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BEFORE THE MICHIGAN CITY
RIVERBOAT GAMING EVALUATION COMMITTEE

IN RE: THE PROPOSED)
RIVERBOAT DEVELOPMENT)
)

DUPLICATE

TRANSCRIPT OF THE TRUMP PRESENTATION

The proceedings and presentations had before the Michigan City Riverboat Gaming Evaluation Committee, Pine Lake Hotel, 444 Pine Lake Avenue, LaPorte, Indiana, LaPorte County, State of Indiana, commencing at or about the hour of 11:30 a.m. on Monday, February 12, 1996.

COMMITTEE MEMBERS PRESENT:

DAVID E. ROSS, JR., M.D.
ROBERT W. SUNDWICK
ANN MARIE BOCHNOWSKI
DONALD RAYMOND VOWELS
ALAN I. KLINEMAN
ROBERT SWAN
THOMAS F. MILCAREK
JACK THAR
FLOYD HANNON
KAY FLEMING

ALSO PRESENT:

MEMBERS OF THE TRUMP ORGANIZATION:
DON A. TABBERT
NICK RIBIS, CEO
BOB PICKUS, GENERAL COUNSEL
MARK DEAN, VICE PRESIDENT INVESTMENT BANKING FIRM

(As well as other members of the Trump organization/team)

1 Monday, February 12, 1996 --

2 (At or about 11:30 o'clock a.m., Gaming
3 committee and members of the public
4 present at the Pine Lake Hotel.)

5 MR. KLINEMAN: As you may know, there is a
6 proposed acquisition of Trump Taj Mahal Associates by Trump
7 Hotels and Casino Resorts, Inc. which is an entity that
8 basically is, I think, under the chart sort of a holding
9 company.

10 And during a previous public offering Trump
11 Indiana, Inc. was created and became part of the Trump
12 Hotels and Casino resorts, Inc. Now we have another branch
13 of this coming into this proposed merger, and so we as a
14 commission in order to discharge our duties having given a
15 certificate of suitability to Trump which then went to Trump
16 Indiana, Inc. which then became part of the public offering,
17 we felt that it was very important that we ask the Trump
18 people to come and explain to us what was being proposed and
19 how it would affect the representations and the information
20 which had been received by this commission at the time the
21 certificate of suitability was issued.

22 We want nothing less as has been indicated to the
23 Trump people than that which the citizens of Indiana could
24 expect -- expected at the time the certificate was
25 originally granted. We want the assurances that the Gary

1 project will, in fact, be carried out in a manner that was
2 represented to us at the time during the hearings in Gary
3 upon which this commission acted. So we have asked the
4 Trump people to come in and explain to us where we are,
5 where we are going and why this is something that we should
6 not really be concerned about.

7 So with that background I would call on Mr.
8 Tabbert who is counsel for the Trump -- some of the
9 Trumps -- some of the entities.

10 MR. TABBERT: All right. Thank you, Mr. Chairman,
11 members of the commission, Mr. Thar and Mr. Hannon. Let me
12 reintroduce to you the two persons that you know and a
13 couple of others.

14 MR. KLINEMAN: Don, why don't you state your full
15 name for the record so we can have that.

16 MR. TABBERT: I will do that, Don A. Tabbert with
17 the law firm of Tabbert Hahn & Zanetis in Indianapolis,
18 counsel for the Trump organization. Nick Ribis, as you
19 remember, is the CEO of the entire Trump organization is
20 with us. Bob Pickus, who you know quite well, general
21 counsel, is with us.

22 We have Mark Dean who is the vice president of
23 Donaldson Lufkin & Jenrette, the investment banking firm;
24 Dan Rubino, who is a partner of Wilke Far & Gallagher, the
25 corporate security council.

1 You have had a chance to see any of the documents.
2 The Wilke Far firm has been extremely involved and
3 instrumental in the entire merger. And we have Brian
4 Budreau who is the executive director of administration for
5 Trump. I'm happy to turn the meeting over to Mr. Ribis who
6 is the CEO of the Trump organization.

7 MR. RIBIS: Thank you. Good morning, Mr.
8 Chairman. Good morning, Commissioners. Thank you for
9 having us. And I appreciate the opportunity to come again
10 before the commission with regard to this matter.

11 And I know that Mr. Pickus has corresponded with
12 Mr. Far on a couple of occasions recently with respect to
13 this matter. And I think that my job may have been a little
14 bit more difficult because there have been some erroneous
15 newspaper articles which just didn't properly describe the
16 transaction.

17 And if I can take a step back, I just want to
18 again thank the commission. And I wanted to note that the
19 Ivy Academy -- Ivy Tech -- the commission staff was very
20 helpful, Mr. Thar and his staff, with respect to us getting
21 our schools open both for Trump and Magestic.

22 Just the status of the project for two seconds,
23 our boat is in the water. Its interior design is starting.
24 We anticipate sailing from Jacksonville, Florida, on March
25 22nd. It will be totally outfitted although the slot

1 machines will not be functional. We hope to be at the mouth
2 of the St. Lawrence April 1st.

3 Thereafter obviously we have to come into the
4 harbor and have the commission inspect and do its work with
5 respect to the opening of the facility. As to the landside
6 work, as you know, although I consider it a very bad winter
7 I guess it's been a relatively mild winter -- it wasn't
8 today when I came in, I can tell you that much -- and the
9 landside improvements are right on schedule.

10 Our main facility is being constructed as we
11 speak. I'm going up to Buffington Harbor as soon as I
12 finish here. The harbor itself is almost completed. The
13 barge is being outfitted in Indiana and will be brought over
14 to the site as soon as the harbor is finished in the next
15 several weeks.

16 The -- half of the parking lot has been paved, the
17 final paving obviously comes after the winter. All of the
18 demolition is completed. The access is all completed and
19 now they are doing the construction work. So as to the
20 project itself it's right on target and moving along.

21 And I'm sorry for this confusion, sometimes simple
22 things get complex. When I was here originally in the
23 original public company application -- if you would look
24 at -- it's a very simple model here -- Trump Hotels and
25 Casino Resorts is a public company, is the public company.

1 It owns all of the individual operations that you
2 see beneath it. Simply stated the stock of the public
3 company, Trump Hotels, is approximately 60 percent owned by
4 the public and 40 percent by Mr. Trump.

5 The initial transaction which the public company
6 did in June when it was completed had THCR Atlantic City
7 holdings. There was only one holding there and it was Trump
8 Plaza at that time. As you can see, this is all separate
9 and apart from Indiana.

10 Not only do we have to please the commission and
11 have representations to the commission which are accurate,
12 we have made representations to the public. And there have
13 been some articles that are saying that we're over burdening
14 the debt of Indiana with something that we are doing with
15 the Taj Mahal which we'll talk about later. We are not
16 permitted to do that. The Indiana project is a stand alone
17 project.

18 When we went to the public market, there was no
19 cash flow. There was no reality that the project would ever
20 be completed so that the money that was raised for the
21 public here for Indiana was frozen here.

22 That is, all money that was created out of Indiana
23 remains in Indiana so that we are not permitted to take
24 money from Indiana so that we can take it and put it into
25 New Jersey. We couldn't do it then and we won't do it after

1 the transaction, which is a merger transaction, is
2 completed.

3 And, in fact, as Mr. Pickus has said in his
4 letter, and it's accurate, when this transaction is
5 completed, there will be additional cash flow of
6 approximately \$60 million a year which goes from New Jersey
7 to Trump Hotels which is available for anything we need to
8 do in Indiana.

9 In other words, there can't be any cash upflow but
10 there can be cash downflow from the public company. So now
11 what we're doing is -- as you know, we own the Taj Mahal in
12 Atlantic City -- we are taking the Taj Mahal and we're
13 making it part of Trump Atlantic City Holdings.

14 And Trump Atlantic City Holdings now will have
15 Trump Plaza which is an Atlantic City casino and Trump Taj
16 Mahal in order to clean up the debt structure of these two
17 companies. Currently Trump Taj Mahal has approximately \$800
18 million worth of first mortgage notes. There are
19 approximately \$330 million of first mortgage notes at Trump
20 Plaza.

21 What we are doing is we are taking these two
22 companies on a debt level and we are going to have one
23 company. Trump Atlantic City Holdings will have -- will
24 raise approximately \$1.1 million of new debt. That debt
25 will be used to pay off the current mortgages of these two

1 companies.

2 The reason why we are doing that is not to create
3 more debt or new debt, is so that we can have cheaper debt.
4 In other words, the interest rate will be substantially
5 lower than the interest rates we are paying now. And more
6 importantly the covenants which restrict the use of funds
7 from Trump Atlantic City, now Trump Plaza, into Trump Hotels
8 will be -- will be relaxed so we'll have the capability
9 after we pay our mortgage. And if our net income rises to a
10 certain level, we'll be able to upstream money to Trump
11 Hotels.

12 It doesn't affect, A, Trump Hotels and Casinos or
13 certainly doesn't affect anything we are doing in Indiana.
14 We raised specific money for Indiana, the money is being
15 spent in Indiana, and as this facility is successful as we
16 anticipate, the money is captured here in Indiana.

17 So there has been some publicity which indicates
18 we are burdening the public company with a whole bunch of
19 debt which is not true, it's down here in the subsidiary
20 level. And more importantly what the articles don't state
21 is that the Taj Mahal is the most successful casino on an
22 operating basis in the world. It earned over \$145 million
23 in 1995.

24 That means that money is available in conjunction
25 with Trump Plaza to Trump Atlantic City and more importantly

1 the net income -- if we meet our net income test which we
2 believe will permit us to have \$60 million in 1996
3 upstreamed to Trump Hotels.

4 So I know it sounds complex but it really isn't.
5 And we made representations to this commission which were
6 accurate then and today, and more importantly we made them
7 to the public, it was accurate then and it is accurate
8 today. The public was told, we are going to have a wholly
9 owned subsidiary here, we still have that. The money will
10 be captured here as we told you. The money will be spent in
11 Indiana.

12 And more importantly I think the regulators in New
13 Jersey don't want to have their New Jersey casinos to be
14 involved directly with the Indiana casinos just like you
15 don't want this casino to be involved with the New Jersey
16 casinos. And you don't want anything that's going on here
17 to affect what's going on there. Well, the public was told
18 that it wouldn't and it's still factually accurate.

19 And I think that a lot has been said which is just
20 inaccurate. Now, just finally I want to point out that the
21 merger which we are doing -- Trump Taj Mahal, its stock, its
22 equity ownership will become part of Trump Hotels and
23 Casinos, so it will own now as part of the public company --
24 the equity will be merged into the equity of Trump Hotels
25 and Casino Resorts.

1 So not only are we receiving the best operating
2 casino in the world but we're also having the equity of that
3 casino and Trump Hotels which makes this company the second
4 or third largest company in the -- in the hotel casino
5 business. And obviously the efficiencies in New Jersey are
6 the reason why we are doing it.

7 That's just a general outline. As I said, there
8 were specific questions which are answered in Mr. Pickus'
9 letter. I just -- I'm sure the commission has questions,
10 and I will be glad to answer them.

11 MR. KLINEMAN: Well, I'll start off by saying you
12 -- thank you, Mr. Ribis, very much. Thank you.

13 You have now said that the money, the Indiana
14 money, will be captured in Indiana and not go upstream.

15 MR. RIBIS: Until -- until the income tests here
16 are met which will require -- which would require this
17 entity to have -- and it's down the road because we have
18 commitments that we have to meet obviously. We have a whole
19 master plan we're doing on the site with Magestics, formerly
20 pardoned -- whatever it was called -- which we are
21 developing now which includes hotels and other developments
22 which obviously are going to require the cash from this
23 casino.

24 MR. KLINEMAN: Now, we have received the
25 voluminous security documents for which I thank you very

1 much.

2 MR. RIBIS: That's why I have Mr. Rubino here, he
3 had a hand in writing those items.

4 MR. KLINEMAN: I wish that someone would point out
5 to me the document that says that the Indiana money shall
6 remain in the Indiana entity until such time as all of your
7 commitments in Indiana are fulfilled and then also your
8 additional representation which is that money, however, will
9 be available upstream from Atlantic City to the holding
10 company and then down to Indiana should Indiana need some
11 additional moneys. I mean that's the type of document that
12 will make me feel warm and comfortable.

13 MR. RIBIS: And we have that and -- although Dan
14 can get up and explain it we can submit those documents to
15 Mr. Pickus by tomorrow or whatever day later this week so
16 that you could look at the specific explanations. And,
17 therefore, in our final documents to the public if the
18 commission needs any specific other information included in
19 the disclosure, we would be glad to put it in.

20 MR. KLINEMAN: Okay. And along the same lines of
21 Mr. Pickus' letter of February 5th says, "No other assets or
22 property of Trump Hotels Casino Resorts or -- and no assets
23 or properties of Trump Indiana will secure such
24 indebtedness. Furthermore, the indebtedness will be
25 nonrecourse to Trump Hotels Casino Resort and Trump

1 Indiana."

2 MR. RIBIS: That's all correct.

3 MR. KLINEMAN: In other words, this is -- the
4 mortgage that you are talking about -- the mortgage
5 financing of -- the refinancing of Plaza and Taj Mahal, it
6 is nonrecourse there --

7 MR. RIBIS: -- or over here. Certainly all it
8 does is its first mortgage on two buildings in Atlantic
9 City, there is no recourse of Trump Hotels and certainly
10 none over to the Indiana. That's in a document, I could
11 assure you of, that and we can supply that. Is that
12 correct, Dan?

13 UNIDENTIFIED SPEAKER: Yes.

14 MR. RIBIS: Yes.

15 MR. KLINEMAN: I would like to -- I would like to
16 see that.

17 MR. RIBIS: Well, we'll include that also.

18 MR. KLINEMAN: Anyone else have any questions now
19 or should we -- there are other people here who might lend
20 some light but --

21 MR. RIBIS: Well, I think that -- as I said, Mr.
22 Pickus and Mr. Rubino are here. But the information you
23 asked is in the documents so we could submit it to you in
24 writing. And, you know, I don't think there is going to be
25 any -- there is no question in my mind as to what we're

1 doing and I don't think there is any question in my
2 counsel's mind or my general counsel's mind, I just want to
3 make it more simple to the commission.

4 MR. KLINEMAN: Okay. The other thing, I guess, we
5 ought to restate for the record is that in connection with
6 the initial public offerings there was, in fact, an escrow
7 established, a Gary escrow.

8 MR. RIBIS: Yes. That's correct.

9 MR. KLINEMAN: Some of the people may have
10 forgotten who have been looking over --

11 MR. RIBIS: Yes.

12 MR. KLINEMAN: -- this material.

13 MR. RIBIS: It's still -- it's still -- it's
14 required by the trust agreement and by the indenture and by
15 the documents to be bound by that, and we are obviously
16 legally bound by that.

17 MR. KLINEMAN: Okay. And the money, therefore,
18 which has been spent and is being spent to do the initial
19 phase of the Gary project the total of which is some --

20 MR. RIBIS: Sixty million dollars initially.

21 MR. KLINEMAN: -- sixty million dollars
22 approximately. Thirty or 31 of that -- 35 of that has, in
23 fact, been a cash escrow out of which moneys have been drawn
24 to do the work that has been done.

25 MR. RIBIS: That's correct.

1 MR. KLINEMAN: The initial financing is supposed
2 to be equipment financing and financing -- partial financing
3 on the construction of the vessel.

4 MR. RIBIS: That's correct.

5 MR. KLINEMAN: But there is a substantial equity
6 gone into the vessel itself, is that not correct?

7 MR. RIBIS: Yes, about \$10 million into the vessel
8 and about -- so far we have spent about \$30 million, Bob?

9 UNIDENTIFIED SPEAKER: Thirty-one.

10 MR. RIBIS: Thirty-one million. So as of this --

11 MR. KLINEMAN: Thirty-one million dollars on the
12 ground in Gary?

13 MR. RIBIS: Yes, on the ground in Gary.

14 UNIDENTIFIED SPEAKER: And the boat.

15 MR. RIBIS: And the boat -- is that included
16 also -- 31 in total. There will be an additional 5 to \$10
17 million spent before we open, and that's all out of the
18 initial escrow agreement that was created when we did the
19 public offering.

