 50 acres. When Pinnacle was designing
14 Sugarcane Bay, we weren't sure whether
15 we needed the second golf course. There
16 was already a golf course at L'Auberge,
17 and you thought, well, if a customer
18 wants to play golf, they could play at

19 the L'Auberge's golf course.

20 Now, when a casino on that site is
21 owned by a different party, you look at
22 it a little differently. I don't want
23 my customer playing on their golf
24 course. So we started saying, we better
25 have our own golf course, or our

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1 customers are going to end up at their
2 place. So all of a sudden the golf
3 course took a little more importance.

4 Now, at Pinnacle, though, the
5 thought was, how do we justify a second
6 golf course; and we said, you know, most
7 golf courses have home sites along them
8 and you'd sell home sites, and the
9 profit on the home site helps pay for
10 the golf course. So we went to the Port
11 and said, you know, down the road, we'd
12 like to be able to sell home sites along
13 the golf course when we've designed the
14 golf course, and that will help pay for
15 the golf course. And we said part of
16 the problem is that it's a 70-year lease
17 with the Port. Nobody wants to buy a
18 home on a 70-year lease. I don't know
19 why; none of us are going to be around
20 in 70 years, but it's hard to sell homes
21 on leased lands. And so we went to the

22 Port and said we'd actually like to have
23 the right to buy 50 acres, but we don't
24 know which 50 acres yet because we
25 haven't hired a golf course architect or

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1 designed a golf course to even figure
2 out where these home sites would be.

3 And the Port initially said, no,
4 they can't do it, and then they
5 reexamined the law and came back and
6 said, actually, they're allowed to sell
7 land if it is conjunction with a major
8 development project; and so they agreed
9 that they would sell 50 acres to us, but
10 they wanted us to pay for it right away.

11 And so when we entered -- this is at
12 Pinnacle, when Pinnacle entered into
13 that lease. It called for Pinnacle to
14 pay \$5 million right away, and then at
15 some future date when Pinnacle had
16 designed the golf course, it would
17 designate which 50 acres it was, and the
18 idea is -- and that's a 100,000 an acre,
19 and we looked at it and said you can
20 probably sell a home site in Lake
21 Charles for double that. So we'd make a
22 profit selling home sites on a golf
23 course or along the water and so on.

24 Now, Pinnacle comes back and said,

25 well, we already paid you the 5 million,

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1 so we want to take the 50 acres, and I
2 think there's people here from the Port
3 who can address this more directly. But
4 they looked at it and said, wait a
5 minute. Your right to buy the 50 acres
6 was part of the lease. It wasn't a
7 separate agreement, and you're in
8 default from the lease, so you don't
9 have the right to buy the 50 acres. By
10 the way, the judge agreed with us; and,
11 in fact, there's even an argument that
12 the 5 million up front was like a
13 signing payment when they signed the
14 lease, and Pinnacle might not be
15 entitled to get it back.

16 And so Pinnacle is saying, no, no,
17 we paid you the five; we just haven't
18 designated which 50 acres, and then the
19 Port is saying, we don't have the right
20 to sell you the land under Louisiana law
21 if you're not building the casino; and
22 you don't have the right to buy it if
23 you're in default on the lease. And
24 that's kind of -- and I think what the
25 judge said was, I'm not sure yet whether

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1 they should get the 5 million back, and

2 that's where he allowed it to go
3 further. Now, I'm not an attorney.
4 I've just read all the documentation.

5 Now, as a practical matter, if
6 somewhere down the road an appeals court
7 said they get to take 50 acres -- and,
8 of course, they would try to get
9 something that's two feet wide and goes
10 all the way around the property so it
11 can't get a riverboat in -- but if a
12 judge says you can't do that, you can
13 just take a block of 50 acres, well, I'd
14 have to have an executive course golf
15 course; it would have to be a par three
16 golf course if I took 50 acres out of
17 it, which you could still do.

18 Now, if Pinnacle prevailed and said
19 that somehow they continued to have
20 control over this land for a long period
21 of time, I did go back to the Port and
22 said, what other land do you own?
23 Because they own land all over the
24 place, and they pointed out a 50-acre
25 piece of land that's in West Lake north

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1 of I-10, very convenient to the off
2 ramp, and I went and looked at it and
3 said, well, I can't put a golf course on
4 the 50 acres; but that building would

5 fit on those 50 acres, and it would be
6 an acceptable alternative site. But
7 then the Pinnacle won the -- the Port
8 won the lawsuit on such a resoundingly
9 strong summary judgment that both I and
10 the Port said, you know, we don't have
11 to figure out this backup site. It's
12 there if we need it, but we don't need
13 it because the judge was very strong in
14 his opinion.

15 Did I get that right, counsel?

16 MR. DUNCAN: I think you got that.

17 MR. SINGLETON: Okay.

18 MR. BRADFORD: Dan, just on the
19 construction, who built the L'Auberge?
20 Who was the general on that?

21 MR. LEE: It was Manhattan
22 Construction out of Houston. I actually
23 called them to see if they were
24 interested, and they said that they were
25 afraid of angering Pinnacle because

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1 they're hoping to build the one here.

2 MR. BRADFORD: I think they are
3 building it. And were they successful
4 with the L'Auberge in significantly
5 impacting the subcontractor, did they
6 hire most of their people there?

7 MR. LEE: They did hire most of

8 there people there, and I think if you
9 talk to the subcontracting community in
10 Lake Charles, they were very pleased.
11 In fact, they will tell you Manhattan
12 did a very big job; and we went back and
13 used them again for the expansion, and
14 that was, frankly, why I called them.
15 They were the logical people to call,
16 but they've kind of indicated to me that
17 they probably wouldn't participate.

18 CHAIRMAN MORGAN: The board's clear.
19 No other questions? [No response.]
20 Thank you very much. I vote we work
21 through lunch, but I leave it up to the
22 board members. We have one more
23 applicant. Feel free to take a break,
24 get up if you want, but we'll keep --
25 continue on.

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1 So we'll have the State Police the
2 and Attorney General's Office come up
3 for the last applicant.

4 3. Penn National Gaming, Inc.

5 MR. THOMPSON: Mr. Chairman, Buddy
6 Thompson, Assistant Attorney General.
7 With me is State Police Trooper, Michael
8 Daniel and Auditor Trinessa Ware. Also
9 present are representatives of Penn
10 National Gaming.

11 We're here to report the findings of
12 State Police in connection with the
13 riverboat license application, Southern
14 Louisiana Gaming Ventures, LLC, a
15 subsidiary of Penn National Gaming,
16 Incorporated.

17 At this time, Auditor Trinessa Ware
18 will present her findings to the Board.

19 MS. WARE: Good afternoon, Chairman
20 Morgan and Board Members. I'm Trinessa
21 Ware, an auditor in the State Police
22 Gaming Section. Penn plans to develop
23 the proposed project on a 15-acre site
24 in the Town of Harvey, Louisiana,
25 located at 1300 Peters Road. In

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1 September 2010, Penn executed an option
2 purchase agreement with H.W. Burbank for
3 a purchase price of 2.5 million with a
4 \$25,000 initial deposit due within three
5 days of the effective date of the
6 agreement. A 60-day inspection period
7 was given from the effective date of the
8 agreement allowing Penn to cancel the
9 agreement if it found that the property
10 was not acceptable and/or Penn is unable
11 to procure a gaming license. Penn had
12 the option to extend the agreement an
13 additional six-month period for the

14 initial 60-day inspection period at a
15 cost of \$75,000, plus the initial
16 deposit.

17 Penn exercised its option by
18 notifying the seller as required in the
19 agreement. A second option also exists
20 to extend the agreement for an
21 additional six months at a cost of
22 \$200,000 if needed for time to secure
23 the gaming license. Penn's proposed
24 development is composed of two phases;
25 however, only Phase I is covered, as

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1 Phase II construction is dependent on
2 market and economic conditions.

3 Phase I will incorporate the reuse
4 of an existing riverboat built in
5 Louisiana in 1997. The vessel was in
6 service for 12 years at a casino in
7 Lawrenceburg, Indiana, and subsequently
8 taken out of service in June of 2009.

9 The riverboat will house the casino,
10 buffet steak house, bars, and a
11 multi-purpose room. Landside
12 construction includes an intra-pavilion,
13 support building and a five-level
14 parking garage.

15 Penn projects the Phase I
16 construction to commence 120 days

17 subsequent to the Jefferson Parish
18 referendum with a completion of
19 construction and opening within ten
20 months. Penn plans to fund Hollywood
21 Casino Harvey from capital currently
22 available to the company, which is shown
23 on -- in detail on page four. The
24 projected budget for Phase I is
25 approximately \$145 million as shown on

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1 page five. Available capital based on
2 J.P. Morgan estimates of free cash flow,
3 less funding for projects under
4 construction and future project, leaves
5 a net liquidity of more than
6 800 million. Penn also still has a
7 Greenshoe Option which allows Penn to
8 solicit lenders for an additional
9 \$200 million in borrowing capacity.

10 Hollywood Casino Harvey projected
11 financial statements for its first five
12 years of operations begins on page six.
13 As shown, EBIDA for its first five years
14 are projected to reach approximately 24
15 million, 26 million, 29 million,
16 30 million and 31 million respectively.

17 Penn projects sufficient cash flows
18 to maintain its debt and fund capital
19 expenditures. Penn's debt structure at

20 year's end to 2006 through 2009, as at
21 September 30th, 2010, are shown on page
22 25.

23 An economic impact and feasibility
24 study prepared by Leisure Dynamics
25 Research show total year one projected
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1 revenues to be approximately
2 \$120 million, in which 35.6 percent of
3 revenues will consist of net revenue,
4 and 64.4 percent will be diverted from
5 revenue from other riverboat casinos.

6 No financial issues came to audit's
7 attention to preclude the Board from
8 considering Hollywood Casino Harvey be
9 granted the 15th license.

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

13 TROOPER DANIEL: Good afternoon,
14 Chairman Morgan. I'm Trooper Michael
15 Daniel with the State Police Gaming
16 Enforcement Division.

17 A suitability investigation was
18 conducted on Penn National Gaming,
19 Incorporated, associated companies, and
20 key personnel. This consisted of
21 inquiries through federal, state and
22 local law enforcement agencies,

23 computerized criminal history databases,
24 financial and civil institutions, and
25 gaming regulatory. Tax clearances were

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1 obtained from Internal Revenue Services
2 and the Louisiana Department of Revenue
3 to ensure the applicants are current in
4 filing their taxes.

5 During the suitability
6 investigation, I discovered no
7 information that would preclude
8 licensing to the applicant.

9 MR. THOMPSON: A review of the file
10 compiled as a result of the
11 investigation conducted by State Police
12 revealed no information that would
13 preclude the issuance of the license to
14 Southern Louisiana Gaming Ventures, LLC,
15 a subsidiary of Penn National Gaming,
16 Incorporated.

17 As previously stated before, Board
18 Members, I'd like to make you aware of
19 the fact that the applicant has agreed
20 to certain conditions, which if accepted
21 by the Board, would be made a part of
22 the license if awarded to Penn National.
23 The majority of these conditions mirror
24 conditions recently placed on licensees
25 that I bring to the Board's attention

1 the following:

2 As concerns the local election,
3 they're to take all the steps necessary
4 to have the local referendum as soon as
5 practical, but no later than
6 October 22nd, 2011. As to the project
7 itself, the approved project would be on
8 the Harvey Canal to include a gaming
9 riverboat, entry pavilion with
10 restaurant and retail space, support
11 building, 1,280 space parking garage,
12 405 space surface parking lot; minimum
13 investment in the project would be
14 \$144,559,000.

15 As to timelines, within 60 days
16 after final certification of the passage
17 of the local referendum, to submit the
18 architectural and design plans for the
19 project; within 90 days of acceptance of
20 the plans, to submit the construction
21 contracts; within 30 days of acceptance
22 of the contracts to commence
23 construction, and to complete
24 construction 12 months after
25 commencement of construction.

1 As concerns their escrow, to escrow
2 a total amount of \$14,500,000;

3 \$2 million to be deposited within ten
4 days of selection as the licensee, and
5 within ten days of final and
6 nonappealable election results, deposit
7 the balance of \$12,500,000. Or if Penn
8 fails to fund this amount, the
9 \$2 million will be paid to the State.

10 Disbursements are to be made
11 pursuant to the escrow agreement. The
12 escrow funds may not be used for
13 development or pre-development expenses
14 prior to commencement of construction,
15 and the payment of \$14,500,000 to the
16 State if no satisfactory progress is
17 made on the project prior to the
18 commencement of construction.

19 CHAIRMAN MORGAN: I had stepped out,
20 so I apologize if you covered this.
21 With regard to the corps permit, is
22 there any indication that that would be
23 a problem?

24 TROOPER DANIEL: As long as that's
25 within the 20 percent of the width of

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1 the canal, they would not have any
2 problems, is what I was told when I
3 spoke with them.

4 CHAIRMAN MORGAN: And you had
5 testified with regard to the conditions.

6 When the applicant comes up, it is the
7 Board's intent that this would be on
8 April 30th.

9 MR. THOMPSON: From what I
10 understand, Mr. Chairman, the Jefferson
11 counsel intends to -- depending on the
12 outcome of the license granting, to, at
13 their February 23rd meeting -- to submit
14 a resolution for placement of a local
15 referendum election on April the 30th,
16 and I have a letter to that effect from
17 them.

18 CHAIRMAN MORGAN: I just noted the
19 conditions said -- mentioned -- what was
20 the value of the vessel? Did we place a
21 value of the vessel for the project?
22 Because they already own the vessel.

23 MR. THOMPSON: The value of the
24 vessel has not really been placed. They
25 have a total investment of \$144 million

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1 500 plus thousand. There had been some
2 discussion by them that they were
3 placing a value of \$40 million on the
4 vessel, but that's not a figure that
5 has -- has been, you know, etched in
6 stone. They are committed to the
7 minimum investment of the \$144,5.

8 CHAIRMAN MORGAN: But if they're

9 placing the value of the vessel at \$67
10 million, that's reducing the amount
11 contributed to new construction and
12 value to the state.

13 MR. THOMPSON: I agree, and I think
14 that's something they're prepared to
15 discuss to the Board today.

16 CHAIRMAN MORGAN: Mr. Jones.

17 MR. JONES: Yeah. Just two
18 questions. One for Trooper Daniel; in
19 the report you indicated that Penn
20 National had applied for some sort of
21 permit in Texas. What kind of permit
22 was that?

23 TROOPER DANIEL: Yes, sir. They're
24 purchasing three racetracks in Texas,
25 and that purchase has not been approved

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1 by the Texas yet.