20 MR. KLINEMAN: And the rest is going to be
21 financed as you and I have just indicated --

22 MR. RIBIS: Yes.

23 MR. KLINEMAN: By financing on the vessel itself
24 plus the equipment financing?

25 MR. RIBIS: Yes.

1 MR. KLINEMAN: And those will be normal type debts
2 in connection with the creation of this type of an
3 operation?

4 MR. RIBIS: It would be normal commercial -- we do
5 it in all of our businesses -- there will be equipment
6 financing, for example, on a portion of the slot machines
7 and other equipment and other normal debt -- business debt
8 that --

9 MR. KLINEMAN: And if I remember, those were all
10 things that were talked about when we initially issued the
11 certificate of suitability that there would, in fact, be
12 financing for equipment and partial financing for the boat
13 and so forth?

14 MR. RIBIS: Yes. In fact, there was a letter
15 written by Donaldson Lufkin & Jenrette then which
16 indicated the equity contribution versus the debt going
17 forward, yes.

18 MR. KLINEMAN: And then the additional moneys
19 which are part of the conditions of the certificate of
20 suitability including the hotel and the other things which
21 you have promised to do for the citizens of the City of
22 Gary, those items will, in fact, be financed then out of the
23 moneys which will be generated in the Gary project?

24 MR. RIBIS: Well, there is really three ways, in
25 addition to the Gary project what we're doing now provides

1 us for additional cash flow at the parent company level so
2 that if we needed additional funds from Trump Hotels, we now
3 have cash flow not only at the Gary level but also at the
4 parent company level so that we are able to have two sources
5 of cash, the Gary cash from operations but more importantly
6 the Trump Hotels cash which we estimate to be about \$60
7 million a year in addition to what we've told the
8 commission.

9 So it provides additional cash and it doesn't cost
10 us more money. The hotel company now has additional cash
11 flow.

12 MS. BOCHNOWSKI: But that hotel -- but that
13 additional cash flow you are talking about also has to be
14 divided among your other operations, correct?

15 MR. RIBIS: No. What happens is, Commissioner,
16 is that there is what we call a net income test in the new
17 indenture which says that if you make a certain net income
18 ratio test, you are able to upstream money to the public
19 company.

20 So what happens is because you are combining the
21 debt with two assets and the operational profits of those
22 two assets and reducing our interest cost, immediately we
23 will meet the net income test as we complete the transaction
24 which provides us with the cash to take up to the parent
25 company, the public company.

1 Under the current indentures, which there are two
2 separate indentures, one for \$330 million at Trump Plaza and
3 one for almost \$800 million at the Taj Mahal, that you could
4 never meet the net income tests because they are so
5 complicated and they are not integrated.

6 Now we are integrating it in one instrument and we
7 know we could project going forward what our net income will
8 be and what's available to the public company. We couldn't
9 do that before.

10 MS. BOCHNOWSKI: Right. But what I'm saying is
11 that that additional cash flow isn't just going to Gary? I
12 mean --

13 MR. RIBIS: Oh, no. No. Obviously -- obviously
14 here there will be substantial -- if we are right, there
15 will be well in excess of \$250 million a year which are
16 generated out of the Atlantic City casinos. Obviously a
17 portion of that will be reinvested in New Jersey and kept in
18 New Jersey to pay interest and operating costs. And then
19 there will be another portion available to the public
20 company.

21 MR. KLINEMAN: Well, and you also have to meet the
22 dividend, whatever is declared at the holding company level,
23 the public company level; isn't that correct?

24 MR. RIBIS: Yes. That's correct.

25 MR. KLINEMAN: Have there been any dividends

1 yet --

2 MR. RIBIS: No. I don't think you'll see any
3 dividends out of the holding company in the foreseeable
4 future, no. We disclosed that we didn't anticipate any in
5 the early years of the public company. We wanted to use the
6 money for development.

7 MR. BOCHNOWSKI: The chart I have here is a little
8 more complicated than the chart you have there.

9 MR. RIBIS: Well, the chart you have in your book
10 is so complicated I -- I can't even work off it.

11 MS. BOCHNOWSKI: I'm trying to make sure that you
12 are not over simplifying it in order -- you know, I mean it
13 helps us understand it but then I don't want to miss
14 something because it's simplified.

15 MR. RIBIS: Commissioner, I was going to work off
16 that chart and to be honest with you I said to -- I said to
17 my two lawyers -- I said, just give me the accurate chart
18 without all of the accounting functions that you have, where
19 the money goes and comes from.

20 MS. BOCHNOWSKI: Right.

21 MR. RIBIS: These charts -- I wouldn't be standing
22 here before you, as you know. I've done this many times,
23 these charts are accurate, and they are fully accurate. We
24 simplified them only to the extent that we could follow the
25 money, where the money is and where the entities are, that's

1 why we did that. But it accurately reflects where we are.

2 MS. BOCHNOWSKI: Okay. It makes me nervous when I
3 see this and then I see that and they don't look the same.

4 MR. RIBIS: Well, they are the same. I mean they
5 are divided -- if you look at the arrows, they -- you still
6 have your unrestricted -- your unrestricted subsidiary
7 companies which is what we have here.

8 MR. THAR: I wonder if maybe you have, as Ann has
9 just indicated, oversimplified something, where you have
10 THCR Atlantic City holdings -- sir, with the camera, can you
11 move out of the way, please, Mr. Channel 2, 22 -- our chart
12 which shows that there is an AC holdings underneath the THCR
13 holdings, is that the way the structure really is?

14 MR. RIBIS: Yes. But that is just -- is that for
15 the debt?

16 MR. THAR: Are there significant restrictions
17 within AC holdings that certain debt has to be paid off
18 before there is any upflow money?

19 MR. RIBIS: No. No debt has to be paid off, we
20 have to make the net income test. These are -- these are
21 interest only notes for 10 years so there is no repayment
22 requirement at AC holdings other than the interest and the
23 net -- meeting the net income ratio test. Am I right, Dan?

24 UNIDENTIFIED SPEAKER: That's correct.

25 MR. THAR: What if the interest cuts -- the

1 anticipated interest payment is going to have to occur in AC
2 holdings before it moves up.

3 MR. RIBIS: The annual interest will be in the
4 area of 100 to \$110 million, maybe projected higher in the
5 transaction, but the interest rate, that's what we
6 anticipate.

7 MR. THAR: You are saying there is no provision
8 for the long-term payment -- paying off of that long-term --

9 MR. RIBIS: We have no amortization, no.

10 MR. THAR: -- holdings?

11 MR. RIBIS: There is no amortization. The bonds
12 are interest only bonds for 10 years. In fact, we have a no
13 call provision for five -- we can't call any portion of that
14 debt for five years.

15 MR. THAR: Then how do the bonds get paid off?

16 MR. RIBIS: They get paid off at the end or get
17 refinanced, that's usually how high yield deals are done.
18 In other words, there's usually -- it's very unusual to
19 have --

20 MR. THAR: You are just going to be carrying
21 interest payments for 10 years?

22 MR. RIBIS: That's correct. There's significant
23 -- there would be significant financial penalties if we
24 attempted to pay off any amortization. I know it sounds
25 unusual because we all own homes but this is the way -- this

1 is the way these things are structured.

2 We have a five year no call -- is that correct,
3 Mark?

4 UNIDENTIFIED SPEAKER: Yes, five year no call.

5 MR. RIBIS: We can't -- we can't even do anything
6 with respect to that for five years. And after the fifth
7 year there is a penalty if you repay your interest. In
8 other words, you will pay over par for your principal if you
9 repay the interest prior to about the seventh year.

10 MR. KLINEMAN: You repay your principal.

11 MR. RIBIS: I'm sorry. So that -- it's
12 structured so that you only pay interest mandatorily for
13 almost eight years. They don't want their principal back.

14 MR. KLINEMAN: Except if you default.

15 MR. RIBIS: Oh, if you default or you want to pay
16 them three times as much as the principal or face amount of
17 the principal. I know it's unusual but most high yield
18 deals are that way.

19 MS. BOCHNOWSKI: Where does this -- because you
20 have got -- I mean even though that is part of what this is,
21 on top of this you have your common stockholders and you
22 have various other and you have got Donald Trump there, what
23 does this do to the people who you -- I mean we had a lot of
24 discussions about local investors but, in fact, you did
25 include some local investors, you did include a charitable

1 trust. Now, where does that put all of that?

2 MR. RIBIS: The charitable trust is part of the
3 joint development agreement, I think Mr. Pickus -- and it's
4 -- he could address that. But as the investors, you know,
5 were having discussions and agreed not to discuss that
6 publicly.

7 But I can say -- I can tell the commission that
8 they are moving along and our attorneys have met and I
9 think -- I'm hopeful that it will be resolved.

10 MS. BOCHNOWSKI: We really don't want to get into
11 that. We want you to resolve that.

12 MR. RIBIS: As to the trust, I know it's part of
13 the joint agreement development. In fact, the city's
14 counsel is here and it will be all part and parcel of what
15 we finally execute with the city, am I right?

16 UNIDENTIFIED SPEAKER: Yes.

17 MS. BOCHNOWSKI: The only time that those local
18 investors would be a problem for you would be if you can't
19 come to some agreement.

20 MR. RIBIS: Well, it depends on what their legal
21 rights are, you know.

22 MS. BOCHNOWSKI: Right.

23 MR. RIBIS: You know, I really -- I don't know
24 that we should get into that discussion here. I think that
25 right now we are moving toward a resolution.

1 MS. BOCHNOWSKI: Well, we want you to work with
2 the people of Indiana and the people of Gary in good faith,
3 you know. Do you see what I'm saying? If you represented
4 one thing --

5 MR. RIBIS: Well, I never -- if you remember what
6 happened before the commission -- and I don't want to go
7 back over history, I think the record will reflect some of
8 the discussions that were held before the commission a long
9 time ago with respect to local investors and their ability
10 to, in fact, invest. I don't want to go back over that
11 because it's not an issue with us now.

12 MS. BOCHNOWSKI: No. No, it really isn't. I just
13 want to make sure that this is not going a change anything
14 in regard to local --

15 MR. RIBIS: Oh, no. No. No. We're not touching
16 -- we're not touching -- as I said to the chairman, we are
17 not touching anything here, no. We have the same
18 responsibility we had before.

19 MR. THAR: The income test you talked about having
20 to meet before the money flows up to public company --

21 MR. RIBIS: Yes.

22 MR. THAR: -- is that set out?

23 MR. RIBIS: We will set it out -- if you try -- if
24 you try and go through the documents it's very simple if you
25 put it in -- there is a summary, I believe -- can we prepare

1 a summary, Bob?

2 MR. PICKUS: If I could, Mr. Thar, in response to
3 that question or request that the chairman made, many of --
4 although we have a conceptual agreement with the investment
5 bankers as to how this transaction is going to work some of
6 the -- many of the actual documents themselves have not yet
7 been drafted. Those will be drafted and be prepared over
8 the course of the next couple of months as the documents are
9 completed by the SEC and as investment bankers continue to
10 do their job.

11 So as those documents become finalized which will
12 include things like the income tests, they will provide
13 those to the commission. We can certainly point out to you
14 in the documents which have been filed with the SEC, the
15 summary descriptions of those provisions. But in terms of
16 actual documentation, most of those documents do not yet
17 exist but, of course, they will be drafted over the course
18 of the coming weeks.

19 MR. KLINEMAN: I would then like to see if the
20 documents aren't in existence -- to answer questions that
21 have been talked about here today I would like to see at
22 least something in the -- in the nature of a letter of
23 intent or something saying -- saying we intend to enter into
24 agreements which will have the following provisions to be
25 signed by the parties who are -- I guess the underwriters

1 would want to -- I would want to see the underwriters write
2 off on that.

3 MR. RIBIS: We have already -- we have already
4 disclosed generally what we are doing as in these documents
5 themselves, we have already made those disclosures. And
6 what Bob is saying that the underlying documents are being
7 prepared as we speak.

8 But we've already represented to the Securities
9 Exchange Commission and to the public the transaction. The
10 finality of those documents will be in in a couple of weeks.
11 But we can point out in the current documents the questions
12 you asked.

13 MR. KLINEMAN: If you would point out in the
14 current documents where some of the questions that we have
15 been asking today have been answered and to the extent that
16 you do not have current documents answering the questions
17 that we have asked today, I would like to see something in
18 writing in the nature of a letter of intent -- that's
19 probably the wrong nomenclature but that's the way I
20 think -- saying that a document will be entered into that
21 will have the following income provisions or whatever so
22 that we then get a full packet within the next couple of
23 weeks because this commission has to decide whether it feels
24 that it must take some action in connection with this merger
25 or whether or not as you have urged on this commission

1 that -- that we are just as well off as we were the day we
2 gave the letter or the certificate to you and that,
3 therefore, we should take no action in connection with this
4 merger, and we want to be assured before we make that
5 decision.

6 MR. RIBIS: You will have all -- you will have
7 what you have asked for within a week I can assure you.
8 It's there and ready to be sent and we'll prepare it and get
9 it to Mr. Thar, and I'm sure he will circulate it to the
10 commissioners.

11 MR. KLINEMAN: Are there any other questions.

12 MR. SWAN: I would like to ask one more question.

13 MS. BOCHNOWSKI: Yes. Please go ahead.

14 MR. KLINEMAN: We may have one more question.

15 MR. SWAN: We talked a moment ago about AC
16 holdings and the senior debt. If AC holdings has problems
17 making its obligation on the senior debt instruments, are
18 the assets of Trump Indiana subject to claims of those debt
19 holders?

20 MR. RIBIS: None, they have no claim on Indiana
21 at all, and they have no claim on New Jersey either. It's
22 really nonrecourse that it's basically unsecured debt. They
23 call it senior subordinated that's but why the interest
24 rates are so high on that type of debt.

25 MR. KLINEMAN: Any other questions?

1 MS. BOCHNOWSKI: Yeah. I have a couple of
2 questions. One, I just want to make sure I'm getting this
3 right, you are saying the Taj Mahal is the most
4 successful --

5 MR. RIBIS: On an operating basis -- on an
6 operating basis it earned about \$145 million in cash flow
7 this year.

8 MS. BOCHNOWSKI: You have to understand I'm not
9 the accountant on the commission but I'm seeing that you
10 have net losses there.

11 MR. RIBIS: Yeah, but you always net -- we have
12 depreciation. You are looking at net income. If you look
13 up -- if you look up on the operating line, you will see
14 operating profit. And off of operating profit come non cash
15 items such as depreciation, certain allocations of costs.

16 And I think most casinos on a net income basis,
17 not only us but most casinos are not profitable because we
18 have such -- it's a building that costs over a billion
19 dollars to build so our depreciation on an annual --
20 annually is very, very high and that gets offset. After
21 your operating profits then you have depreciation and non
22 cash items and it's not unusual to have net losses.

23 MS. BOCHNOWSKI: So, in other words, the cash is
24 there, it's just not on an accounting basis.

25 MR. RIBIS: That's correct.

1 MS. BOCHNOWSKI: I don't know -- this business has
2 got me stumped, I'll tell you that. How do people make
3 money?

4 MR. KLINEMAN: They make money because people come
5 and bring them money.

6 MS. BOCHNOWSKI: I know but they have got all this
7 debt.

8 MR. RIBIS: It's not like when you -- when you pay
9 your mortgage, you have to have the cash to pay your
10 mortgage. Obviously here we have to have cash to -- to pay
11 our employees which are -- which are over -- with the two
12 casinos -- which are over 10,000, to pay our mortgages, to
13 rehabilitate the buildings, to reinvest our money and so
14 that on a cash basis it generated about \$145 million of
15 operating cash flow but that's not all the cash it generated
16 so that it's a very, very successful business.

17 MS. BOCHNOWSKI: I understand. I understand what
18 you are saying. Okay. There was one other question I
19 had -- which one is it? There is one -- no, go ahead.

20 MR. RIBIS: Is it Mr. Pickus' salary because I
21 question that too.

22 MS. BOCHNOWSKI: I don't care how much you people
23 are making.

24 MR. THAR: Ann, while you are looking I have a
25 question to ask. That will put two of Trump's three casino

1 hotels in Atlantic City into the public company?

2 MR. RIBIS: That's correct.

3 MR. THAR: At least one outside of the public
4 companies is controlled solely then by Mr. Trump?

5 MR. RIBIS: That's correct.

6 MS. BOCHNOWSKI: That was my question too. Go
7 ahead. That's what I was looking for.

8 MR. THAR: Where does that put Mr. Trump's
9 loyalties in terms of competition?

10 MR. RIBIS: You sound like one of my investors.
11 Those are the questions we always get on our road shows.
12 There is no question on the question of conflicts.
13 obviously we had -- obviously before we did any of this we
14 had three public companies in Atlantic City, each had public
15 debt so -- and they all had independent boards of directors.

16 And the question -- all of them had their own
17 separate audit committees and codes of ethics. And in the
18 years I have been with Mr. Trump over the last five and a
19 half years there has never been any issue as to loyalty or
20 conflicts because you are required to operate each
21 independently.

22 The advantages here now with rolling in the Taj
23 Mahal and Trump Plaza you have a single debt instrument so
24 that there are certain efficiencies that we can now glean
25 from these operations which we couldn't when they were

1 separate and had separate debt instruments on them.

2 MR. KLINEMAN: Do you have any estimate of what
3 the interest rate is going to be on the interest --

4 MR. RIBIS: Well, I have my investment banker
5 here. We think it's going to be in the 10s, he thinks it's
6 going to be in the 11s, that's something we'll have to
7 negotiate as we go on the road.

8 MS. BOCHNOWSKI: We've been hearing 13.

9 MR. KLINEMAN: No. We have been hearing 18. What
10 were you at before?

11 MR. RIBIS: Fifteen and a half on the holding
12 company debt if you recall.

13 MR. THAR: Let's go back to the Trump Castle,
14 versus Trump Hotels and Casino Resorts, Inc. Let's assume
15 that Trump Castle is having a hard time it's losing with
16 competition, with Trump Hotels and Casino Resorts, what is
17 Donald Trump -- what actions is he going to take?

18 MR. RIBIS: First of all, you have to start from
19 the basis that it's very successful right now. If it had a
20 problem, it would have to be separately dealt with away from
21 the public company. The public company would have no
22 contact on a debt or an equity basis with that.

23 So assuming that worst case basis that something
24 -- that you couldn't pay your debt -- couldn't pay your
25 interest on your debt at the Castle, Mr. Trump would have --

1 and the board of directors there which is separate and apart
2 and different from the public company would have to deal
3 with that.

4 MR. THAR: What are the checks and balances put in
5 place with regard to Trump Hotels and Casino Resorts to
6 guaranty that Mr. Trump's efforts will always be at a
7 certain level with regard to the success of that company?
8 And is there somewhere within this documentation that you
9 can you point that out to us?

10 MR. RIBIS: Sure. They were specifically placed
11 in the documents as to the question of conflict and the
12 responsibility of Mr. Trump and we could point those out,
13 Mr. Thar.

14 MR. THAR: Let's go back to the charitable
15 trust -- charitable foundation which you indicated is part
16 of discussions between Trump Indiana and Atlantic City, just
17 how in theory is this supposed to work?

18 MR. PICKUS: I can address that, Mr. Thar. The --
19 with respect to the Trump Foundation --

20 MR. KLINEMAN: Do you want to state your name,
21 Bob, and spell it, please, for the record.

22 MR. PICKUS: Yes, Mr. Chairman, Robert Pickus,
23 executive vice president and general counsel of Trump Hotels
24 and Casinos.

25 The Trump Foundation, which is an Indiana

1 charitable foundation, has been formed as a corporation in
2 the state of Indiana. We are currently in the process of
3 preparing the application for the Internal Revenue Service
4 for a charitable status.

5 The specifics of the operation of that foundation
6 are something that we just last week began or I should say
7 renewed discussions with the City of Gary.

8 MR. THAR: I'm not too concerned about the
9 operations, I'm concerned about the funding.

10 MR. PICKUS: I will get to that in a second, Jack,
11 so that's moving forward. The original proposal with
12 respect to the funding of the foundation contemplated a
13 certain percentage of equity holding in the foundation of
14 the Trump subsidiary.

15 As part of the public offering of last June the
16 structure of that changed a bit. The original concept to
17 put the -- some percentage of equity holding in the
18 foundation was merely to provide a vehicle for the funding
19 of the foundation to ensure that the foundation had adequate
20 funding to fulfill its charitable purposes.

21 What we are currently structuring -- and the
22 details should be resolved within the next week or two, I
23 would say about the end of next week -- is a mechanism
24 whereby the foundation will be funded to the same financial
25 equivalent that it would have been funded had it, in fact,

1 held the equity that was originally contemplated.

2 And again the equity holding was only to provide a
3 funding mechanism. So by providing an alternative
4 equivalent financial mechanism we are confident and we
5 believe that both the city and the commission will agree
6 that the funding will provide the foundation with the same
7 level of funds to provide outside services and its goals.

8 MR. THAR: The funding would provide the income,
9 what about the assets? Would 7 and a half percent stock be
10 an asset?

11 MR. PICKUS: It would be an asset under the
12 foundation laws. And one of the lawyers we didn't bring
13 with us unfortunately is the lawyer who is helping establish
14 foundation. Foundation is prohibited from trading anyway,
15 so there is no value to that we don't believe.

16 And like I said, there is really no value to the
17 foundation of owning an asset because it's prohibited from
18 trading. The real value is in the income stream it gets
19 that it can then use to distribute and use for its
20 charitable purposes.

21 And by setting up a mechanism that provides an
22 equivalent so that the funding will be exactly the same as
23 it would have been before, we believe the same goals and
24 intentions that we expressed with this commission before
25 this certificate was awarded will be met.

1 MR. THAR: You're saying that you don't need to
2 put 7 and a half percent of the ownership in the foundation,
3 you just need to fund it.

4 MR. PICKUS: That's correct.

5 MR. THAR: And you are saying that that's the
6 same?

7 MR. PICKUS: Correct.

8 MR. RIBIS: The ownership was at this level so
9 what you do is since the cash -- it's easy to track the
10 cash, you just take the 7 and a half percent, is that what
11 you're saying --

12 UNIDENTIFIED SPEAKER: Pretty much.

13 MR. RIBIS: -- to put it into stock. The
14 foundation is it doesn't have the liquidity to do what it
15 needs to do, that's the way it was explained to me.

16 MR. THAR: I'm going to assume that since you said
17 there won't be any -- when will the foundation get dividends
18 or get an income flow equal to, what, 7 and a half would
19 have gotten in terms of dividends if they had held the stock
20 past 7.5 --

21 MR. PICKUS: Right. I think what we are
22 anticipating now is on the annual basis at the end of each
23 calendar year that after -- we need to account for the
24 moneys that the Trump Indiana project generates which will
25 be done on an annual basis consistent with our other

1 financial obligations with respect to tax payments.

2 MR. THAR: How is that going to happen? Is that
3 described in any document that's filed with the company in
4 the public originally when Trump Indiana was formed under
5 Trump Hotels and Casino Resorts, or is it described under
6 any of the present documents?

7 MR. PICKUS: When you say how is that going to
8 happen, which that are we talking about?

9 MR. THAR: If you look at the somatics, Trump
10 Indiana 100 percent owned by THCR holdings, correct?

11 MR. PICKUS: Correct.

12 MR. THAR: Indiana Riverboat Casino in Buffington
13 Harbor is a subsidiary underneath that at least that's what
14 you are talking about?

15 MR. PICKUS: Right.

16 MR. THAR: How you how does Trump Indiana get
17 money down to what would be equivalent to 7.5 percent
18 ownership interest funding back to the City of Gary, how is
19 that accomplished?

20 MR. PICKUS: Very simply. Trump Indiana as we
21 explained and is explained, I believe, in the documents is a
22 stand alone operation, it's a separate entity, it's a
23 separate company.

24 MR. THAR: Plus you have obligations going to the
25 parent company, does it not?

1 MR. RIBIS: It does not. No, it does not.

2 MR. THAR: So it can dispose of its income as it
3 chooses?

4 MS. BOCHNOWSKI: Well, now, wait. You are saying
5 if it meets --

6 MR. KLINEMAN: It has an obligation to its
7 shareholder which is upstream.

8 MR. RIBIS: In other words, we can't give Donald
9 Trump \$50 million or -- what we have is an obligation here,
10 a fiduciary obligation, to the public company but we have no
11 contractual obligation to disperse moneys in an upward
12 direction if the cash flow is at this level until it meets
13 the obligation. One of those obligations would be one of
14 the things we discussed previously and this foundation which
15 is all disclosed, am I right?

16 UNIDENTIFIED SPEAKER: Yes.

17 MR. THAR: You will point that out with the
18 explanations too?

19 MR. RIBIS: Absolutely.

20 MR. KLINEMAN: Anything further? I would like all
21 of these questions to be answered in one concise document
22 with a road map so we can find our way through them with
23 exhibits attached and so forth. Rather than piece mail I
24 would like to see it all in one package.

25 MR. RIBIS: It will be all in one document within

1 a week, we'll get it to the commission.

2 MR. KLINEMAN: Anything further? Thank you very
3 much.

4 MR. RIBIS: Thank you for the opportunity.

5 MR. KLINEMAN: And we'll look forward to receiving
6 the additional information and you will be advised what the
7 commission's position is in regard to this merger. Thank
8 you.

9 MS. BOCHNOWSKI: I do have one other question.

10 MR. RIBIS: Yes.

11 MS. BOCHNOWSKI: What -- tell me what your time
12 line is on this. When is all this, you know -- on this
13 whole offering and everything what --

14 MR. RIBIS: I think we were just talking about
15 that today, obviously we have to get initial comments from
16 the Securities Exchange Commission on our S4, which is the
17 merger document today.

18 We expect the other comments within two weeks on
19 the S1 which is the entire transaction. Whenever the
20 Securities and Exchange Commission permits us, then we have
21 to go out and obviously go on a boat road show to sell it
22 which would be early to mid March, probably early April is
23 when the closing would take place.

24 MR. KLINEMAN: Are we going to Europe again on the
25 road show?

1 MR. RIBIS: We are, we are doing two stops, I
2 think we're doing Paris and -- we were talking about that --
3 Paris and London.

4 MR. KLINEMAN: I think the executive directors
5 ought to go along.

6 MR. RIBIS: So I would say April 10th to April
7 20th in that time line.

8 MR. THAR: Mr. Chairman, Mr. Thiros is here from
9 the City, do you want to see if he has got any brief
10 comments?

11 MR. KLINEMAN: That would be fine. Would you
12 state your name for our record.

13 MR. THIROS: My name is Nick Thiros.

14 MR. KLINEMAN: Welcome.

15 MR. THIROS: Good afternoon. I'm here on behalf
16 of the City of Gary. First of all, I would like to express
17 my condolences to Ms. Bocknowski for not being able to
18 understand what these figures are all about because I don't
19 either quite honestly. I'm not a money man but I appreciate
20 what you are going through. And you can understand what we
21 are going through trying to understand what you are trying
22 to understand so we share the same concerns that you do.

23 We are concerned that the City of Gary in the long
24 run is going to receive exactly what the Trump organization
25 promised before they were issued their certificate of

1 suitability. And quite frankly my just getting involved in
2 this I have found that the people that I have been dealing
3 with on behalf of the Trump organization are straight
4 forward and straight up people.

5 And I'm glad to say that at least from that
6 standpoint that I think that we are going to get the answers
7 that we need. But we are concerned that the Trump
8 organization -- that the Gary operation is independent of
9 the Atlantic City operation and that whatever is going to
10 flow from that operation will flow, first of all, to its
11 commitment to the state of Indiana and to the citizens of
12 Gary.

13 We are also concerned, by the way, with the 7 and
14 a half charitable trust agreement that they set up, that
15 they promised that they would set up, and we are interested
16 in seeing that that is fulfilled. And there is a problem as
17 I see it as Mr. Thar has expressed, the CS, the certificate
18 of suitability, indicated that 7 and a half percent of the
19 total operation would be set aside for a charitable trust,
20 and that to me means an interest, 7 and a half interest, in
21 this -- in this operation not 7 and a half percent of the
22 income, there is a little difference. I think between the
23 two of us somehow we'll get that resolved but we do have
24 these concerns as well as you do.

25 The only thing that I would like to ask at this

1 time is that the commission keep us advised as you are going
2 along as to the decisions that you are making so that we can
3 have some input as to just exactly what it is that you are
4 thinking of doing.

5 We would like to have copies of everything you
6 have requested of them so that we can in turn examine and
7 have our financial people look at these documents and make
8 sure that they are nonrecourse notes as they have indicated
9 that they are and that their interest is our interest as
10 well and that the City of Gary and the state of Indiana are
11 both protected from whatever happens in Atlantic City.

12 I don't think that that -- I don't think that we
13 have anything to be concerned about quite honestly.
14 However, I would like to -- to impress upon you that we
15 would like to have copies of whatever you are getting being
16 supplied to us at the same time.

17 MS. BOCHNOWSKI: There's one other -- pardon me.

18 MR. THAR: I can't agree to that at this time
19 because, Nick, we have received some documents which are
20 confidential under state law.

21 MR. THIROS: Okay.

22 MR. THAR: I can't share those with you unless the
23 Trump organization allows me to which means it would be much
24 easier if we just simply request the Trump organization
25 copies if you want of anything they send to us and vice

1 versa.

2 MR. THIROs: I think that would be fine.

3 MR. THAR: You can get it from them.

4 MR. RIBIS: We don't have a problem.

5 MR. THIROs: No problem, that's fine. They have
6 indicated before that there would be no problem, that would
7 be good.

8 MS. BOCHNOWSKI: There's just one other thing, I
9 mean at this point they have a certificate of suitability.

10 MR. THIROs: Yes.

11 MS. BOCHNOWSKI: We don't grant a license until at
12 least the initial commitments have been fulfilled; isn't
13 that correct?

14 MR. THIROs: True as I understand it.

15 MS. BOCHNOWSKI: That's the way --

16 MR. THAR: I think it's important that for a
17 certificate of suitability to be accomplished or
18 substantially accomplished before we grant a license.

19 MS. BOCHNOWSKI: Right, so we have that
20 protection.

21 MR. THIROs: I understand.

22 MR. KLINEMAN: And we do have the discussion which
23 Mr. Thar started which you have picked up on a little bit
24 but the question of whether or not the foundation will,
25 quote, "own" a 7 and a half percent interest in the Trump

1 operation in Gary or whether or not it will be entitled to a
2 7 and a half percent flow off of the operation in Gary. I
3 mean that's a question that needs to be resolved.

4 MR. THIROs: We began to discuss that last week
5 with Mr. Pickus and Mr. Lufkin. We didn't delve into it too
6 much because that was not the purpose at that particular
7 meeting. However, as the development agreement is
8 finalized, that's one of the issues, of course, that needs
9 to be addressed and we hope to address it to our
10 satisfaction as well as to the commission's.

11 MR. KLINEMAN: Well, if you are satisfied, we
12 would be satisfied.

13 MR. THIROs: Yes.

14 MR. KLINEMAN: That would be one of the ways I
15 would like to say because -- well, that's --

16 MR. THIROs: Yes, I understand. Thank you for the
17 opportunity to speak.

18 MR. KLINEMAN: Okay. Anyone else? All right.
19 Well, thank you for being here. Is there any other items of
20 business that come before this meeting? I'm not sure if we
21 really are in a position to set our next meeting at the
22 present time, should we wait until the conclusion of
23 tomorrow maybe?

24 MR. THAR: Yes.

25 MR. KLINEMAN: Okay. So we will then adjourn this

1 session until this afternoon and we'll come back at --

2 MR. THAR: We were originally to start at 1:15, I
3 might suggest 1:30 or 1:35, that would give us 45 minutes
4 for lunch is that enough time?

5 MR. KLINEMAN: How about 1:35. We will be back
6 then to start the proceedings on the licensing in Michigan
7 city.

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10 (Proceedings adjourned at or about 12:45 p.m.)

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1 STATE OF INDIANA)
2) SS:
3 COUNTY OF LAPORTE)

4 COURT REPORTER'S CERTIFICATE

5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 12th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 11:30 a.m., I then and there reported the
10 proceedings had before the Riverboat Evaluation Committee;

11 I further certify that I reported said proceedings by
12 the means of machine shorthand and that I have transcribed
13 my original shorthand notes through the use of
14 computer-aided transcription into the typewritten form and
15 that the foregoing and attached pages or parts of pages
16 number inclusively two through forty-four comprise a true,
17 correct, complete and accurate transcript of said
18 proceedings;

19 IN WITNESS WHEREOF, I have hereunto set my hand and
20 official seal this 19th day of February, 1996.

21 Natalie Bearickx
22 Natalie Bearickx

23
24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
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BEFORE THE
INDIANA GAMING COMMISSION

IN RE: THE POSSIBLE)
ISSUANCE OF A GAMING)
LICENSE FOR A RIVERBOAT)
IN MICHIGAN CITY, INDIANA)

THE PRESENTATION OF THE CITY OF MICHIGAN CITY
VOLUME I, Pages 1 thru 84

The presentation of the CITY OF MICHIGAN CITY as had
before the Indiana Gaming Commission, commencing on Monday,
February 12, 1996, at or about 1:30 p.m. at the Pine Lake
Hotel, 444 Pine Lake Avenue, LaPorte, Indiana.