2 MR. JONES: Okay. And for
3 Mr. Thompson: One of the key elements
4 is going to be the vote of the people
5 whether the parish approves it or not,
6 and in Calcasieu the last time we voted
7 was in '06 in Sugarcane Bay, and they
8 approved it almost two to one. When was
9 the last riverboat election in
10 Jefferson, and what was the margin? Do
11 you happen to know that?

12 MR. THOMPSON: I don't happen to
13 have that information. I could find
14 that out for you.

15 MR. JONES: That would be relevant,
16 you know, if it was a tight vote. If
17 you can maybe get that for next time.

18 MR. THOMPSON: Will do.

19 CHAIRMAN MORGAN: We'll need to get
20 that before the next board meeting. Any
21 other questions from any members? Miss
22 Noonan.

23 MS. NOONAN: Mr. Chairman, I think
24 it's my understanding that the tax
25 structure for the existing riverboat

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1 casino doesn't go just to Jefferson
2 Parish but it's distributed between the
3 incorporated areas, Gretna, Lafitte,
4 Grand Isle, Westwego based on the
5 population, a percentage of those goes;
6 and I don't know if this is a question
7 for you, the stipulations, but is this
8 company prepared to have the same thing?
9 Would that have to go before the
10 legislature, or is that something that
11 can be a stipulation?

12 MR. THOMPSON: I think counsel for
13 Penn National would address that for you
14 when they come up.

15 MS. NOONAN: All right. Thanks.

16 CHAIRMAN MORGAN: The board's clear,
17 so we'll have the applicant come
18 forward.

19 MR. WEST: Thank you, Mr. Chairman.
20 Paul West of Baker Donelson representing
21 Penn National and Southern Louisiana
22 Gaming Ventures. What I would like to
23 do is just bring everybody up. You can
24 either stand as I call your name or
25 everybody stand and swear everybody in

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1 and then accept the conditions, and
2 we'll get started.

3 Steve Snyder, Senior Vice-President
4 of Corporate Development; Tom Burke,
5 Senior Vice-President of Regional
6 Operations; Jim Baum, Senior
7 Vice-President of Design and
8 Construction; Carl Sottosanti,
9 Vice-President and Deputy General
10 Council; Michael McGrew, Vice-President
11 Design and Construction; Alex Stolyar,
12 V.P. of Corporate Development; Karen
13 Bailey, Director of Public Affairs; Jim
14 Baldacci, Deputy Chief Compliance
15 Officer. My partner, Danny McDaniel is
16 with us; Terracon Consulting Engineers,
17 Ricky Simon is with us; Matt Pitman from

18 Lay Pittman Naval Architects is here;
19 and then lastly, Henry Picard for Burk
20 and Kleinpeter Traffic Civil Engineers.

21 So these are the people who may
22 speak, so.

23 COURT REPORTER: Everybody stand up,
24 and I'll just swear you all in at the
25 same time. Raise your right hands,

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1 please. Do you swear or affirm that the
2 testimony you will give in the cause now
3 in hearing will be the truth, the whole
4 truth and nothing but the truth, so help
5 you God?

6 (Whereby the above-mentioned representatives
7 from Penn National Gaming were duly sworn.)

8 MR. WEST: I think it was Miss
9 Noonan. I think it was the last and
10 only referendum in Jefferson Parish was
11 the '96 statewide where everybody had to
12 do the local option. I don't know what
13 the result of -- obviously, it passed,
14 but I don't know. We would probably
15 find that out, but I don't think there's
16 been a special election in Jefferson
17 Parish because all you've ever had is
18 Boomtown and Treasure Chest so.

19 So with that, Mr. Chairman, taking
20 into consideration your comments about

21 attorneys and the fact that I don't have
22 to explain away lawsuits, you will hear
23 even less of me than you did of Miss
24 Harkins or Mr. Duncan, and I will turn
25 it over to Mr. Snyder.

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1 MR. SNYDER: Thank you, Paul. Thank
2 you, Mr. Chairman and Member of the
3 Commission. We really appreciate the
4 time to be here before you today.

5 Given the ground rules that were
6 laid, we're going to focus on addressing
7 questions that came up at our
8 December 16th presentation and
9 presenting to you new information. We
10 don't plan on going through information
11 that was previously submitted to you.

12 We've handed to each of the members,
13 as well as to the court reporter, a copy
14 of a sort of a slide presentation which
15 we'll use as our template for stepping
16 through the next 20 or 30 minutes and
17 then move right into questions and
18 answers. You have before you an entire
19 team of folks so that any question that
20 arises from any investigative work or
21 any lingering questions, we feel
22 comfortable with the environmental
23 folks, with the naval engineer, we are

24 able to give you definitive answers
25 today if they do present themselves

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1 through the course of this discussion or
2 are lingering from our last discussion
3 on December 16th.

4 Real quickly, the kinds of questions
5 that you have, of course, are about our
6 project, the ability to get the project
7 done, the local support for the project
8 and what kind of an operator will Penn
9 National Gaming be here in your
10 jurisdiction. To the question of will
11 the project get built and in terms of
12 local support, you'll see on page four
13 that the Jefferson County Parish Council
14 has adopted a resolution in support of
15 this project. You have in front of you,
16 as we've submitted, letters of support
17 from various community and business
18 organizations in Jefferson Parish, as
19 well as in the Harvey Canal area.

20 Additionally, as of yesterday, you
21 received a letter from the parish
22 district councilman, who represents the
23 district that this facility will be in,
24 indicating his willingness to seek the
25 support for including this referendum,

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1 this resolution on the ballot for
2 April 30th. So we are very comfortable
3 with the resolution that's been passed
4 by the entire council, as well as that
5 letter of support from our own district
6 councilman that April 30th will be a
7 good date for the referendum to be
8 before the voters of Jefferson Parish.

9 Additionally, just within in the
10 last two or three weeks, we've been
11 doing some polling work in addition to
12 our community outreach in terms of
13 generating support. You'll see some of
14 the results in here in terms of the
15 number of folks who have signed
16 petitions in support of our project.
17 Most importantly from the polling work
18 that we have done, we've identified that
19 there is 55 percent community support
20 for this project based on that
21 preliminary polling work, which we just
22 received earlier this week, so he can
23 introduce that into the record and
24 supply it to staff.

25 You've seen there on page five a

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1 list of representative organizations,
2 the Jefferson Business Council, the
3 Parish Chamber of Commerce, Economic

4 Development Counseling, et cetera, so I
5 think it's clear that there is local
6 support for this project, and we are
7 highly confident that if we are chosen
8 and you do designate us to move forward,
9 that we will be at referendum on
10 April 30th, and that will be a positive
11 outcome, so that this license will be
12 able to be reissued and put to work for
13 the citizens of the State of Louisiana.

14 One area that has come up since our
15 last meeting that we want to provide
16 clarification, I think there was a
17 newspaper report that suggested that we
18 might have been doing some presumptive
19 work, and we just wanted to clarify the
20 record today that we have not conducted
21 any work in terms of demolition work or
22 remediation or anything on the subject
23 site. That's the existing property
24 owner who is undertaking to demolish
25 some of the existing structures on that

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1 site and has actually been doing some
2 salvage work and take that steel and get
3 residual value. So I just wanted to
4 clarify a headline that did occur in one
5 of the local newspapers.