GAMING COMMISSION MEMBERS PRESENT:

DAVID E. ROSS, JR., M.D.
ROBERT W. SUNDWICK
ANN MARIE BOCHNOWSKI
DONALD RAYMOND VOWELS
ALAN I. KLINEMAN
ROBERT SWAN
THOMAS F. MILCAREK

ALSO PRESENT:

JACK THAR
Executive Director, Indiana Gaming Commission
FLOYD HANNON
Deputy Director, Indiana Gaming Commission
KAY FLEMING
Chief Legal Counsel, Indiana Gaming Commission
JANINE HOOLEY
Director of External Affairs

Members of each Applicant's Staff
Members from the General Public

Reported by: Natalie Bearickx, CSR, Associate Reporter

1 Monday, February 12, 1996 --

2 (At or about 1:30 p.m. Gaming Commission
3 and members of the public present at
4 the Pine Lake Hotel.)

5 MR. KLINEMAN: I guess we are ready to
6 proceed for this afternoon. The first item on
7 our -- okay. This afternoon, I guess, we would
8 again ask the mayor to come forward, and we will
9 have the presentation on behalf of the city of
10 Michigan City. Welcome again.

11 MAYOR BERGERSON: Good afternoon, Gaming
12 Commission. I hope you all had a delightful
13 lunch. It's a lot warmer in here than the sites
14 were this morning when we visited. As I said
15 this morning, I wanted to review with you the
16 things -- the materials we received from the
17 city of Michigan City.

18 This morning you received a packet of
19 information regarding the sites. You should
20 have information from the Michigan City Port
21 Authority, NIPSCO Industries, clippings from the
22 newspaper on the DNR and the Port Authority
23 positions. And you should have information from
24 the Labor Market Information Unit on our
25 unemployment status. In addition on your desk

1 today this afternoon you received a list of
2 presenters for the city of Michigan City as well
3 as a listing of the panel of city officials who
4 are here to field questions this afternoon.

5 I would like to introduce the team of
6 people speaking on behalf of Michigan City.
7 Charles Oberlie is the city controller; John
8 Pugh, the planning director; Linda Bell,
9 Director of LaPorte County Convention & Visitors
10 Bureau; and Richard Treptow, the Gaming
11 Consultants Group who were hired by the city of
12 Michigan City to assist us through this process.

13 In addition I brought with me police and
14 fire, city engineer, city attorney and deputy
15 city attorney, refuse and municipal services to
16 answer all the questions you may have on our
17 infrastructure and our capital equipment needs
18 over the next years in Michigan City.

19 This afternoon begins a very important day
20 in the life of Michigan City's history. I'm
21 here today as a representative of the citizens
22 of Michigan City as we make our presentation to
23 you on the viability of a riverboat gaming
24 license for our city.

25 We here in Michigan City would like to

1 emphasize to you and to the people in the
2 audience the seriousness in accepting or trying
3 to accept a gaming license for our community.
4 Gambling goes well beyond the dollars that we
5 are dealing with here. It transcends economic
6 regards, new jobs and other financial --
7 financial things that may come our way, these
8 things are well, these things are good but there
9 is more.

10 What gambling brings to our doorstep is
11 responsibility, a sociological responsibility,
12 to do more than feather our nest, and this is
13 what we here in Michigan City will be able and
14 are very willing to do. If we are to build our
15 community, we must do so with quantitative goals
16 in mind.

17 Infrastructure needs and capital
18 improvements that will improve the quality of
19 life for all of our people should be an
20 essential result of this type of project. Our
21 city voted for this project so we are guaranteed
22 community support which is a must. This
23 community will work together as an example of
24 what can be done at a level of excellence that
25 we can all be proud of.

1 Our city has many great needs. This
2 morning I showed you a small section of our
3 community. You saw dilapidated neighborhoods,
4 abandoned industrial sites, underdeveloped land
5 and you saw redevelopment. You saw private
6 investments, which had a tremendous impact, it
7 is an example of how blight and stagnation can
8 be erased and reversed.

9 Our work force is approximately the same as
10 it was 15 years ago due to the stagnation of our
11 industrial economy. In Michigan City we have
12 seen growth. We have seen a proliferation of
13 chain stores, retail shopping, while small
14 businesses have been forced to shut down.

15 Our community has come to realize that our
16 need for an environment must be where all
17 businesses can prosper and provide opportunities
18 for our young people. What have we offered our
19 young people who need jobs for the future and
20 training as they make their way in the world?
21 Now there is potential for our community, for
22 our city and for our new future.

23 The advent of riverboat development could
24 very well bring economic development that could
25 provide us with new avenues of growth for our

1 city which are direly needed. At this time I
2 would like to ask the city controller to come
3 forward to explain to you some of those economic
4 needs.

5 MR. OBERLIE: Good afternoon, ladies and
6 gentlemen. In your packets you have before you
7 some specific data which will support the
8 comments that I'm going to make this afternoon.

9 MR. KLINEMAN: Excuse me just a moment.
10 Could you identify yourself for the record.

11 MR. OBERLIE: Certainly. My name is
12 Charles Oberlie. I'm the controller of the city
13 of Michigan City. During the 1980s Michigan
14 City's population shrunk by 8.2 percent. Our
15 home valuations fell by 12 percent.

16 Michigan City has the lowest assessed
17 valuation of any second class city in the state
18 of Indiana at slightly more than \$200 million,
19 less than one half of the average of the
20 assessed valuations of the other second class
21 cities in the state.

22 In spite of that we have not hesitated to
23 use bonding authority. Our sanitary district
24 had outstanding general obligation bonds of \$21
25 million at the close of 1995 versus a legal

1 limit obligation of \$24 million.

2 In addition the sanitary district and the
3 water departments have outstanding bonds for
4 revenue purposes in excess of \$25 million at the
5 close of 1995. Since 1987 Michigan City's
6 unemployment rate has been higher than the
7 LaPorte County unemployment rate, the state
8 unemployment rate and the national unemployment
9 rate month by month every month since January,
10 1987.

11 As you saw this morning, Michigan City is
12 not a newcomer to economic development. We have
13 not hesitated to make investments, to take
14 chances on opportunities. We were one of the
15 first six enterprise zones designated in the
16 state of Indiana, the first in Northwest
17 Indiana.

18 We received numerous grants to open sites
19 for new development, to help rehabilitate
20 industrial facilities and to help train
21 employees, and yet since January of 1990 eight
22 plants have closed in Michigan City. In 1995
23 alone there were three closures which cost us
24 250 manufacturing jobs.

25 And since 1987 our enterprise zone has had

1 a net loss of 1900 jobs. We do have an economic
2 development plan, it focuses on three major
3 agenda items, new business attractions as
4 recommended by the Fantus Company, tourism
5 development with commercial development as a
6 side and the retention of the existing
7 companies. But we need new revenues to help us
8 meet the business attraction liabilities.

9 We need \$32 million to provide proper sewer
10 and water services to the existing city limits.
11 Some of those areas have been in the city since
12 1926 and do not have these normal services.

13 We need \$8 million to provide sewer and
14 water service into the newly expanding
15 commercial and industrial areas along I-94 just
16 outside the city. And we need \$3 million to
17 demolish and clean up six abandoned industrial
18 sites within the city that produce no revenues
19 for us at this time.

20 We need a tourism development partner,
21 somebody to help us build a conference
22 convention center, but also provide revenues to
23 us to help us renovate and expand our existing
24 zoo and Washington Park lakefront facilities.
25 We need \$3 million to replace and rehabilitate

1 our existing fire stations. We need more than
2 \$1 million to replace street and police vehicles
3 that are more than 15 years old.

4 Fifteen of those police cars that are on
5 our streets today were acquired used from other
6 police agencies and today they are more than 15
7 years old.

8 The Michigan City economic plan for the
9 casino era addresses the question of what does
10 Michigan City need. We need jobs for the
11 skilled and the unskilled people in our area.
12 We need an expanded tax base. We need
13 additional revenues and we need an economic
14 development partner, not someone who dominates
15 our economy but someone who works with us.

16 Michigan City has not been a wasteful
17 spending community. Because our assessed
18 valuation is low, we have been very limited in
19 what we can do to expand our tax base. We need
20 that economic development partner and we need it
21 now.

22 In addition to the city's needs our council
23 has pledged to share 25 percent of the win tax
24 with the areas outside of the city of Michigan
25 City recognizing that they, too, have needs.

1 Our initial priorities are to address four
2 geographic areas experiencing health problems.

3 Our first objective will be to extend water
4 lines to the LaPorte County Landfill site
5 outside the city limits where the wells have
6 been tainted. We intend to extend sewers into
7 the town of Pottawattomie Park and the town of
8 Trail Creek, for failed septic systems threaten
9 the water source of our community and our
10 fishing and tourism industry.

11 We intend to extend sewers also into the
12 county to address existing failed septic systems
13 and to open new areas for economic development.
14 But again we need an economic development
15 partner to enable us to meet those needs. We
16 need that partner now, not next year and not two
17 years from now.

18 We are losing our job base, we are losing
19 our tax base and we are losing residents. We
20 need your assistance. To counter these losses
21 we are responding to an economic development
22 opportunity created by the gaming legislation,
23 it offers us new hope for a partner and for
24 revenues. We ask that you give us that
25 opportunity.

1 MAYOR BERGERSON: Next I would like to
2 introduce John Pugh, the planning director of
3 the city of Michigan City.

4 MR. PUGH: Ladies and gentlemen, my name
5 is John Pugh, I am the city planner for Michigan
6 City. And let me just briefly say that it is a
7 pleasure to be here today. I would like to
8 address the following topic and that topic is
9 what we are looking for as a city in a riverboat
10 casino development.

11 Number 1, we believe that we are looking
12 for a project that is compatible, one that fits
13 in with our history and our traditions and that
14 basically complements our quality of life. We
15 are not simply looking for a boat with a parking
16 lot, we are looking for a development that
17 provides permanent land based facilities that
18 will lend themselves to a resort type
19 destination.

20 We are looking for a project that fits into
21 the city that does not overpower our character
22 and one that can spur additional development
23 that is possible similar to our experience with
24 Light House Place, the mall.

25 A low profile that the city can serve in

1 emergencies is desired, an employer that
2 provides opportunities, opportunities for jobs
3 for students and seniors that desire part-time
4 work, opportunities for full-time jobs and jobs
5 that involve skilled and semi-skilled labor and
6 also for local suppliers of goods and services.

7 We are looking for stability and we are
8 looking for a development partner that can help
9 the city grow, one that can provide money and
10 resources for infrastructure needs and that
11 together we can move forward, one that will add
12 quality sites to complement the north end and
13 the Light House Place, one that will assist in
14 the preservation and the cleanup of Trail Creek.

15 I believe that all of this relates to a
16 need for redevelopment into what we refer to or
17 call the triangle development theory. I would
18 like to draw your attention to the map that we
19 brought along today. And when we talk about the
20 triangle development theory, we are really
21 talking about the lake and the lakefront and the
22 park being at the top of the triangle and moving
23 down the one side to Light House Place and
24 across the city over to the proposed upstream
25 development site that we indicated to you this

1 morning, that includes the Franklin Square area
2 in the middle which is the old central city.

3 This is an area in need of infradevelopment
4 and we believe that that could include
5 residential, shops, stores, art galleries, a
6 variety of opportunities. It is an area that
7 will not strain our resources and certainly that
8 relates to our existing traffic patterns. We
9 need this, it is in line with our past efforts.
10 Both the plan commission and the redevelopment
11 commission support the casino development as a
12 good economic development for the city. Thank
13 you.

14 MAYOR BERGERSON: Next I would like to
15 introduce Linda Bell, our director of tourism,
16 who will explain to you the tourism that we
17 already have and how we hope riverboat
18 development will assist us in bringing tourists
19 to Michigan City and to LaPorte County.

20 MS. BELL: Good afternoon and welcome to
21 LaPorte County. I am Linda Bell, the executive
22 director of the LaPorte County Convention and
23 Visitors Bureau. And I have some information to
24 share with you this afternoon about the
25 importance of tourism in LaPorte County and

1 Michigan City and the potential for growth from
2 this industry.

3 The bureau here in our county was organized
4 almost 18 years ago, one of the first of
5 Indiana, because a group of local citizens
6 recognized the potential for economic
7 development from tourism. The county has
8 experienced a steady growth, and today you will
9 find terrific antique shopping, a variety of
10 museums including a new classic and vintage auto
11 museum, a thriving agri-tourism market with
12 Christmas tree farms, U-pick orchards and
13 farmers markets, charter fishing with the
14 largest fleet of captains on southern Lake
15 Michigan along with the variety of other
16 recreational activities, add to that our magnet
17 attractions of Light House Place Outlet Center
18 and the Indiana Dunes National Lakeshore.

19 There are 1074 rooms in our commercial
20 lodging facilities. And in 1995 we had an
21 overall occupancy rate of 65.5 percent, an
22 increase of 1 and a half percent over 1994 that
23 generated almost \$439,000 in innkeeper's tax
24 revenue from our 5 percent tax.

25 Using Indiana Office of Tourism research

1 these overnight visitors contributed \$40 million
2 to our local economy. While it is more
3 difficult to measure day visitors, Light House
4 Place Outlet Center reports about two million
5 shoppers annually, and the national lakeshore
6 also has about that many visitors with Mount
7 Baldy located in Michigan City, the most visited
8 site in the lakeshore.

9 So if we take the conservative number of
10 one million day visitors to our area, we find
11 using that same research that they contributed
12 44 and half million dollars to our local
13 economy, that's visitor spending in 1995 of
14 \$84.5 million.

15 However, we need another magnet
16 attraction, one with the potential to draw
17 visitors year-round. Our 65.5 percent occupancy
18 rate is average from a high of 87 percent in the
19 summer to a low of 45 percent in the winter. We
20 have room inventory that could be sold in the
21 off season.

22 If we take a conservative estimate from the
23 gaming proposals and say that we would have one
24 million visitors annually to a riverboat casino,
25 then that same research would tell us that there

1 is the potential to increase the economic impact
2 for our local community by at least \$45 million
3 annually.

4 The bureau operates with a budget of
5 \$540,000 directed to an aggressive marketing of
6 this destination. We have three target markets,
7 the leisure visitor, the motor coach group tour
8 and the small meetings and convention market.
9 Our sales efforts in these three markets
10 indicate that all have the potential for growth
11 from this new attraction.

12 As your staff discovered, it's not easy to
13 find meeting space in LaPorte County, and a
14 facility that includes meeting and convention
15 space is very important. We are asking that you
16 give us the ability to add a new magnet
17 attraction in LaPorte County. It will allow the
18 current hospitality businesses, many of which
19 are small business people, to grow and prosper.
20 And it will significantly increase the economic
21 well being of Michigan City and the surrounding
22 communities. Thank you.

23 MAYOR BERGERSON: Next I would like to
24 introduce Richard Treptow of GCG. They assisted
25 us in preparing the report and walking us

1 through the possess. As you know, we had a 22
2 member local evaluation committee. The
3 consultant then aided us in moving the committee
4 forward in the decision making process, it was
5 all done in an open environment. The press was
6 included at every meeting. And the consultants
7 assisted is in comprising the final report which
8 you have received as of, I believe, last Friday.
9 Richard.

10 MR. TREPTOW: Thank you. Mr. Klineman,
11 Mr. Thar, members of the commission, ladies and
12 gentlemen, the process that the city used to
13 evaluate the development proposals and the
14 gaming developers would have to be characterized
15 by three essential facts, one, it was very broad
16 based including most all segments of the
17 community within this 22 member committee that
18 Mayor Bergerson just mentioned; two, it was the
19 openness of the process, there was no
20 information presented, no developer
21 presentations and no decisions made except in
22 full view of the public and the press at open
23 meetings and number three, the decisions that
24 were made locally and the evaluation process
25 that was accomplished was done not on the basis

1 of promises or empty promises, it was simply
2 written proposals which could be changed later.

3 But those evaluations were done based on
4 written letter of intent agreements in contract
5 form. In those contract form letters of intent
6 were spelled out specifically what was to be
7 billed, the dollars involved, when those -- when
8 that construction would take place, what
9 employment would be provided. Financial
10 incentives to the city were all spelled out in
11 contract form, and that is the basis upon which
12 the city made its -- accomplished its evaluation
13 process.

14 Throughout the entire process the city
15 maintained an open but arm's length relationship
16 with all developers by providing information but
17 in no way negotiating or entering into
18 understandings with any of them during the whole
19 process. The city avoided any formal
20 endorsement before a professional and open
21 evaluation process could be accomplished.

22 In the opinion of the Gaming Consultants
23 Group the consortium -- consulting consortium,
24 which I represent -- the process that Michigan
25 City used in its evaluation in dealing with the

1 gaming developers represents the most open, most
2 professional, and most broad based process we
3 have seen anywhere in the country, and we
4 believe they are to be commended for the process
5 that they utilized.

6 In 1994 the Board of Works and Public
7 Safety issued an RFP for gaming consultants
8 where a gaming consultants group was engaged.
9 By the fall of 1995 there were three remaining
10 developers offering four proposals for
11 development. To obtain the broad involvement of
12 the community, a 22 person local gaming
13 evaluation committee was formed including all
14 nine members of the city council; the then
15 mayor, now former Mayor Behler; then
16 Mayor-elect, now currently mayor, Mayor
17 Bergerson; four key staff members; four mayoral
18 appointments and four council appointees.

19 Of the 22 members, 21 of the 22
20 participated in a final evaluation process, and
21 all 21 of those members attended every meeting.
22 There were no meetings in which the 21 final
23 evaluators did not attend. On October 11th
24 public presentations were made by the -- each of
25 the developers.

1 On October 18th there was a detailed
2 orientation session which the Gaming Consultants
3 Group took all of the 22 members of the
4 committee through and briefed them on gaming and
5 the important criteria upon which any developers
6 can be measured. On the 25th of October further
7 presentations were made including the
8 developer's response to the 60 detailed
9 questions posed to the developers through Gaming
10 Consultants Group.

11 On November 15th, a final public session,
12 in which information was received from the
13 developers occurred as well as presentations by
14 NIPSCO and NICTD. Then on the week of November
15 28th the Gaming Consultants Group negotiated on
16 the city's behalf letters of intent from the
17 developers representing and memorializing in
18 contract form the exact proposals which each of
19 the developers were presenting to the city.

20 On December 6th then the committee met for
21 a final time to evaluate the four proposals on
22 11 criteria. These are the 11 criteria which
23 the city used after having been briefed and
24 after having studied the presentation and having
25 had an opportunity to ask questions in-depth of

1 all the -- of the developers.

2 The 11 criteria were, the ownership
3 information regarding who was owning the
4 project, who was operating the project; number
5 2, the experience of the developer in terms of
6 not only development but also gaming; number 3,
7 financial capability; number 4, the time frames
8 involved for opening; number 5, the vessel
9 itself; number 6, the land-side development
10 which was occurring in addition to the gaming
11 vessel; number 7, capital investment dollars;
12 number 8, employment; number 9, economic
13 benefits to the community; number 10, local
14 financial incentives and number 11, social and
15 environmental impact which was evaluated.

16 On the meeting of December 6th two main
17 votes were taken by this committee to express
18 their opinion, the first was on the site itself.
19 The site of the -- the preferred site for the
20 gaming development was evaluated separate from
21 the developers themselves.

22 The two sites that were included were the
23 upstream site known as Trail Creek and then the
24 harbor site near the entrance to the lake. The
25 vote of the 22 member committee representing all

1 factors of the community were -- 17 votes
2 expressed that they would like it at the Trail
3 Creek site; two wanted the harbor site; one had
4 no preference; and one wanted neither. So there
5 is a very strong preference from this broad
6 based group in terms of the Trail Creek upstream
7 site.

8 Second, the developer proposals were
9 evaluated by the committee separate from the
10 site. On the 11 criteria that were mentioned
11 they were scored numerically, and those scores
12 were tallied in public with the following
13 results, the top rated development proposal with
14 a total of 4,470 points was Indiana Blue Chip's
15 proposal at the Trail Creek site; the second was
16 Casino America Isle of Capri, the Trail Creek
17 site, with a total of 4,252 points; third was
18 Indiana Blue Chip at the harbor site with a
19 total of 4,154 points; and fourth was
20 Minnesota -- pardon me -- was Michigan City
21 Casino and Lodge at the harbor site which was
22 3,553 points.

23 To quickly summarize, we think that the
24 process that we used for the city was open as
25 possibly could be. It was very broad based in

1 terms of the participation, and it was based on
2 contract commitments rather than proposals that
3 could change after they made their decision.
4 And we'll certainly be here for the afternoon to
5 answer any questions you may have. Thank you.

6 MAYOR BERGERSON: Michigan City has
7 survived by learning how to adapt to changing
8 market places and by understanding the
9 importance of a truly diversified local economy.
10 If one were to look at our current job base, you
11 would see a mosaic of different employers.

12 We have quality manufacturing companies, we
13 have service related businesses, and we have
14 demonstrated how to be successful in a business
15 environment. Michigan City has a history we are
16 proud of. But our future history will depend on
17 how we react today to the problems at hand.

18 We have needs in our community, needs that
19 were just expressed to you. We have many under
20 employed people who would benefit from new job
21 opportunities and training. We need quality
22 jobs to provide incentives to our young people
23 to live and work in Michigan City.

24 We have already defined for you today our
25 city as a great destination place drawing

1 millions of visitors every year. In doing that
2 we have strived to maintain a difficult balance
3 so that we can retain our small town charm,
4 quality of life and values, while becoming a
5 viable job rich economic center.

6 As we look to adding a well rounded
7 multi-dimensional gaming and resort complex for
8 our city, we must do so in a way as to not upset
9 this delicate balance. The city local
10 evaluation committee believes after its
11 extensive research that we had found the answer
12 to this challenge, and we respectfully ask the
13 Indiana Gaming Commission's support of our
14 decision.

15 The key has been finding a project that is
16 right for Michigan City. Some of you may
17 criticize our riverboat gaming proposals by
18 saying they are too small, in comparison to
19 other locations they are much smaller. But to
20 be quite frank with you we do not need a
21 grandiose Trump style Taj Mahal complex in
22 Michigan City.

23 Our city is very comfortable with a project
24 that fits into our community without
25 overwhelming us and swallowing up our character.

1 We do not have an identity crisis. We are proud
2 of our community's character, our citizens, our
3 children, and our beautiful natural attractions.
4 And while we look to gaming and a resort complex
5 for economic development, quite frankly we are
6 glad that our recommended project is sized
7 appropriately for the city of Michigan City.

8 Indiana Blue Chip has received the
9 endorsement of the local evaluation committee.
10 In the process we were concerned about the
11 financial debt of the three developments --
12 developers and their level of commitment
13 long-term to Michigan City even in the face of
14 competition to the west and Indian gaming to the
15 future.

16 Indiana Blue Chip will keep dollars in
17 Indiana and will focus on the development of a
18 resort complex that will begin immediately
19 without a wait and see what the market will bear
20 type of attitude. Indiana Blue Chip will
21 provide a combination resort destination that
22 fits into our community. It will spur the kind
23 of spin-off development we hope to see, an
24 example being the \$4 million bowling center
25 recently announced by one of our local

1 businessmen.

2 Its investment team is highly credible with
3 extensive business accruements and a list of
4 past business successes. Michigan City is on
5 the verge of some very exciting times, but we
6 must take action now to convert our potential
7 into concrete results.

8 As our history has shown that we have been
9 innovative, we certainly look forward to our
10 newest challenge at innovation, a diversified
11 quality gaming and resort complex. We don't
12 want a boat and a parking lot in a place where
13 it will not be able to provide maximum growth
14 insurance.

15 I see riverboat gaming in Michigan City as
16 just another piece in the ever expanding puzzle
17 that makes up our city. A quality gaming
18 development will be a catalyst for economic
19 development and hopefully a trigger for our
20 growth. Local businesses should have the
21 opportunity to flourish with this growth.

22 Additional revenue will allow the city to
23 begin addressing its extensive capital
24 improvement and infrastructure needs as were
25 outlined earlier. In some a mutual

1 understanding must take place between our
2 citizens, our government, and business to ensure
3 that all will gain equally from this new
4 enterprise.

5 This can be our new stepping stone. This
6 is our community's chance to be able to offer
7 more job opportunities at increasingly real wage
8 levels allowing employees to share in prosperity
9 as the quality of their jobs improve.

10 Putting all statistics aside we need in our
11 city the ability to provide people with work at
12 a decent wage scale. This will not only create
13 a new era of self-reliance but position
14 ourselves to elevate and sustain our economy
15 into the future.

16 The list of important subjects we have
17 introduced to you today not only provides you
18 with the blood lines and history of Michigan
19 City, it offers to you our plans and our hope to
20 elevate ourselves in the future. This may well
21 be one of Michigan City's most important events
22 in its long and colorful history. We are going
23 to make this our finest hour.

24 With your help Michigan City is going to
25 have a destination resort casino which will be

1 superb in design and satisfying in function and
2 comfort, overall it will fit the guidelines of a
3 well rounded, exciting facility. This will
4 assuage and protect ourselves from competition
5 that we will be confronting in the future.

6 Working with the gaming commission and the
7 casino operator keeping our community in mind
8 and what our goals really are, we can make this
9 casino complex an eminently workable and
10 complete operation of which we can all be proud.

11 We here in Michigan City have the utmost
12 desire to improve our community. We have the
13 human resources, highly skilled tradesmen and
14 women, bright young people and from you we only
15 ask the opportunity. Thank you very much.
16 And we are here to field your questions.

17 I brought a pretty extensive team with me
18 today as you have in front of you so if there
19 are any questions specifically to any of those
20 individuals, otherwise one of us will field your
21 questions, and don't make them too hard.

22 MR. KLINEMAN: Well, thank you very much,
23 Mayor. And I appreciate the fact that you ended
24 in time and didn't run over to any great extent.
25 I guess I would start off with the questions

1 maybe for your gaming consultant -- I don't
2 know -- or your tourist -- the possibility that
3 as a result of the certification of the Indian
4 tribe, to what extent have you investigated
5 the -- or evaluated the competition that that
6 might bring to an entity here in Michigan City?

7 MAYOR BERGERSON: I will answer from my
8 perspective. Quite frankly we have already
9 carved a place in tourism for our city. As
10 Linda Bell explained to you, we have two
11 million people who come to shop at Light House
12 Place and associated shopping. We have two
13 million people who already come to use our
14 lakefront, our marina, our little zoo, our
15 beautiful park. And what we are hoping is the
16 fact that we already established a tourism group
17 of people who are used to coming to Michigan
18 City. We have a market already designed so that
19 if a quality resort is built in Michigan City,
20 we feel very strongly that we can be
21 competitive. I would like to have Dick Treptow
22 add to that, please.

23 MR. TREPTOW: Actually I would like to
24 introduce my compatriot in the Gaming
25 Consultants Group, Carl Zeitz, to answer that

1 who did -- participated more directly than I did
2 in doing a market study which evaluated the
3 impact of the Indian gaming. Carl.

4 MR. ZEITZ: Mr. Chairman, we did our own
5 evaluation. To begin with -- I should take a
6 step back. The three developers in terms of
7 their market projections all projected against
8 the possible outcome of a Native American casino
9 somewhere within the vicinity of Michigan City.
10 And so the market sizes that they projected, we
11 -- we concurred with their evaluation when we
12 did our own exercise.

13 And we thought that -- and see our market
14 size -- in the event of 60 to \$70 million in
15 gross gaming revenue -- and I cite that number
16 because that number is so important because it
17 is the -- it is the economic factor of casino
18 gambling from which everything else flows in
19 gross gaming revenue, taxes and incentive
20 payments and the like.

21 The developers themselves had projections
22 without Native American competition considerably
23 in excess of those numbers, we think that's a
24 prudent and realistic estimate. In my own
25 experience being involved with gaming over a

1 number of years both on the government side and
2 then consulting with governments, generally in
3 my experience markets have to go to a greater
4 size than anybody anticipated.

5 And once you have casino gambling available
6 to the public and more of the public is exposed
7 to it, the market size tends to inflate rather
8 than deflate. I hope that answers your
9 question.

10 MR. KLINEMAN: It certainly does to a
11 large extent. You do envision this destination
12 type resort that has been discussed; is that
13 correct? I mean you are really looking to build
14 on your tourism to support whatever operations
15 are here?

16 MR. ZEITZ: Yes, and that was, I think,
17 persuasive. And one of the things that was
18 persuasive in terms of the community and the
19 committee in terms of their site preference
20 because they saw greater possibilities of that
21 kind of development at the Trail Creek upstream
22 site.

23 But, yes, when I first went to Michigan
24 City, I went over to the outlet mall to do some
25 shopping but also to look at it. And

1 increasingly there is a movement in the casino
2 industry to vary the product, to provide retail
3 as a matter of fact, so there is a natural
4 synergy already in Michigan City.

5 All of the upstream projects, I believe,
6 also include retail development and expansion.
7 So, yeah, I think as the mayor said, it's not
8 enough to have a boat and a parking lot, that
9 will not do for the city what it needs to have
10 done. You have to create something that becomes
11 a magnet and enhances what you already have, in
12 this case it's retail.

13 MR. KLINEMAN: Anyone else have any
14 questions along those lines?

15 MS. BOCHNOWSKI: Yeah. On the subject of
16 competition again, you have the Indian gaming
17 but you also in Lake County will have four boats
18 that -- each one of those projects are
19 substantially larger than what we are talking
20 about here in Michigan City. I understand what
21 the mayor said about an appropriate size for the
22 city and not wanting to overwhelm the city.

23 But other than -- it would seem to me that
24 you already have those certain tourists, you
25 probably would want to attract some additional

1 tourists. Do you feel you can really compete
2 with these projects compared to what's just not
3 very far away in Lake County?

4 MR. ZEITZ: As I said, we did a market
5 projection sales -- or an evaluation and we --
6 in doing that we -- not arbitrarily -- but we
7 recognized that there are four projects in Lake
8 County, that they are much closer to the city of
9 Chicago, and that combined with what's available
10 in the metropolitan Chicago region clearly is a
11 factor you have to consider. So we looked at a
12 market that would be largely shaped by what's
13 south of Michigan City and east of Michigan
14 City.

15 MS. BOCHNOWSKI: Okay. So you are not --
16 you are thinking that you will be drawing from a
17 different group entirely then?

18 MR. ZEITZ: Yeah, which is not to rule out
19 the attractions -- not to rule out the
20 attraction of the retail center that's already
21 there and that would be developed and a
22 different kind -- I have been -- I have seen the
23 Lake County cities and I have seen their
24 lakefronts and I've seen Michigan City's and
25 there is also a difference there in natural

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attraction.

MS. BOCHNOWSKI: But your -- your recommendation is not to put it on that lake?

MR. ZEITZ: No. No but in terms of the ambience of the total community and the total ambience and picture of the lakefront there as opposed to the more industrial looking places up toward Chicago.

MR. OBERLIE: If I can also expand on that.

MR. KLINEMAN: Could you identify yourself, please.

MR. OBERLIE: Chuck Oberlie. It's our belief that we offer a superior venue site as opposed to the west of us, that the city itself because of the market that it already carved out for itself has a reputation as a community of recreation. The sites chosen in Lake County do not -- I'm not trying to put down the process -- do not offer the type of open space activities and ambience this community already has.

We already successfully compete with them for lakefront development activities. Our marinas have very lengthy waiting lists, not vacancies. Our parking lot is full every

1 weekend. Mount Baldy Indiana Dunes National
2 Lakeshore, a feature attraction in Michigan
3 City, is closed to cars on most weekends because
4 it is full early in the morning. We believe we
5 have a superior venue and we don't need to
6 invest as much capital initially to make the
7 project fly in a very successful fashion.

8 MS. BOCHNOWSKI: Let's be frank. Do you
9 think that your -- were the size of your
10 projects that are being proposed, were those
11 dictated more by the incoming -- the -- the
12 Indian gaming coming in, or was that your desire
13 to have a smaller project because it seems like
14 I heard about more expansive projects before
15 Indian gaming became a reality?

16 MR. OBERLIE: It's a combination of all
17 that. I think we've made it very clear to the
18 developers that not only do we not just want a
19 boat and a parking lot but we also don't want
20 them to fly out of here in two years because
21 they put too much capital investment in on the
22 front end.

23 We believe that if you pick the site
24 properly, it can grow. If it's more successful,
25 then it can grow, it can spread out and become a

1 larger project. It's much easier to do that
2 than to over guess the market and face failure
3 two or three years down the line even before it
4 opens, for example, such as what happened in New
5 Orleans.

6 We believe that we're better off starting
7 on a conservative basis, as a matter of fact,
8 it's very consistent with our economic
9 development philosophy. We prefer to go out and
10 find small companies that want to grow rather
11 than chasing the large companies and try to
12 relocate with thousands of employees.