6 What have we done since we were

7 before you on December 16th? You'll see
8 on page 7 that we've engaged a traffic
9 consultant to look at issues with
10 respect to access to our site, and we
11 found nothing that would be prohibitive
12 in terms of getting our plan
13 implemented.

14 One of the questions that came up,
15 Miss Rogers asked a question last time
16 about the environmental status of the
17 facility. We did provide to State
18 investigators the Phase I environmental
19 report of this site. The conclusion of
20 that Phase I environmental report for
21 this site is that it can be cleaned up;
22 it can be remediated, and quite
23 candidly, this is an impetus for
24 cleaning up an area that is less than
25 slightly. It's not the most attractive

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1 area. This facility will provide the
2 impetus to get it cleaned up. We are
3 very confident based on that report that
4 that can be done within our budget,
5 which is approximately \$3 million for
6 remediating that former Brownfield site.

7 One of the questions that I think it
8 was you, Chairman Morgan, raised was
9 with respect to any hurricane plan for

10 this location given the impact
11 historically going back to 2005,
12 unfortunately, of Katrina and given the
13 location, you'll see there in the final
14 bullet point that we've identified what
15 the plan would be, what our abilities
16 will be in the effect -- in the event
17 that there is an oncoming storm; and you
18 will see, as was the case with the West
19 Bank facility that was in operation in
20 2005, we're very confident that
21 regardless of a storm, even if it does
22 reach the severity of the 2005 storm,
23 that the impact on our business will be
24 very minimal.

25 Moving into a question that also

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1 came up last go-around, the Harvey Canal
2 waterway itself, and what is the impact
3 of our site location on the Harvey
4 Canal? And what we've brought before
5 you today are some drawings that I want
6 to just reference real quickly because I
7 believe last time we left you with an
8 impression in terms of our intrusion
9 into the canal that upon further work
10 was not exactly accurate, so I want to
11 clarify the record.

12 CHAIRMAN MORGAN: I hate to

13 interrupt you, but I'm going to save
14 somebody a tow bill. A white Ultima is
15 parked somewhere in an inappropriate
16 place to the entry, so if it's any of
17 y'all's, white, they're going to tow it.

18 MR. WEST: Mr. Chairman, you also
19 forgot to accept the conditions, so you
20 need to --

21 CHAIRMAN MORGAN: So you've got me
22 in trouble again.

23 MR. WEST: We want to comply with
24 the conditions.

25 CHAIRMAN MORGAN: I have it down
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1 here, but who would be of authority --
2 legal authority to accept those?

3 MR. SNYDER: Mr. Chairman, I would.
4 Our general counsel has reviewed those
5 conditions, has negotiated with the
6 Attorney General's Office, and we are
7 quite comfortable and accept the
8 conditions in that statement of
9 conditions.

10 CHAIRMAN MORGAN: Thank you, Paul.
11 See, I needed an attorney after all.

12 MR. SNYDER: They do serve a
13 purpose. Real quickly, the question had
14 come up in terms of the impact on the
15 Harvey Canal. You, of course, can't see

16 it from where you're seated, we'll leave
17 these up, but you will notice at our
18 location, we are nearly at the widest
19 area of the Harvey Canal for our
20 intended berthing site. You can see as
21 you proceed south down the Harvey Canal
22 how narrow it gets and how it does widen
23 out at our location.

24 Moving specifically into our
25 location -- and this is the point of

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1 clarification from the questions that
2 came up at the December meeting -- our
3 intrusion into the canal is
4 approximately 135 feet with our mooring
5 plan. As Trooper Daniel had indicated,
6 the Army Corps of Engineers will give a
7 waiver for anything that is less than
8 20 percent. We recognize that will
9 exceed that 20 percent, and we've had
10 our naval architects and our consulting
11 engineers meet with the Army Corps of
12 Engineers, and we're comfortable that we
13 will not have any trouble getting the
14 requisite permit. The reason is, the
15 passage space beyond our berthing area
16 remains at 267 feet, so it still exceeds
17 the width of the canal in many of its
18 more narrow areas. So we draw that

19 comfort. We've gotten that kind of
20 direction, but we don't, as we stand
21 before you this afternoon, have the
22 permit but are very comfortable in our
23 ability to get it, again because of the
24 267 feet of passageway that will remain
25 at the canal net of our berthing site.

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1 You have in front of you some of
2 these same photographs so that you can
3 get a better sense of it given the fact
4 that you can't really see the aerial
5 from where you sit. Then moving into
6 the facility itself, we've provided you
7 with a rendering of what the facility
8 will look like. The question had come
9 in the investigator's report as to the
10 value of the barge. I think the
11 answer -- the value of the riverboat,
12 excuse me. The way to look at this is
13 Penn is investing nearly \$105 million of
14 new capital and contributing a riverboat
15 that would have a replacement cost
16 today, if it were built from the ground
17 up today, well in excess of \$40 million.

18 In fact, some of the estimates that
19 we've gotten would be in the \$70 to
20 \$80 million range, but that is not what
21 we've presented to you as a preliminary

22 budget. That's not what you've looked
23 at in terms of our capital plan, but you
24 can see from the updated rendering that
25 you do have in front of you, that

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1 riverboat will be completely refreshed.
2 The landbased amenities, the structured
3 parking facility that the customers will
4 come into first, the pavilion itself
5 will all be brand-new builds. Those
6 will be done -- many of those
7 improvements will be done with
8 Louisiana-based contractors, and, in
9 fact, as we referenced before, the
10 regeneration or the rebuilding of that
11 riverboat will be done in a Louisiana
12 shipyard. We've identified two who are
13 capable of and have the capacity to
14 complete that work.

15 So the question for you as a board
16 is: Can this get done with local
17 approvals? Yes. We've addressed that
18 in terms of the referendum and the
19 community support. If you do select
20 Penn National to go forward with its
21 Hollywood Casino Harvey project, what is
22 the time frame for this project to get
23 done? And the Attorney General's Office
24 mentioned in our statement of conditions

25 the time frame that we are willing to be

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1 bound by.

2 The practical time frame that we are
3 comfortable that we can complete is such
4 that we expect to be opening this
5 facility -- if you select us on
6 February 17th, we expect to be able to
7 open this facility in the first half of
8 2012. We're very confident, based on
9 our -- the hurdles that we remain to get
10 over that based on this schedule, April
11 of 2012, which is certainly much shorter
12 than what is in the statement of
13 conditions, that you would be looking at
14 an opening and 600 new jobs in Jefferson
15 Parish as a result of the designation of
16 Penn to be the developer and to be
17 operator of this facility. So we have
18 the support. We can get it done
19 quickly.

20 The other questions that came up in
21 the last meeting were really an
22 understanding of are we growing the
23 market or are we just impacting on
24 existing operators in the greater New
25 Orleans marketplace? You heard from us

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1 at our last presentation that we looked

2 around the entire state and tried to
3 identify, and feel that we have
4 identified, the one area of the state
5 where the reissuance of this license
6 makes the most sense. The reason for it
7 is, it's an area that is underserved,
8 and you'll see in these statistics --
9 and, in fact, they were presented by our
10 consultant last time -- we're very
11 comfortable based on his report that we
12 can increase the current market in New
13 Orleans by about 35 percent.