13 They are coming in on a peak basis but if
14 they ever leave, it's a real disaster for the
15 community. If the small piece is put together,
16 we have a very strong economy. The little ones
17 don't quite cause the ripples that they would if
18 they were a large manufacturer, we apply the
19 same philosophy to the gaming industry.

20 MR. VOWELS: I don't know if this would be
21 addressed to the mayor or who, but the
22 evaluation committee made their decisions, I
23 believe, on December 6, 1995; is that correct?

24 MAYOR BERGERSON: That's correct.

25 MR. VOWELS: I see a letter in our packet

1 here from Marriott Hotels and Resorts, it's dated
2 December 6, 1995. It looks like it was faxed to
3 somebody -- I don't know if it was to us -- on
4 December 14 talking about discontinuing the
5 gaming cruises on the Silver Eagle in East
6 DeBuke, Illinois.

7 My question is: The time frame there is
8 very close, was that taken into consideration by
9 the evaluation committee? Were they aware prior
10 to their evaluation whether that was a
11 possibility?

12 MAYOR BERGERSON: Actually the day of the
13 local evaluation committee's decision was the
14 day that the Silver Eagle's press release
15 arrived in the Chicago Tribune so we were all --
16 as we made our decision that evening, we were
17 aware that the Silver Eagle had shut down.

18 However, in our decision there was much
19 discussion, as you can imagine, among the
20 committee members on the impact of that on our
21 local project. I would say in an analysis of it
22 that we try to weigh the fact that the Silver
23 Eagle partners were not the entire Indiana Blue
24 Chip group.

25 We looked again at the debts of their

1 financial partners. Many of their Indiana
2 business investment team are people who have had
3 significant business successes, have been very,
4 very successful. And although the Silver Eagle
5 did shut down and -- in fact, as you know, there
6 is a lawsuit that has followed -- we felt --
7 obviously the majority of the committee felt in
8 the voting process, that although it was taken
9 into consideration, it was not a reason for us
10 to throw them out of the pot so to speak.

11 MR. VOWELS: Do you know offhand what the
12 percentage is of that ownership interest in Blue
13 Chip by that particular entity that shut down in
14 Illinois?

15 MAYOR BERGERSON: I would say 40 percent
16 but I would rather check. Is someone here from
17 Indiana Blue Chip that could address that?

18 MS. BOCHNOWSKI: Well, we'll hear from
19 them.

20 MAYOR BERGERSON: Okay. I believe it was
21 40 percent.

22 MR. VOWELS: It would seem to me that at
23 some point prior to the date where your
24 evaluations were going to be made, that that
25 company would -- did give you any indication

1 that this might be coming along?

2 MAYOR BERGERSON: Actually in discussions
3 with the steering committee I think there was
4 some understanding of that but certainly it was
5 not anything that was out in the open and
6 discussed. I would say no. The answer to that
7 would be, no, we did not have any advance
8 warning that this was going to be in the Chicago
9 Tribune.

10 Specifically although -- I have to say that
11 having followed the gaming markets in other
12 places I knew that that boat was in trouble.
13 And I think other committee members had heard
14 that that boat was having trouble surviving with
15 the Iowa market.

16 MR. VOWELS: If you would have known about
17 this -- if you would have been made aware of it
18 at an earlier time, a couple months earlier or
19 whatever, do you think that would have impacted
20 your decision or the evaluation committee's
21 decision any differently?

22 MAYOR BERGERSON: I can't speak for the
23 other committee members. What I base my own
24 decision on, and in discussions with other
25 committee members who supported the Blue Chip

1 application more heavily than they did the other
2 companies, there was a feeling that the Silver
3 Eagle was one part of their process, it was not
4 their entire group. I'm sure if it had been
5 their entire proposal, we would have had a
6 serious problem.

7 But in analyzing the -- their situation I
8 did not feel that that was the depth of their --
9 of their company, that there were many other
10 aspects that needed to be considered and that
11 was the Indiana partners and their business
12 successes and the financial depth of those
13 investors.

14 MR. VOWELS: Did you come into office at
15 the beginning of this year?

16 MAYOR BERGERSON: Yes. I had served on
17 the Michigan City Council for eight years and
18 was a member of the evaluation committee.

19 MR. VOWELS: I understand. You mentioned
20 earlier that -- that there would be union labor
21 used in the development of this; is that
22 correct?

23 MAYOR BERGERSON: Repeat the question,
24 please.

25 MR. VOWELS: I thought you mentioned earlier

1 during the presentation there seemed to be an
2 emphasis in union labor during the development
3 and the construction.

4 MAYOR BERGERSON: Of all of the casino
5 projects?

6 MR. VOWELS: Yes.

7 MAYOR BERGERSON: In the public
8 explanation of the project when the question was
9 raised about using local goods and services and
10 union labor, each of the companies answered that
11 that was certainly something they were amenable
12 to.

13 MR. VOWELS: Was that something that you
14 personally were interested in or was that the
15 evaluation committee's vote?

16 MAYOR BERGERSON: I think the local
17 evaluation committee wanted to be sure that our
18 trades people were given jobs. Certainly we had
19 other companies come into Michigan City and
20 bring labor in with them, and that was not what
21 the local community felt was a good idea. We
22 would like the jobs to obviously stay in LaPorte
23 County.

24 MR. VOWELS: Let me ask you -- I have to
25 check this and make sure I can ask this

1 question -- I asked you about the labor, the
2 union labor. It seems to me there would be some
3 emphasis on the employees obviously if the
4 evaluation cared about union labor.

5 In your opinion as a member of that
6 evaluation committee there was, as you are
7 probably aware, lawsuits being filed by the
8 employees in Illinois because of the failure to
9 warn about the closing even though the company
10 refers to it as a temporary closing even though
11 the boat is going to be used here.

12 MAYOR BERGERSON: I know there is
13 legislation in Illinois addressing that closing.

14 MR. VOWELS: Okay. And my understanding
15 is that there is a lawsuit --

16 MAYOR BERGERSON: Correct.

17 MR. VOWELS: -- for not giving sufficient
18 advance notice that there would be a closing.
19 Would that have impacted on your decision as a
20 member of the evaluation committee had you been
21 aware of that earlier?

22 MAYOR BERGERSON: To retract my steps a
23 bit, the city controller reminded me, and this
24 is quite true, the public asked the Silver Eagle
25 Blue Chip group at our first public hearing

1 about their Silver Eagle boat and how successful
2 that was. And in their public demonstration
3 they did indicate to us that the boat was not as
4 profitable as they had hoped and that, in fact,
5 that they were working with the Gaming
6 Commission in the State of Illinois on a
7 possible solution to their problem.

8 And then it came up again at another
9 hearing and the -- before the Silver Eagle
10 closed at the last public hearing they indicated
11 to us in their presentation that the boat was
12 in -- I wouldn't say they said serious
13 trouble -- but they did say that they were
14 having extreme difficulty. Go ahead.

15 Secondly, to address your question about
16 the employee suit, certainly I, as a working
17 person, can understand why the employees filed
18 suit. I would say there would be a high
19 sympathy level in the working people in the city
20 of Michigan City for those workers. If I had
21 known that a suit was filed, I'm sure that there
22 would be some impact as far as sympathy and
23 empathy for those workers.

24 MR. VOWELS: I guess if I were standing in
25 your shoes, I can't say that I would not feel

1 uncomfortable with the possibility of a company
2 that was not able to foresee the problems that
3 this company ran into in Illinois.

4 If there would be Indian gaming, Native
5 American gaming, in the region here along with
6 the boats getting in the water in Lake County
7 sometime in the near future, can you tell me why
8 it is that you don't feel uncomfortable with
9 that?

10 MAYOR BERGERSON: I don't feel
11 uncomfortable because, as I explained to you,
12 the entire project is not the Silver Eagle boat
13 and the fact that it closed. To me and through
14 the reading that I have done -- I did go into
15 Wallstreet and talk to them about this company
16 as well as the other companies -- and the depth
17 of the financial background that their investors
18 have as compared to other companies.

19 I did talk to people in the gaming industry
20 who had a high level of confidence in their
21 ability to work through their Silver Eagle
22 problems, to address the employee lawsuits, and
23 I guess that's where my level of comfort comes.

24 I think that company obviously has gone
25 through some difficult sometimes but they are

1 not the entire makeup of Indiana Blue Chip as
2 far as I can understand.

3 MS. BOCHNOWSKI: In fact, all three of the
4 applicants -- and I don't have those particular
5 books in front of me because I was going to
6 address each applicant individually -- but just
7 as long as we are on the financial end here, all
8 three of the applicants seemed to have some --
9 some question as to whether they would even --
10 where their money is going to come from as far
11 as taking on debt and their ability to support
12 that additional debt within the companies, we
13 have seen that.

14 Do you have some -- I mean are you -- do
15 you feel confident in these companies? I'm a
16 little concerned about their financial ability
17 to carry this out.

18 MAYOR BERGERSON: I have had discussions
19 with the endorsed company, Indiana Blue Chip,
20 because I do also have that concern. As you can
21 imagine, in my position I have to be sure that I
22 protect my community, that's my bottom line. I
23 would rather have no development than a
24 development that's going to fail in a year
25 because that is not going to help us in the long

1 run.

2 I did discuss it with them. I believe in
3 their presentation tomorrow they will be able to
4 provide to you a level of assurance which they
5 have provided to me as well because that is a
6 concern. We would be doing our city no service
7 and our people no -- giving them no advantage if
8 we bring in a company that is going to fail
9 shortly.

10 MR. SWAN: Excuse me. Mayor, were there
11 other sites under consideration besides the two
12 that we are seeing now?

13 MAYOR BERGERSON: I believe these two
14 sites were narrowed down several years ago. In
15 fact, they were brought to us by some of the
16 other -- as I told you, we had 22 companies
17 originally -- those companies and their
18 developers actually came to us and suggested the
19 upstream site particularly where they saw a
20 great amount of abandoned industrial sites and
21 an opportunity for their companies to remove the
22 blight and make that a part of our tax base.

23 MR. SWAN: But there were some other sites
24 before or not?

25 MAYOR BERGERSON: No. I would say that

1 there were no other sites, those were the two
2 sites. And the upstream site received support
3 from the community several years back and that
4 has been consistent. We have not changed our
5 position on that.

6 MR. SWAN: How did you receive that support
7 -- I'm just curious -- you said you had the
8 community's support several years ago for the
9 upstream site?

10 MAYOR BERGERSON: When we had the
11 referendum, the site that was presented to the
12 public as a site for riverboat gaming was the
13 upstream site. That was basically the site that
14 the developers at that time were focusing on.
15 So when the referendum vote was taken, that site
16 was the one that -- you know, obviously we
17 didn't have any specific plans when we talked
18 about the concept of riverboat gaming, but in
19 the discussions we did talk about that
20 particular site.

21 The city council did pass a resolution
22 endorsing the referendum vote in the process and
23 also the fact that we would share our wins, I
24 guess you would say, with the rest of the county
25 to assist the other smaller communities and

1 their infrastructure as well. One second.

2 (Mayor Bergerson confers with staff
3 off therecord.)

4 MAYOR BERGERSON: Chuck, who has a longer
5 memory than I do, reminded me that there was a
6 company, a very sizeable, well respected company
7 who came in and suggested repeatedly that they
8 build a project, a riverboat project, in
9 Washington Park. We expressed to them
10 immediately that was the third site, I guess you
11 could say, that that would never do, that our
12 community and our public would never stand for
13 it.

14 And this morning, in fact, on our bus tour
15 I explained to you that whenever there has been
16 a private move or infringement on the public
17 waterfront, on any of the lands on the
18 lakefront, there has been a huge public outcry.

19 The old Smith Brothers property potential
20 condominium development received a petition
21 drive against it, I believe, with 3,000
22 signatures. When there was a move to expand the
23 marina 12 years ago, 6,000 people stepped
24 forward and signed saying that they did not want
25 the lakefront infringed upon. So the plan that

1 was proposed for putting the riverboat actually
2 out there where you saw the public launch ramp
3 this morning was completely disregarded by the
4 city. We told them to find another location.

5 MS. BOCHNOWSKI: On that Trail Creek site
6 that you prefer, the law is a little bit
7 difficult to understand there. I mean I guess
8 it's legal because it's navigable water, it
9 leads into Lake Michigan. But have you spoken
10 with your local legislators to make sure that
11 that is the legislative intent, that it can be
12 somewhere other than on Lake Michigan?

13 MAYOR BERGERSON: Yes. I spoke with our
14 state legislators as recently as Friday
15 afternoon. As you can imagine, they think that
16 it matches the legislative intent because it's
17 for their district and the county they live in,
18 obviously that's a call you have to make. We
19 feel very comfortable that it does meet the
20 requirements of the statute. The boat will
21 move, it will -- it is a navigable body of water
22 that, as you saw today, is directly and actually
23 not very distant from the full waters of Lake
24 Michigan.

25 But quite frankly if you saw the site this

1 morning and you saw the north winds blowing off
2 the lake and the ice flows, being on the lake is
3 not a practical consideration. The Coast Guard
4 has found it to be a very difficult situation in
5 Michigan City, and the DNR and port authority
6 have spoken out specifically against that site,
7 so I guess it's your call. But we feel it does
8 meet the statute. Our community would prefer
9 the upstream site because of the development
10 needs and also the safety and the comfort
11 aspects as well.

12 MR. MILCAREK: With the upstream site and
13 the swing railroad bridge that's blocking the
14 entrance, what plan would you use to get a boat
15 to the site? Would it be built on site, or
16 would some work be done to widen that just to
17 get the boat in? What is the plan for that?

18 MAYOR BERGERSON: One second, please.

19 (Mayor Bergerson confers
20 with staff off the record.)

21 MAYOR BERGERSON: There are a couple
22 different plans put forth by various developers.

23 MR. PUGH: My name is John Pugh. And as
24 we understand it, each developer has a different
25 plan relating to this. I believe there is a

1 plan that would actually build a boat on site.
2 And there is another plan that would involve
3 moving the boat into the site. Under that
4 railroad bridge I believe there is a clearance
5 and I think it's -- is it 40 feet wide?

6 We have approximately a 40 foot wide
7 clearance under that bridge, and under the right
8 conditions it would be possible to move a boat
9 in. There is also the option of building the
10 boat on the site.

11 MR. KLINEMAN: You are talking about a 42
12 feet width when the bridge is open?

13 MR. PUGH: That's correct.

14 MR. MILCAREK: If there is enough room to
15 get a boat in, could some provisions be made to
16 get the boat out? I don't just mean moving it
17 out, but it seems to me this would certainly
18 settle the problem of cruising. If you could
19 get past that bridge, that would eliminate that.

20 MR. SWAN: Well, actually in the
21 information I have the narrowest of the boats
22 proposed is 46 feet so it doesn't sound to me
23 like it would fit.

24 MR. PUGH: I think it would be problematic
25 if we tried to move a boat in and out on Trail

1 Creek on a regular basis. One of the reasons we
2 support the upstream site is that a boat on the
3 site that would move back and forth on a channel
4 into the creek and so forth, is what we think
5 benefits the area and benefits the community by
6 particularly not causing havoc with the existing
7 boating traffic and the development along Trail
8 Creek now, and not excluding the safety factor
9 and the comfort factor that Lake Michigan causes
10 us on certain days and how many good, safe
11 navigable days will we have on Lake Michigan,
12 that's certainly a concern.

13 MR. MILCAREK: What would you estimate the
14 total length of the cruise would be in feet or
15 miles or blocks, 600 feet, 1,000 feet, two
16 miles, what would you --

17 MR. PUGH: I know that those distances are
18 included in exact proposals, offhand I don't
19 recall. I would prefer not to answer that
20 because I would be guessing. I think you will
21 get those exact distances in your presentations
22 tomorrow.

23 MR. MILCAREK: Will there be a large
24 amount of dredging required?

25 MR. PUGH: Well, as I understand it,

1 dredging would certainly be a part of it. This
2 site was originally thought of as a marina site
3 and there were original plans, in fact, to
4 dredge out a large portion -- to dredge out the
5 entire area. A casino development certainly
6 represents less amount of dredging required.

7 MR. MILCAREK: I understand there was a
8 corps permit in place since 1993, could you use
9 that permit for this project?

10 MR. PUGH: Again I may be overstepping my
11 bounds a little bit. My understanding as city
12 planner is that the corps permit is valid and we
13 would hope that it would continue to be used. I
14 really can't speak on behalf of the developers,
15 they would have to go out and secure that.