14 And as a point of reference, this
15 board approved the relocation of one of
16 the licenses here into Baton Rouge into
17 East Baton Rouge Parish with the
18 analysis from the consultant for that
19 project that it would grow the market by
20 15 percent, and that we were able to get
21 from the East Baton Rouge Parish Council
22 since that spectrum gaming report was
23 submitted to them as part of the
24 application for the East Baton Rouge
25 Parish license that is currently under

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1 construction.

2 So we certainly feel that based on
3 precedence by this board, we do meet and
4 certainly exceed the ability to grow a

5 currently serviced market because of a
6 new product, fresh product and the fact
7 we are now providing another competitor
8 to incent and to insight consumer
9 behavior.

10 So now we move into the final
11 question, which I think really is the
12 critical question. If we select Penn,
13 how do we know this project is going to
14 get done? And one of the things I think
15 some of you heard and maybe had taken
16 some notes, when the statement of
17 conditions was reviewed, I think you've
18 heard that we, Penn, within ten days of
19 designation -- not certification of an
20 election, not some future event, but
21 within ten days of this board's
22 decision, will put up \$2 million in an
23 escrow account evidencing our commitment
24 to get this done. Because as has been
25 presented to you in the past, this

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1 financing will be done completely with
2 resources currently available to Penn
3 National Gaming. So we're not relying
4 on engagement letters; we're not relying
5 upon highly confident letters; we're not
6 relying on any third party brokers or
7 intermediaries who are before you to

8 suggest that if you're kind enough to
9 give us the selection as the licensee,
10 we will then go out and try and earn a
11 fee by placing a financing either in the
12 form of the debt or in the form of
13 equity.

14 We've got the resources as was
15 certified in the investigator's report,
16 and we've already committed to you in
17 the statement of qualifications to put
18 that capital to work within ten days of
19 your decision, not a voter referendum
20 outcome or a certification of that vote.
21 That's evidenced again, and I won't
22 repeat this since it was in our last
23 presentation on page 14, as was
24 highlighted by the investigator with the
25 \$800 plus million that's available to

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1 us.

2 Now, we have to move in, because I
3 know you're faced with the challenge.
4 You've got three applicants; you need to
5 differentiate between those two
6 applicants. You've heard our story.
7 Our chairman was here last time.
8 Unfortunately, he couldn't be here today
9 because we had a previously scheduled
10 board of director's meeting back in our

11 corporate offices, or he would have been
12 here.

13 In looking at the opportunity for
14 this investment for the development of
15 the reissuance of this 15th license here
16 in Louisiana, as I said, we looked
17 everywhere, and we chose Jefferson
18 Parish. We chose the West Bank in the
19 greater New Orleans market.

20 Our major concern, and I think it's
21 a concern that has been evidenced by the
22 board of directors of a public company
23 who actually made the affirmative
24 decision to turn this license back in,
25 that it didn't make sense for them and

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1 it doesn't make sense for us to invest
2 capital in the Lake Charles market. The
3 reasons for that -- and you've heard
4 from the other applicants -- they are
5 looking to grow the Texas market. They
6 are looking, as was mentioned, to draw
7 from 6 million people who live in the
8 greater Houston, Harris County, Texas,
9 metropolitan market. That's tremendous.

10 That is a great goal. That is a
11 laudable objective. The risk is what
12 150 people seated in Austin, Texas, do
13 in this legislative session, in the 2013

14 legislative session, in the 2015
15 legislative session to sometime in the
16 future.

17 The evidence of that is, what has
18 happened to Atlantic City who has relied
19 historically on people coming from
20 Pennsylvania and New York when
21 Pennsylvania and New York have
22 authorized alternative gaming at their
23 facilities? What has happened to the
24 eastern Connecticut tribal gaming
25 interest, who have built multi-billion

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1 dollar investments in eastern
2 Connecticut based on people driving to
3 them from the New York metropolitan
4 area, from Boston metropolitan area and
5 from other feeder markets. Ideally in a
6 vacuum, the notion of Lake Charles is
7 the one that this board ought to adopt,
8 and I can't be anymore candid than that.
9 If you look at the macro issues and you
10 look at risk of what may happen
11 next-door and what may happen to the
12 source market, I think it's really
13 instructive to look at examples.

14 It was mentioned earlier that one of
15 the reasons one of the applicants has
16 gotten comfortable with their financing

17 is what they've seen happen in Atlantic
18 City, the Rebel Project. What was the
19 Rebel Project? It was investment by
20 Morgan Stanley of \$1.2 billion in the
21 Atlantic City marketplace that they
22 wrote off and walked away from. That
23 project has set fallow for about 18
24 months. It is being kicked off today
25 with a \$260 plus million tax incentive

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1 from the State of New Jersey.
2 The world changed on that project.
3 They did get some financing and got
4 their steel up and they got their
5 infrastructure built, but they weren't
6 able to do the interiors. It's a big
7 problem. They are only now able, as was
8 referenced earlier, to get financing
9 because the State of New Jersey, given
10 the fact that the ground rules changed,
11 the private markets with public company
12 boards of directors making fiduciary
13 decisions on behalf of their board
14 members couldn't make the commitment to
15 invest in that marketplace, the State of
16 New Jersey had to step in and provide
17 the necessary funding in order to get
18 the requisite financing to complete that
19 project.

20 That is a situation that we as a
21 public company -- I think the previous
22 owner, the previous holder of this
23 license, also a public company and their
24 board of directors, made a conscious
25 decision -- that we can't take that risk

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1 on behalf of our shareholders in looking
2 at the Lake Charles marketplace.

3 Equally instructive -- I think I
4 have to thank Mr. Lee because he found
5 the two people that made the most
6 sense -- Morgan Stanley has invested
7 \$1.2 billion in the gaming industry
8 directly, not a highly confident letter,
9 not an engagement letter. They've made
10 that investment out of their own balance
11 sheet, approved by their board of
12 directors. They've looked at Lake
13 Charles, and what you're hearing today
14 is a highly confident letter; not an
15 investment, not check writing, but we
16 will undertake best efforts to get the
17 necessary financing to complete it.

18 Secondly, Jeffries, the principals
19 of Jeffries, some of principals of
20 Jeffries this board knows well, because
21 they are an owner and operator or
22 licensee in this state through the

23 Peninsula Gaming Enterprise, which is
24 composed of certain equity holders who
25 are Jeffries principals. They've looked

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1 at this same market; they've looked at
2 this same project, and what have you
3 seen from them? Today a commitment to
4 provide \$300 million of financing if
5 someone else puts \$100 million of equity
6 into this project.

7 With respect to our proposals, with
8 respect to our project, there aren't any
9 of those conditions. There's \$2 million
10 we're going to put up immediately within
11 ten days of your selection of us as the
12 appropriate entity to proceed with this
13 license, and we're not relying on any
14 third party beneficiaries.

15 So what you know if you select Penn
16 National? You've got local support;
17 you've got the ability to get the
18 project done; you've got the financing
19 that's already in the bank, and we will
20 provide \$2 million. And most
21 importantly, or equally importantly,
22 you've got an organization. You've got
23 a team. You don't have one person
24 sitting here saying, I've done this and
25 I've done that, and if I'm not here, you

1 have to ask yourself the question what
2 happens then. And we were an applicant;
3 we are also a licensee.

4 If there is an issue with respect to
5 our performance on this application, on
6 this license, you regulate us already
7 with our Hollywood Casino business here
8 in Baton Rouge. If we fail at this
9 undertaking, you have the ultimate
10 leverage by holding our license for our
11 Baton Rouge facility and have remedies
12 against us.

13 If Creative Casinos is not
14 successful, that's unfortunate, and
15 that's a bad day for Creative Casinos,
16 but that doesn't get the 15th license
17 get put into play. If the other group
18 is not successful, if their team breaks
19 up or if they move on to different
20 interests, you don't know that you have
21 that same certainty of outcome that you
22 have with Penn National Gaming.

23 So with that -- I'm certain I've
24 been under 30 minutes -- I hope --

25 CHAIRMAN MORGAN: You're fine.

1 MR. SNYDER: -- I'd like to open it
2 up because I'm sure you've got some

3 questions, and we've got an entire team
4 here that is prepared to answer any
5 questions on any topic that any member
6 of the board may have.

7 CHAIRMAN MORGAN: Thank you,
8 Mr. Snyder. Mr. Carlina had, in his
9 previous presentation, mentioned a
10 \$75 million escrow. I'm just curious
11 why that changed? I know we sent -- I
12 sent directives out that I would like
13 ten percent of the project to be written
14 into the conditions, but I notice that
15 that's not -- your presentation didn't
16 indicate that y'all would be willing to
17 put up the other additional \$50 million
18 that he had mentioned.

19 MR. SNYDER: Oh, we took the
20 template of the Statement of Conditions,
21 Mr. Chairman. I'm sorry.

22 CHAIRMAN MORGAN: You took the best
23 course of action.

24 MR. SNYDER: We took what you asked.
25 I mean, understand, if you would like

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1 that escrow upon the commencement of
2 construction to be \$75 million, we will
3 do that.

4 CHAIRMAN MORGAN: Well, I just -- he
5 had offered it. It was of interest to

6 me.

7 MR. SNYDER: Understood, and we can
8 certainly go back to that. We responded
9 to the template that was provided by the
10 Attorney General's Office. I'm sorry.

11 CHAIRMAN MORGAN: You know, when you
12 come to a government body and you offer
13 it, we take.

14 MR. SNYDER: That's why we were
15 surprised by the template that we got
16 back.

17 CHAIRMAN MORGAN: Well, the template
18 was trying to be fair with the market
19 situation. There was a concern I had,
20 and it's probably the legalese of the
21 document, but in the purchase agreement,
22 there's a provision for a 60-day
23 inspection period from the effective
24 date of the agreement which allows you
25 to cancel the agreement if it's

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1 determined that the property's not
2 acceptable. That obviously causes me
3 some concern that if we would award you
4 the license and you, in effect, find
5 problems with the property, you do not
6 execute the agreement.

7 MR. SNYDER: No. Carl Sottosanti,
8 our assistant general counsel, has

9 joined me at the head table here, Mr.
10 Chairman. We've done our work; we've
11 paid another \$75,000 to extend that
12 option. We've had the conversations
13 with the corps of engineers. We're
14 comfortable -- and Coast Guard -- we're
15 comfortable that this plan can get done,
16 but I think most importantly, we've said
17 to you, through the Attorney General's
18 Office, that if you select us, within
19 ten days we'll put up \$2 million. We're
20 going to close on this project; we're
21 going to close on the acquisition of
22 this property.

23 MR. SOTTOSANTI: Carl Sottosanti.
24 I'm happy to elaborate on this, and
25 there probably is some ambiguous

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1 language in the agreement. But we've
2 discussed this morning with two members
3 of the A.G.'s Office that we think the
4 contract's pretty clear and convincing
5 that we have no out, as we stand here
6 today before you guys on this contract,
7 other than if we are not licensed.

8 In fact, I'm happy to read into the
9 record those two provisions, if you
10 think that would be helpful.

11 CHAIRMAN MORGAN: As long as you're

12 going to testify and assure the Board
13 that if you are awarded the license,
14 that this provision would not be at
15 issue, local referendum passed.

16 MR. SOTTOSANTI: Chairman Morgan,
17 that's both our intent, as Mr. Snyder
18 just told you, and the way we read the
19 language of the contract.

20 CHAIRMAN MORGAN: I'll take you at
21 your word. Speak briefly on the
22 construction aspects. You heard the
23 previous questions. Is it y'all's intent
24 to use -- as much as possible
25 Louisiana-based companies, have the

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1 general contractor hire subs in
2 Louisiana?

3 MR. SNYDER: Yeah, Mr. Chairman, and
4 we included that in our earlier
5 presentation in terms of the goals that
6 we were certainly comfortable setting
7 for this project, so we didn't want to
8 repeat them. But in terms of hiring
9 local contractors, our view has always
10 been in any jurisdiction in which we do
11 business is to higher locally first,
12 because it doesn't make sense to bring
13 in a contractor to satisfy diversity if
14 they're coming from out of state. Hire

15 diversity second, and then broaden to
16 wider regions within the State in which
17 we have been awarded or which we're
18 fortunate enough to do business.

19 So those practices are out there.
20 You can test that against our projects
21 in Pennsylvania, our projects in West
22 Virginia, our projects in Kansas, and
23 those are the goals that we will set
24 with this board.

25 CHAIRMAN MORGAN: Mr. Jones, I think

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1 you had asked the question about the
2 last Jefferson Parish results, and the
3 Attorney General's Office provided me
4 with this: That in 1996 was the last
5 referendum, and it was 68.43 percent for
6 and 31.57 against. And we have a
7 question by Mr. Singleton.

8 MR. SINGLETON: The market growth
9 issue, if I remember correctly from your
10 presentation, 32 percent, I believe, was
11 going to come from Boomtown the way I
12 understood it at that point, and I
13 notice today you're saying you're going
14 to grow the market by 35 percent. I'm
15 trying to figure out, to rectify those
16 numbers. Are you saying that 32 percent
17 of your business will not be Boomtown

18 business?

19 MR. SNYDER: No. If I can sort of
20 focus us back on the presentation from
21 December 16th, on the slide on page 24
22 of our December 16th presentation, we
23 identified 64 percent of our projected
24 business to be coming from the existing
25 operators, not just Boomtown but all the

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1 operators in the greater New Orleans
2 marketplace, and 35.6 percent of our
3 business, or \$44 million in new gaming
4 revenue, would be incremental over what
5 was existing.

6 So, again, we touched on this in
7 December. We had our consultants here
8 so we weren't going to repeat it, but in
9 terms of the specific question, those
10 numbers and that analysis suggested
11 35.6 percent of our revenue would be new
12 revenue growing the market. I don't
13 believe we said 32, and I apologize if I
14 misunderstood you.

15 MR. SINGLETON: No. That's what I
16 thought I read, and I don't have -- I
17 didn't bring the book with me, so I'll
18 have to go back and take a look at it,
19 but that was the impression I left with,
20 32 percent.

21 MR. SNYDER: It was 35.6, and it was
22 on page 24 of that booklet. I'm sorry.

23 CHAIRMAN MORGAN: Mr. Jones.

24 MR. JONES: I just had kind of an
25 accounting question that I don't

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1 understand. In your projected balance,
2 you start off with, like, 114 million of
3 long-term debt, which I guess is an
4 allocation from the parent company to
5 this project or some such deal as that,
6 and anyway, it comes down to 24 million
7 after five years. What I don't
8 understand is on your income statement,
9 you show -- you pay interest of 10
10 million 119 the first year, and then it
11 stays exactly at that number for each of
12 the next four years while your debt's
13 going down. Can you give me some
14 accounting 101 on this? I don't
15 understand.