16 MR. MILCAREK: I would like to address
17 traffic for just a moment. Mr. Oberlie stated
18 that Mount Baldy and other places the parking
19 lots are full. I have read several articles
20 that Highway 12 and 35 is under used. But in
21 peak traffic times I'm sure that Ms. Linda Bell
22 could tell you that getting out on Meer Road
23 onto Highway 35 is nigh on impossible. Are
24 there any plans to put some signals or some type
25 of traffic control by the Indiana Department of

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Transportation?

MR. PUGH: Yes, sir. We are in the process of reviewing that particular intersection, Meer Road and Highway 35, with the Indiana Department of Transportation. Ms. Linda Bell brought that to our attention, it's been before the Michigan City Board of Public Works. We are certainly looking at that. The city can provide information on Meer Road.

Meer Road is a unique road, one side is in the city and the other side is in the county. But we're going to try to pull the county and state together to look at that. But getting back to overall traffic flow, I think you mentioned that Highway 35 and Highway 12 is under used, we certainly believe that. And that's one of the reasons we endorsed the upstream site because we felt that it would help our traffic patterns if we could move more vehicles in and out on that site by using Highway 12 and Highway 35 and also given our experience with handling traffic for Light House Place. I was there when the developers proposed Light House Place, and frankly it's been more successful than they estimated.

1 But as a city planner and urban planner we
2 were a little bit scared with their projections.
3 Their projections basically have come through
4 and we've been able to handle the traffic
5 through a variety of access points. Originally
6 they had proposed to use Highway 35, Michigan
7 Boulevard, and direct traffic in that way, and
8 some traffic does use that route. We also have
9 Highway 421, Highway 12, Highway 20, so it
10 really proved not to be a problem. And we are
11 confident that this site would work as well.

12 MR. MILCAREK: I feel that it is under
13 used the majority of the time, this morning on
14 the way to the tour you could pretty well judge
15 that. But I was mostly concerned with peak
16 traffic hours, and you have answered that
17 question.

18 Has any thought been given to opening up
19 another exit on I-94 in the county line area?

20 MR. PUGH: Yes, sir, it has. And that
21 project goes back some time. We referred to it
22 as the I-94 interchange and County Line Road
23 widening project, and we are very much in favor
24 of that project. The city of Michigan City has
25 served as the lead agency during the

1 environmental phase of that project.

2 The environmental phase was completed and
3 late last fall, in late November, city officials
4 met with the national park and INDOT officials
5 and our consultants to try to revise the
6 environmental statement to see what we could do
7 to get the project going again.

8 And one of the prime aspects is that we
9 would like to have another route certainly to
10 accommodate our existing development and any
11 proposed new development, so we are trying to
12 get that project moving again. It's been
13 dormant for some time simply because we really
14 haven't had the funds to proceed with it. I
15 believe that project would move up to the
16 forefront. It would do a number of things, it
17 would give us a new route into the north end of
18 the city and also help the national park a great
19 deal.

20 MR. KLINEMAN: Thank you. I presume
21 because you are right here on the lake you have
22 had some emergency response plans in existence
23 up to now but I guess, as you know, this would
24 have to be satisfactory to the Coast Guard.
25 Have you made any contingency plans on fire and

1 police and other emergency response programs?

2 MR. PUGH: You mean on behalf of the city?

3 MR. KLINEMAN: Yes.

4 MR. PUGH: Well, we certainly thought
5 about that at least from my perspective. If
6 you would like me to continue, I will defer to
7 the fire chief. If you recall, I alluded in my
8 remarks to secure a low profile development that
9 we could serve and serve well. We certainly are
10 not looking for anything that's going to strain
11 our capabilities. We are familiar with a low
12 profile. We had buildings in this city seven,
13 eight to nine stories tall, we can accommodate
14 those. But I think I'm going to step aside and
15 give the floor to the fire chief.

16 MR. MARTIN: My name is Ralph Martin, fire
17 chief of Michigan City. We are on the verge of
18 implementing new procedures, and hopefully some
19 of these procedures will accommodate any
20 emergency we have on the lakefront. We just
21 purchased a new piece of equipment that would
22 give us the capability to reach out into the
23 channel to provide some type of rescue and fire
24 extinguishment if needed.

25 MS. BOCHNOWSKI: Have the companies that

1 have applied here indicated a willingness to
2 work with you and possibly help provide some of
3 this equipment and training that you might need
4 to people or whatever?

5 MR. MARTIN: I'm not aware of anything
6 specific, only the commitment to do so and, you
7 know, trying to provide the service. I'm not
8 sure of anything specific.

9 MR. KLINEMAN: Are you presently providing
10 any kind of emergency response for things that
11 happen out on Lake Michigan? And I understand
12 if the Trail Creek facility was utilized, the
13 location was utilized, it would have not the
14 same problems that a ship at sea so to speak
15 would have in connection with emergency
16 responses.

17 MR. MARTIN: Can I just say, sir, I was
18 involved in a large boat fire around the middle
19 of the 1980s, and we did work in cooperation
20 with the Coast Guard to successfully handle that
21 situation. Our police chief, I think, can
22 address some of this a little better.

23 MR. KUNKEL: My name is Larry Kunkel. I'm
24 the chief of police of the Michigan City Police
25 Department. We have had a marine unit with our

1 police department for several years. We have
2 just worked this year with the U.S. Coast Guard
3 and through -- through some state
4 representatives and some other people to get a
5 22 foot Boston Whaler from the U.S. Coast Guard
6 that they retired and gave to us. That's being
7 outfitted right now as our marine unit to be
8 used for search and rescue and dive, and it's
9 also loaned to the fire department as needed to
10 address these sort of things. And, yes, we do
11 respond on Lake Michigan when we can.

12 MR. KLINEMAN: I guess the more important
13 question: Since your recommended side is Trail
14 Creek, has anyone given any idea or any thought
15 to emergency response for an emergency in a
16 cruising boat on Trail Creek, which obviously
17 would not be very far from shore but far enough
18 that there would have to be some idea -- and
19 again I guess the key question that Commissioner
20 Bochnowski has asked -- were the applicants
21 working with you at all, or have you had any
22 discussion with the applicants about them
23 participating in the formulation of an emergency
24 response?

25 MR. KUNKEL: I have not. However, the 22

1 foot Boston Whaler that I had talked about
2 before, part of the criteria in obtaining this
3 is it would be used for rescue purposes as
4 needed on that part.

5 As far as traffic concerns go -- I think
6 you asked that question a minute ago -- I do not
7 believe that the traffic pattern will be
8 impacted at all by opening up 12 and U.S. 35 for
9 ingress and egress to our city. Right now the
10 vast majority of the traffic comes in at 421,
11 Ohio Street and from the west -- the west exit
12 of I-94 so we're not overwhelmed with that. I
13 think the traffic flow coming in from the east
14 side of the city will not negatively impact us
15 at all.

16 MR. MILCAREK: I would comment on that
17 saying at certain times like Friday afternoon
18 you try to drive on Franklin Street past
19 Wal-Mart, it's an area you avoid. Also at peak
20 times on Highway 35 at the LaPorte County
21 Tourist Center there, you cannot -- I live in
22 that area so I would beg to differ with you.
23 Between 4:00 and 5:00 on a Friday or almost any
24 day it's -- you are taking your life in your
25 hands pulling out on that street. So I wasn't

1 so much concerned with the total load on the
2 road, but during peak times people are going to
3 work and returning from work adding a lot of
4 cars on that particular stretch of road, it
5 could be and probably will be a problem.

6 MR. KUNKEL: Okay.

7 MR. VOWELS: I have a couple quick
8 questions, maybe the mayor or someone can answer
9 this. This site -- I have got the same little
10 map, and I'm trying to figure out where the
11 upstream site is. Can somebody point to that on
12 the map over here for me. I'm looking at
13 between 35 and 12, where does the railroad
14 bridge fit into it?

15 MR. KUNKEL: Highway 35 coming in from 94.

16 MR. VOWELS: Is that Michigan Boulevard?

17 MR. OBERLIE: Yes. U.S. 12 coming across
18 the swing bridge before you cross open water
19 just north of that you will cross the swing
20 bridge.

21 MR. VOWELS: So is it between the railroad
22 bridge and the U.S. 12 bridge?

23 MR. OBERLIE: The site is on the other
24 side of 12, it's upstream from 12.

25 DR. ROSS: How far up does it go?

1 MR. OBERLIE: The potential site runs all
2 the way up to E Street. As we came off the site
3 this morning on the second bridge. It covers
4 both sides of the creek along that side and an
5 industrial site -- the Chicago Car Shop on the
6 corner of Michigan Boulevard and 8th Street back
7 along 8th Street up to and not including the
8 public housing site.

9 MR. VOWELS: At the top of the map where
10 it shows Washington Park and Sheridan Beach up
11 there on the right, can you tell me how much
12 stretch of waterfront property is incorporated
13 in the city of Michigan City?

14 MR. OBERLIE: There is about a mile and a
15 half of public beach.

16 MR. VOWELS: What about private?

17 MR. OBERLIE: There is private beach in
18 the parcel between what is shown as 1st Street,
19 California, and Washington Park. That small
20 stretch has preparing rights for the condominium
21 high-rise that was there this morning.
22 Everything from there to the town of Long Beach
23 is public beach.

24 MR. VOWELS: Where does the Michigan City
25 line end?

1 MR. OBERLIE: Out here (indicating) along
2 this mile and a half, everything in the city
3 except one parcel there is public beach.

4 MR. VOWELS: And there wasn't any
5 consideration further up for any dock sites up
6 there?

7 MR. OBERLIE: It's really not practical in
8 terms of trying to dig a channel and protect it
9 directly on to Lake Michigan itself, it requires
10 serious break waters and channels dug into the
11 land. There was at one time discussions before
12 we got started about digging a channel into a
13 former sand mining site on the opposite side of
14 Lakeshore Drive, that would have gone through
15 the residential area and required a cut to the
16 Lakeshore Drive which is a narrow two-lane road
17 that runs throughout that residential area.

18 MR. VOWELS: Is that beach front property
19 farther up to the east that's not on the map, is
20 that as sacred as what we are looking at here in
21 Washington Park?

22 MR. OBERLIE: It's very highly developed,
23 very densely developed.

24 MR. VOWELS: So that was never a
25 consideration based on the same factors as

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Washington Park?

MR. OBERLIE: Yes, sir.

MR. THAR: While you're at that map, could you show the harbor area, please, on that map. NIPSCO has sent a letter saying they will only allow the property to be used for a temporary cite, where is this?

MR. OBERLIE: Along the lakefront down around the curve.

MR. THAR: Where is the DNR property?

MR. OBERLIE: About this point to here (indicating), one parcel is included on that site.

MR. THAR: DNR has indicated they will neither lease nor sell the property for a riverboat interest, is that the city's understanding?

MR. OBERLIE: Yes, sir. That is correct.

MR. THAR: What property remains in the harbor then that can be developed for a riverboat?

MR. OBERLIE: The George Boat marine property right at the foot of the Franklin Street Bridge, that's probably 100 feet wide between DNR and immediately abuts the bridge

1 itself.

2 MR. THAR: That's the only owned privately
3 owned property that's available then?

4 MR. OBERLIE: The only one we are aware
5 of.

6 MR. THAR: The other side of the harbor,
7 is that all city owned?

8 MR. OBERLIE: There is one parcel, the
9 former Smith Brothers cough drops site, which is
10 next to the 1853 Light House Museum, which there
11 will be significant environmental impacts on.
12 The site itself has an approved grant help by
13 the State of Indiana to help us acquire that
14 property. We intend to move forward on that
15 once we know what's going to happen with the
16 boat.

17 MR. THAR: So there is one parcel
18 available for the harbor site?

19 MR. OBERLIE: As we understand it, yes,
20 sir.

21 MR. MILCAREK: Would you show us on that
22 map where you would plan to put the temporary
23 boat.

24 MR. OBERLIE: It's our understanding that
25 will be addressed tomorrow, that NIPSCO would

1 make available a small parcel of land along the
2 bend for purposes of housing a temporary
3 facility for not more than one year.

4 MS. BOCHNOWSKI: So basically with those
5 restrictions it would be almost impossible to
6 even choose the harbor site.

7 MR. OBERLIE: Yes.

8 MR. VOWELS: And the DNR, my understanding
9 was they deeded it to the DNR with some
10 restrictions and covenants, one being that it
11 could not be used for --

12 MR. OBERLIE: Yes.

13 MR. VOWELS: I don't have the specific
14 language here -- but obviously riverboat gaming
15 with would not fit with the exceptions to that.

16 MR. OBERLIE: The language of the city of
17 Michigan City for was that it was for public
18 use, and the property, therefore, was granted to
19 DNR for their purposes for public access. And
20 according to their position they would honor
21 that and it would not be available for private
22 use. As we understood it, it also meant they
23 would not allow commercial use to tie up the
24 dock itself.

25 MR. VOWELS: Along with NIPSCO the DNR

1 spot is an impossibility also?

2 MR. OBERLIE: Yes, sir.

3 MS. BOCHNOWSKI: You indicated that the
4 site that you prefer, the upstream site, does
5 not have significant environmental impact, that
6 you would not have the environmental problems
7 that you might have in other locations?

8 MR. OBERLIE: By environmental I'm not --

9 MS. BOCHNOWSKI: I'm just asking, are
10 there any problems with the upstream site? It
11 looks like the harbor site is virtually
12 impossible other than the fact that it's not on
13 Lake Michigan.

14 MR. OBERLIE: The upstream site did have a
15 corps permit issued for dredging purposes for a
16 previously proposed wet marina, so those issues
17 were identified as part of that process. And we
18 believe there is nothing new to be addressed to
19 this site as well.

20 MR. KLINEMAN: Anything else?

21 DR. ROSS: Yeah. If you look at the map,
22 it seemed the lower end of Trail Creek from the
23 bridge out to the harbor is wider and about the
24 same length as upper Trial Creek, why did you
25 not consider that at all in the plan?

1 MR. OBERLIE: Between the bridge around
2 the lakefront area?

3 MR. ROSS: No, between the bridge and back
4 up this (indicating) way.

5 MR. OBERLIE: That's all private
6 development. There are a series of condominiums
7 and slips on the south side, on the north side
8 is a major marina also with slips. A large
9 vessel would block the entire marina traffic
10 movement. The creek itself is basically a
11 highway of boats. In the summertime it is very
12 congested and it would not allow for a major
13 vessel, such as a gaming boat, to move back and
14 forth without basically shutting it down.

15 MR. SWAN: How wide is it back where
16 you're proposing?

17 MR. OBERLIE: John or Bruce. I will let
18 the harbor master answer that.

19 MR. KLINEMAN: Identify yourself.

20 MR. RUDISELL: John Rudisell. I'm the
21 harbor master for the Port Authority. On the
22 upstream site it varies from 100 foot down from
23 the E Street Bridge down to about 75 foot.

24 MR. THAR: That's not the area that they
25 have been pointing out.

1 MR. RUDISELL: If you are referring to
2 this area (indicating) right up in here --

3 MR. THAR: Yes.

4 MR. RUDISELL: I'm sorry. That's not the
5 area you are referring to. -- up on the area of
6 Sprague marina.

7 MR. SWAN: Is there some plan to widen
8 that? I'm not sure what I want to say there If
9 the boat is 75 feet wide or something and that's
10 only 100, that's not much clearance even there.

11 MR. RUDISELL: As Mr. Oberlie discussed
12 earlier, there was a proposal for an inland
13 marina in this (indicating) area to be dredged
14 out, so that has been addressed, yes.

15 MR. SWAN: How far back were they going
16 that way with the dredging on that, do you know?

17 MR. RUDISELL: I believe a developer at
18 one time had proposed to go back almost to the
19 Highway 12 bridge with that.

20 MR. KLINEMAN: Anything further?

21 MR. VOWELS: I have just one other
22 question, Blue Chip showed us that their boat --
23 and these things change all the time -- their
24 permanent boat would be 320 feet by 70 feet.
25 How is that thing going to get in there or how

1 are you going to build it in there, have they
2 told you that?

3 MR. THAR: We'll wait for Blue Chip.

4 MR. VOWELS: Okay. We'll wait for Blue
5 Chip.

6 MR. KLINEMAN: Anybody else have anything
7 else?

8 MR. SWAN: Jack does.

9 MR. KLINEMAN: Yeah, I know. Anybody else
10 before we get to Mr. Thar, who always rescues us
11 at the last minute.

12 MR. MILCAREK: Mayor, on your opening
13 remarks you indicated some plan to share the
14 wealth with neighboring cities or something,
15 could you elaborate more than on that.