16 MR. SNYDER: This is Alex Stolyar,
17 who is our Vice-President of
18 Development.

19 MR. STOLYAR: Mr. Jones, I
20 apologize. I remember what you're
21 looking at, but I don't have it in front
22 of me. But the interest payment is just
23 interest. Then there is, I believe, a

24 cash sweep that's later on in the income
25 statement, and that's paying the equity

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1 back up to the parent.

2 MR. SNYDER: No, but you --

3 MR. JONES: But the interest is
4 still exactly the same --

5 MR. SNYDER: It's still the same.

6 MR. JONES: -- even though the
7 principal has been reduced by
8 three-fourths. I just didn't understand
9 your accounting there. It's not a big
10 deal. I mean, I was just curious. It's
11 on page six and seven of the report
12 that -- y'all don't have this?

13 MR. SNYDER: No, we don't have that.
14 Mr. Jones, we'll look into that, but
15 you're right, the principal's going
16 down, the interest expense should
17 decline.

18 MR. JONES: Yeah. And the interest
19 stays exactly the same.

20 MR. SNYDER: It shouldn't. You
21 raised a very fundamental accounting
22 question. We haven't seen the report
23 that the State Police have provided to
24 you. If you're kind enough to share
25 that with us, we will respond to that.

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

3 CHAIRMAN MORGAN: Mr. Stipe.

4 MR. STIPE: Just real, quick going
5 back to the market that you discussed.
6 35.6 is a new revenue in the market, but
7 only a portion of that is from the
8 non-local market.

9 MR. SNYDER: Yes. A very -- a small
10 portion is from the non-local market.
11 That's correct.

12 MR. STIPE: We had a presentation
13 about the status of the debt and the
14 capital markets for the gaming industry.
15 Do you disagree with that presentation?

16 MR. SNYDER: Yes. And the basis for
17 that is we are building a project in
18 Kansas City, Kansas, with a 50 percent
19 partner, International Speedway
20 Corporation. We have a guaranteed max
21 price contract, construction contract in
22 place. We have steel being erected; we
23 have a building that is almost -- looks
24 like a building now. We've done all the
25 low-grade work, all of the foundation

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1 work, all of the infrastructure work;
2 and we have with our partners been
3 soliciting the financial community to

4 find a lender that would lend us 50
5 cents of construction cost, 50 percent
6 equity, 50-cents on the dollar in
7 construction financing, and we have
8 found those terms to be excessive and
9 not terms that we are in a position as a
10 public company to accept.

11 I think for a company in this market
12 environment, who has a single asset,
13 that the cost of financing is going to
14 be extremely high, and it is something
15 that this board needs to be and should
16 be and needs to be concerned with,
17 because it ultimately effects the
18 operating performance of the asset and
19 the ability on a day-to-day basis for
20 that operator to keep paying his payroll
21 and bringing people to work.

22 MR. STIPE: The total time for
23 construction again?

24 MR. SNYDER: We believe that we can
25 be -- construction from start to finish

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1 is ten months, and based on the current
2 schedule, we can be open by April of
3 2012.

4 MR. STIPE: That includes the
5 timeline for the environmental cleanup
6 of this particular area?

7 MR. SNYDER: Yes, it does.

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

9 CHAIRMAN MORGAN: Mr. Juneau.

10 MR. JUNEAU: I have got one
11 question. You was talking about
12 35 percent new growth. You said a
13 little bit from New Orleans. Where's
14 the rest of it coming from?

15 MR. SNYDER: No, I said a little bit
16 of it from outside New Orleans. Most of
17 it is coming from just providing greater
18 access into the greater New Orleans
19 marketplace, so it's just greater market
20 penetration to people that aren't
21 currently coming to casinos. That
22 information is in the report that was
23 supplied by our consultants, Leisure
24 Dynamics, and they went down into each
25 parish looking at St. Tammany and Houma

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1 and others and identifying where that
2 incremental gaming revenue would come
3 from. We can certainly provide that if
4 you'd like to know.

5 MR. JUNEAU: So what you're trying
6 to say is they're coming from the
7 Louisiana people down in the south
8 around New Orleans.

9 MR. SNYDER: That's correct. They

10 have an opportunity or people that were
11 not frequenting casinos that we now give
12 them opportunity because there's
13 additional capacity in that marketplace.

14 MR. JUNEAU: Thank you.

15 MR. SNYDER: Sure.

16 CHAIRMAN MORGAN: Miss Rogers?

17 MS. ROGERS: In the brochure, you
18 said that Penn has agreed to pay
19 Jefferson Parish six percent. Was that
20 a request made by the parish? Because
21 other percentages are, what, around
22 four?

23 MR. SNYDER: No. It is a commitment
24 that we've made that is identical to
25 what the existing operator -- what

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1 Pinnacle is paying at the West Bank
2 facility --

3 MS. ROGERS: Okay.

4 MR. SNYDER: -- with the same
5 distributions that were identified
6 earlier in the question.

7 MS. ROGERS: So it's not a demand
8 from the parish; it's just an agreement
9 that Penn offered?

10 MR. SNYDER: Correct.

11 MS. ROGERS: Okay. Just curious.

12 CHAIRMAN MORGAN: Any other

13 questions? Thank you very much.

14 MR. SNYDER: Thank you, Mr.

15 Chairman, thank you, members.

16 CHAIRMAN MORGAN: Members, unless

17 there's other questions of the Office of

18 State Police or the Attorney General's

19 Office -- is there any? Mr. Singleton?

20 We have to entertain public comment.

21 Let me let Mr. Singleton.

22 MR. SINGLETON: On the financial

23 interest, do we have any -- through the

24 State Police or through the Attorney

25 General's Office -- I guess I'm

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1 concerned. I hear all this information.

2 Is there any way of verifying any of

3 these numbers or figures that we can put

4 any more confidence in the fact that

5 they can be done, that financing can be

6 done? When they made their reports,

7 they kind of said that we --

8 CHAIRMAN MORGAN: The way I view it

9 is we have a difference of opinion of

10 the market, and that's -- that's why

11 people are rich on Wall Street and some

12 aren't, but I -- I would -- I don't know

13 if anybody from State Police could offer

14 anything more than what I just offered.

15 Is Mr. Traylor here?

16 MR. SINGLETON: Maybe at least by
17 the time of the next meeting if they
18 looked at this again, any additional
19 information might be helpful.

20 CHAIRMAN MORGAN: We'll try to get
21 you as much as we can. I don't know
22 that I'll have a lot of clarity for you.

23 MR. SINGLETON: Well, any is better
24 than what it is right now.

25 CHAIRMAN MORGAN: And, Miss Rogers?

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1 MS. ROGERS: Yes. At the onset of
2 this procedure, my ambivalence according
3 to the parameters, I would just like to
4 say that I, as a former educator, I
5 would like to give all three
6 presentations an A plus, and I want you
7 to know that we have done our homework.
8 And I just wish we had three licenses to
9 give.

10 IV. PUBLIC COMMENTS

11 CHAIRMAN MORGAN: I agree. We're
12 going to open it up for Public Comment.
13 I have one card. If you wish to speak
14 or address the Board, would you please
15 fill out a card and give it to Miss
16 Tramonte. But I'll call forward Jack
17 Godfrey and Larry Orlansky. It doesn't
18 say you're in support of anything, so

19 we'll listen. Good to see you.

20 MR. GODFREY: Yes. Good afternoon,
21 Mr. Chairman and Members of the Board,
22 I'm Jack Godfrey, Executive
23 Vice-President, Secretary and General
24 Counsel of Pinnacle Entertainment. With
25 me today is my outside counsel, Larry

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1 Orlansky.

2 At the risk of any renewal of my
3 license -- and I believe that I am the
4 only attorney speaking today who is
5 actually licensed through the State of
6 Louisiana -- I want to say that I make
7 no apologies for being an attorney, and
8 I'm sure that Mr. Orlansky doesn't
9 either.

10 We weren't going to say anything.
11 We thought that Leonce gave a wonderful
12 and objective review of the status of
13 the litigation, which we agree with, but
14 we do have to rebut Mr. Lee's view of
15 the case and correct some
16 misconceptions.

17 We did not file these lawsuits to
18 stifle competition. These lawsuits are
19 grounded in contractual rights for which
20 we paid a lot of money, a lot of
21 consideration, especially in Mr. Lee's

22 case; and that's why we filed these
23 lawsuits, and that's why we're pursuing
24 these lawsuits, to protect rights that
25 we bargained for and paid a lot of money

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1 for.

2 In Mr. Lee's case, he has an unfair
3 competition restriction in his severance
4 agreement, and that's what we're seeking
5 to correct, among other things. So we
6 didn't want to leave you with an
7 impression that Mr. Lee's
8 characterization of the case was in any
9 way correct.

10 The other misconception -- and by
11 the way, these cases are proceeding in
12 Clark County and on appeal on the port
13 litigation. We have two cases in Clark
14 County; one, the state court action for
15 which the judge did originally deny our
16 motion for preliminary injunction
17 without prejudice, granted us expedited
18 discovery; and we have the opportunity
19 to go back in and seek another
20 injunction should the evidence during
21 the discovery phase warrant that
22 decision.

23 Additionally, we have an arbitration
24 proceeding that's at the initial stages

25 in Clark County; and we just selected

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1 the arbitrator, and that proceeding is
2 also going forward. So these cases are
3 proceeding in Clark County and are
4 serious cases.

5 The other misconception that we want
6 to correct as a licensee, we want to
7 make sure that you have accurate,
8 correct information regarding the
9 designation of the 50 acres. We have
10 designated the 50 acres. We did so in
11 good faith. It's a matter of public
12 record. We designated acreage along the
13 ingress and egress to our client canal
14 parcels which we own in Lake Charles,
15 and we also designated the parking lot
16 and associated acreage that was part of
17 the Sugarcane Bay lease and which in
18 December we entered into a separate
19 month-to-month lease with the Port of
20 Lake Charles. So any inclination or a
21 suggestion that we were going to
22 designate acreage in order to frustrate
23 Mr. Lee's project is simply incorrect.

24 CHAIRMAN MORGAN: Okay. Mr. Juneau.

25 MR. JUNEAU: How many lawsuits do

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1 y'all -- since you gave your license up

2 and you brought this black theory to us
3 that Texas was going to get gaming, and
4 how many lawsuits have y'all filed
5 restricting other people to have a
6 license in that area?

7 MR. GODFREY: Well, we haven't filed
8 any lawsuits directly to restrict
9 people. We filed a lawsuit against the
10 Port of Lake Charles over our lease
11 agreements there, and we filed two
12 actions in Clark County. One was an
13 action in the district court seeking
14 injunctive relief, as we're permitted to
15 seek under our agreement with Mr. Lee,
16 and the other action we filed was a
17 complaint in arbitration related to
18 Mr. Lee's severance agreement.

19 MR. JUNEAU: Thank you.

20 CHAIRMAN MORGAN: Any other
21 questions? Any other comments? Is
22 anyone from the Port here, Port of Lake
23 Charles? Mr. Dies, is he here? All
24 right. Thank you. Is there any other
25 public comment.?

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1 MR. DUNCAN: Mr. Chairman, may I
2 have just a minute of the Board's time?
3 I just want to clarify one thing, if I
4 might.

5 CHAIRMAN MORGAN: Come on up. We
6 need all the clarity we can get.

7 MR. DUNCAN: I think that -- I think
8 two things. One is, it's very simple:
9 Mr. Godfrey would like to suggest that
10 he's having -- these lawsuits haven't
11 been brought to stifle competition; and
12 he talks about the 50 acres, but he
13 doesn't talk about the second claim in
14 the Port suit. That's to enjoin the
15 Port from moving forward with Creative
16 Casinos. If that's not to suppress that
17 competition or to keep that competitor
18 from coming in, I don't know what it is.

19 Secondly, I would say that with
20 respect to this competition issue, the
21 separation agreement said that if there
22 was a -- if there was a discharge, a
23 termination of Mr. Lee without cause,
24 then there is no provision for a
25 noncompete. It's very clear.

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1 I just wanted to clarify that.
2 Thank you very much.

3 CHAIRMAN MORGAN: Is someone from
4 the Port here?

5 MR. DUNCAN: Someone was earlier.

6 CHAIRMAN MORGAN: So the order --
7 any other public comment? Hearing none,

8 public comment period's over. The Board
9 will take this matter under
10 consideration, and by law we have to act
11 on it within ten days of this date; act
12 on it, meaning issue or not issue a
13 license. We will -- is that correct?

14 So we will take this matter up at
15 our regularly scheduled board meeting on
16 the 17th.

17 V. ADJOURNMENT

18 CHAIRMAN MORGAN: Entertain a motion
19 to adjourn. Any other comment? None.
20 Motion to adjourn by Mr. Stipe, seconded
21 by Mr. Singleton. No objection.

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23
24
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1 REPORTER'S PAGE

2

3 I, SHELLEY PAROLA, Certified Shorthand
4 Reporter, in and for the State of Louisiana, the
5 officer before whom this sworn testimony was
6 taken, do hereby state:

7 That due to the spontaneous discourse of this
8 proceeding, where necessary, dashes (--) have been
9 used to indicate pauses, changes in thought,
10 and/or talkovers; that same is the proper method

11 for a Court Reporter's transcription of a
12 proceeding, and that dashes (--) do not indicate
13 that words or phrases have been left out of this
14 transcript;

15 That any words and/or names which could not
16 be verified through reference materials have been
17 denoted with the word "(phonetic)."

18

19

20

21

22

23

24 SHELLEY PAROLA

Certified Court Reporter #96001

25 Registered Professional Reporter

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1 STATE OF LOUISIANA

2 PARISH OF EAST BATON ROUGE

3 I, Shelley G. Parola, Certified Court

4 Reporter and Registered Professional Reporter, do

5 hereby certify that the foregoing is a true and

6 correct transcript of the proceedings in the

7 preceding matter on February 9, 2011, as taken by

8 me in Stenographic machine shorthand, complemented

9 with magnetic tape recording, and thereafter

10 reduced to transcript, to the best of my ability

11 and understanding, using Computer-Aided

12 Transcription.

13 I further certify that I am not an
14 attorney or counsel for any of the parties, that I
15 am neither related to nor employed by any attorney
16 or counsel connected with this action, and that I
17 have no financial interest in the outcome of this
18 action.

19 Baton Rouge, Louisiana, this 2nd day of
20 March, 2011.

21

22

23 _____
SHELLEY G. PAROLA, CCR, RPR

CERTIFICATE NO. 96001

24