16 MR. OBERLIE: I'm Chuck Oberlie. As
17 alluded to in my comments, the city council has
18 passed a resolution pledging to share up to 25
19 percent of the win tax. Our objective would be
20 to put those into specific projects to identify
21 some health problems within our county, the
22 first one would be to extend water lines
23 directly to the county landfill on 300 North to
24 solve the problem of occluded wells in that
25 area.

1 Secondly, we would address sewer needs in
2 the towns of Trail Creek and Pottawattomie Park,
3 both of which are on septic. And wells when
4 their septic fail, they percolate directly into
5 Trail Creek itself and, therefore, impact
6 potentially the water source of the community
7 which is the lake. Our fourth priority would
8 then be to extend sanitary sewers out across
9 I-94 into the county's growth areas.

10 This past year in cooperation with the
11 Department of Indiana Departmental Environmental
12 Management to receive a grant to construct some
13 artificial wetlands to solve its failed septic
14 systems in the Trail Creek drainage basin, we
15 would attempt to solve those problems on a
16 permanent solution with the funds from the
17 sharing of the revenues.

18 MR. MILCAREK: Are there any plans to
19 share with any of the outlying cities such as
20 Westville or LaPorte or something like that?

21 MR. OBERLIE: Not initially. The belief
22 of the community based on the unemployment
23 statistics that are available say that the large
24 share of the unemployed and in the area of need
25 is in the northern tier of the county, and it's

1 also the tier that's having significant health
2 problems. We thought we would choose to address
3 those initially on an immediate basis.

4 MR. KLINEMAN: Mr. Thar.

5 MR. THAR: Just two areas, Mr. Chairman.
6 Before I have been advised that there is a bus
7 parked blocking hotel delivery. So if there is
8 a driver here that brought a bus that's blocking
9 delivery, could you please move it.

10 Mayor, these are probably questions for
11 you. It's my understanding that with regard to
12 the preferred developed area, that a lot of the
13 land owned down there is presently being held by
14 a bank based upon a project that did not go
15 forward some years ago; is that correct?

16 MAYOR BERGERSON: New Port Marina, I
17 believe, is in bankruptcy. There are other
18 abandoned industrial sites that we pointed out
19 to the group this morning that are being held by
20 a bank in Michigan City who have, to the best of
21 my knowledge, offered no certain package group
22 to any of the developers. But they would deal
23 with whichever company received a license at
24 that point, they would negotiate on that land.

25 MR. THAR: My question goes to another

1 aspect of that same point and that is this: Is
2 there anybody involved in the selection of that
3 as the preferred site that is involved with the
4 people that hold those parcels of land?

5 MAYOR BERGERSON: To the best of my
6 knowledge there is no one. Everyone on the 22
7 member committee signed a noncollusion affidavit
8 agreement saying that they had no interest at
9 the time we were negotiating with the developers
10 and going through the process. To the best of
11 my knowledge there is no one who has any
12 financial interest in the property that you are
13 talking about.

14 MR. THAR: Secondly --

15 MR. KLINEMAN: Excuse me, Jack. Along the
16 same lines has the city or anyone on behalf of
17 the developers obtained any kind of option to
18 the people who now control the land? We got in
19 a situation in Gary where -- having granted a
20 certificate based upon the representations that
21 the site control was, quote, no problem, then we
22 went through a process that took quite a few
23 months before the site did come under control of
24 the developers and it caused considerable delay
25 in Gary. And I just wondered if there has been

1 any plans made. If someone owns a piece of land
2 and all of a sudden it is the designated site
3 for a riverboat, the price seems to move in the
4 opposite direction from the real value.

5 MAYOR BERGERSON: Right. I can understand
6 your point. Obviously the land owners in
7 Michigan City have known for a good, long time
8 which land has been under consideration. There
9 is a representative here from First Citizens
10 Bank who is one of the large property holders.
11 I believe the land is in a trust by that bank.

12 The city of Michigan City has not entered
13 into any negotiations to hold the real estate,
14 but I believe it's all in private hands. And if
15 you would like the bank to speak to that point,
16 I'm sure we could ask Mr. Dabagia to come up.
17 Is that something you would like?

18 MR. KLINEMAN: I would like to hear some
19 comfort in the site control aspect. And I don't
20 know what percentage we are talking about, are
21 we talking about 90 percent or 10 percent or 20
22 percent.

23 MAYOR BERGERSON: This is Bob Dabagia, vice
24 president of First Citizens Bank. And I believe
25 some of the land in upstream site is in holding

1 by his bank.

2 MR. KLINEMAN: Welcome.

3 MR. DABAGIA: Thank you. It was not my
4 intention to speak here today but I'm glad I
5 came. I would like to put your fears to rest,
6 if you have any. It was approximately two and a
7 half years ago that the bank was approached by
8 one potential developer, who is not among of the
9 remaining three i might add, for an option on
10 the property because the property came in
11 possession of the bank due to default on the
12 part of the borrower.

13 Actually we consulted with the bank
14 counsel. And we came to a conclusion after
15 lengthy discussions that we did not want to
16 happen in Michigan what has happened in various
17 other communities faced with casino development,
18 real estate speculation and so on.

19 We prepared first very carefully a letter
20 in which we stated our position and it was to be
21 a public position, that is so to say anyone who
22 is interested in that property, would be faced
23 with the very same language in essence saying,
24 in fact, that we will not sell the property
25 except to whomever obtains a license.

1 And in the event that the property is sold
2 to someone who has obtained a license and does
3 not execute that license, that is to say develop
4 a casino, that there would be further strings
5 attached so that ultimately the land would go to
6 whomever received the license.

7 It is my feeling that that language and
8 that discussion two and a half years ago was
9 done in the best interest of the community as
10 well as the bank and that is our position today,
11 that we have no intention of trying to make a
12 killing, for example, on the value of the real
13 estate. It is, in fact, the largest single
14 parcel of land owned by one owner on the
15 upstream site. I hope that answers the
16 question.

17 MR. KLINEMAN: Is your site such that if
18 no other ground was obtained, could a viable
19 operation be conducted? I guess viable is in
20 the minds of the beholder, but is it a usable
21 site to conduct the operation.

22 MR. DABAGIA: I believe so. Given the
23 statutory requirements and given the
24 negotiations the city has had with the several
25 potential developers, it's my belief that this

1 parcel would certainly be of interest even if
2 the location of the property or the primary
3 development would be adjacent to or somewhere in
4 the vicinity of it. In other words, there is
5 only so much land on Trail Creek that is
6 available and this parcel would certainly be
7 among the most desirable.

8 MR. KLINEMAN: Okay. Is the city
9 satisfied that we wouldn't get into a site
10 problem based upon what this gentleman has said?

11 MR. DABAGIA: May I say that as far as the
12 bank is concerned we are not going to have a
13 problem if this is the choice of the Gaming
14 Commission to approve the site.

15 MR. BECKMAN: Robert Beckman, city
16 attorney. It's my understanding -- I may be
17 slightly incorrect -- it's my understanding
18 that the bank has control of approximately 15
19 acres so we are talking about a substantial
20 amount of land. I also can inform you that the
21 city owns a municipal park and a marina in the
22 area which are also subject to possible uses.
23 And it's my understanding from everything that
24 we are aware of at this point and from the
25 representations you just heard from Mr. Dabagia

1 from First Citizens Bank that we are satisfied
2 that this site is the appropriate site, it is
3 large enough. And, in fact, the site is a
4 critical site and the only site up and down
5 Trail Creek where legally land is available for
6 a project of the dimensions that have been
7 proposed by the developers.

8 MR. KLINEMAN: Anybody else have anything
9 on this line? I'm sorry. Jack.

10 MR. THAR: Mayor. With regard --

11 MAYOR BERGERSON: I'm earning my keep
12 today.

13 MR. THAR: Could you outline for us what
14 incentives the city is looking for from a
15 developer. Aside from the development they
16 propose are there any additional incentives?

17 MAYOR BERGERSON: That process has
18 evolved. Originally we presented a wish list,
19 so to speak, of things that we had hoped for.
20 Each of the companies -- I would defer to the
21 gaming consultants who could give you specifics
22 of the agreements that we signed, but basically
23 we wanted a percentage that would have local
24 control.

25 We would have a percentage of the gross

1 gaming revenues and then the local community
2 could expend that money as it saw fit. We had a
3 little problem with setting the money down, for
4 instance, for zoo repairs, parking lot
5 improvements at Washington Park, because over a
6 time those problems would alleviate themselves
7 and we would still have money coming in and not
8 enough need for that. So we would rather have
9 the money come into a local pot and at that
10 point decide at the local level what those needs
11 were. I would defer to Dick Treptow to explain
12 the process a little better.

13 MR. TREPTOW: What the city is primarily
14 looking at is percentages of just the gaming
15 receipts as opposed to a new firehouse or
16 something.

17 MAYOR BERGERSON: No. We have so many
18 varied needs that we would rather bring the
19 money in. For instance, we are going to
20 relocate fire stations. We just completed a
21 fire study and that package to relocate stations
22 is \$3 million. That may be an immediate need
23 where down the road adjustments to the parking
24 lot or recreation center, those needs may be
25 more apparent. And we wanted to have the local

1 control to do the infrastructure work and
2 capital improvements as the city saw fit.

3 MR. THAR: Is there any incentive that the
4 city has been offered that the city is not
5 interested in?

6 MAYOR BERGERSON: Hold on just a minute,
7 please.

8 (Mayor Bergerson confers with
9 staff off the record.)

10 MAYOR BERGERSON: I think as in most
11 communities, if they are going to offer us
12 something that we can use, we would be happy to
13 accept it.

14 MR. THAR: Finally you had indicated in
15 your opening remarks this afternoon that the
16 city desires that its ability to enter into
17 gaming not be delayed. And you also talked at
18 the same time with regard to the projects here
19 while they may not be as big, as you made
20 reference to, the Trump project they are fine
21 for this particular city. Do you believe
22 anything could be gained for Michigan City if
23 the commission was to defer a decision at this
24 time?

25 MAYOR BERGERSON: We have, as I expressed

1 earlier, waited a long time to come to this
2 point. We have discussed that approach, waiting
3 to see what the market would bear, for instance,
4 with the Indian gaming projects coming forth,
5 the development of the casino markets to the
6 west of us. And quite frankly we feel our
7 market is very competitive as it is now.

8 And certainly we would like to be given the
9 opportunity to develop that market and get our
10 piece of the market share that's out there so
11 the tourists who come to Michigan City to shop
12 and to use our lakefront would then have the
13 opportunity to come to Michigan City for
14 conventions, for gaming, and for other amenities
15 that would be offered. To wait, quite frankly,
16 I don't see the gain to the community, in fact,
17 it would probably put the viability of the
18 project in a difficult situation.

19 MR. THAR: You believe it's the city's
20 position then if the commission can, it should
21 make a decision during this time frame?

22 MAYOR BERGERSON: We have waited an
23 extensive amount of time. We have done what we
24 think is our homework. We have spent a lot of
25 time and obviously money to study the proposals,

1 to look for what's best for the community. Our
2 bottom line is we would like Michigan City to
3 grow and prosper, and to us this is one way of
4 dispersing our economy, to wait would not be an
5 advantage community. The proposals that are
6 before you, I hope you will decide on and give
7 Michigan City the opportunity we very much
8 desire.

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

10 MR. MILCAREK: Mayor, you have selected
11 Blue Chip as your endorsed candidate, could you
12 or would you work with any other applicant that
13 was so decided?

14 MAYOR BERGERSON: The city of Michigan
15 City will work with the developer that the
16 Gaming Commission chooses for the community.
17 Indiana Blue Chip was the choice of the local
18 evaluation committee but obviously if the Gaming
19 Commission chooses another developer, we are
20 more than anxious to work with the developer
21 working in Michigan City.

22 We want a good corporate neighbor. We want
23 a development that will be good for our
24 citizens, that will provide local jobs and local
25 opportunities. So, yes, we with will work with

1 whatever developer is in Michigan City.

2 MR. KLINEMAN: Anything further? Thank
3 you very much, Mayor. And thank all of the
4 people from the city of Michigan City. You have
5 been very informative. Do you have any state or
6 federal agencies coming at all? We will take a
7 15 minute break at the present time, come back
8 about 25 of 4:00, 20 of. At the time we will
9 the hear public comments based upon requests
10 that have been submitted to the commission.

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12 (Proceedings concluded at or about 3:30 p.m.)

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1
2 STATE OF INDIANA)

3) SS:

4 COUNTY OF LAPORTE)

5 COURT REPORTER'S CERTIFICATE

6 I, Natalie Bearickx, CSR, and duly authorized to
7 administer such oath, do hereby certify that on the 12th day
8 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
9 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
10 about the hour of 1:30 p.m., I then and there reported the
11 proceedings had before the Riverboat Evaluation Committee;

12 I further certify that I reported said proceedings by
13 the means of machine shorthand and that I have transcribed
14 my original shorthand notes through the use of
15 computer-aided transcription into the typewritten form and
16 that the foregoing and attached pages or parts of pages
17 number inclusively two through eighty-four comprise a true,
18 correct, complete and accurate transcript of said
19 proceedings;

20 IN WITNESS WHEREOF, I have hereunto set my hand and
21 official seal this 24th day of February, 1996.

22 Natalie Bearickx
23 Natalie Bearickx

24
25 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
HEREOF AND DOES NOT APPLY TO ANY XEROX COPIES MADE OF THIS

1 BEFORE THE
2 INDIANA GAMING COMMISSION

3 IN RE: THE POSSIBLE)
4 ISSUANCE OF A GAMING)
5 LICENSE FOR A RIVERBOAT)
6 IN MICHIGAN CITY, INDIANA)

7 THE PUBLIC COMMENTS
8 VOLUME II, Pages 85 thru 147

9 The presentation of the City of Michigan City as had
10 before the Indiana Gaming Commission, commencing on Monday,
11 February 12, 1996, at or about 3:45 p.m. at the Pine Lake
12 Hotel, 444 Pine Lake Avenue, LaPorte, Indiana.

13 GAMING COMMISSION MEMBERS PRESENT:

14 DAVID E. ROSS, JR., M.D.
15 ROBERT W. SUNDWICK
16 ANN MARIE BOCHNOWSKI
17 DONALD RAYMOND VOWELS
18 ALAN I. KLINEMAN
19 ROBERT SWAN
20 THOMAS F. MILCAREK

ORIGINAL

21 Also Present:

22 JACK THAR
23 Executive Director, Indiana Gaming Commission
24 FLOYD HANNON
25 Deputy Director, Indiana Gaming Commission
 KAY FLEMING
 Chief Legal Counsel, Indiana Gaming Commission
 JANINE HOOLEY
 Director of External Affairs

 Members of each Applicant's Staff
 Members from the General Public

Reported by:
Natalie Bearickx, CSR, Associate Reporter

1 Monday, February 12, 1996 --

2 (At or about 3:45 p.m. Gaming Commission and
3 members of the public present at the Pine
4 Lake Hotel.)

5 MR. KLINEMAN: First, I would like the
6 record to show that Commissioner Sundwick has
7 joined us. And I also have a personal
8 announcement to make. I have developed a lower
9 back problem and it's very, very comfortable for
10 me to be seated up here, maybe that's affected
11 some of my questions, I don't know. But I have
12 asked the vice chairman, Mrs. Bochnowski, take
13 over the proceedings this afternoon.

14 And I'm going to go try to stretch my back
15 out so that it gets better for tomorrow, which
16 is a very long day for us. I will, however, be
17 reviewing the videotapes and the transcript of
18 what's said here this afternoon by the public.
19 And I assure you that I personally will take
20 into consideration everything that's said here
21 even though I might not be present in person.
22 So with that I will withdraw and Mrs. Bochnowski
23 can take over.

24 MS. BOCHNOWSKI: Okay. Before we start --
25 oh, I forgot to turn it on, I keep turning that

1 thing off -- before I start the public comment
2 portion there are a few rules that I'd like all
3 of the speakers to be aware of. You have a
4 limited amount of time, which you've been
5 informed -- five minutes, correct -- five
6 minutes to speak. If you want -- if you think
7 you are getting close to the end, you should
8 take a look over at that (indicating) side. And
9 the first card you will see is a yellow card,
10 that means you have one minute left to speak.
11 There it is.

12 The next card will be a red card and that
13 means your time is up. If you cannot get
14 everything that you want to say to us into a
15 five minute period, you are more than welcome to
16 submit your comments in writing, we do receive
17 all of those. Everybody receives a copy of it
18 and we will review that separately. We are just
19 trying to be fair. So that's the way our
20 operation has worked everywhere else and that's
21 the way it's going to work here. All right. I
22 guess we can go ahead and get started. Okay.

23 MR. THAR: What about the endorsements?

24 MS. BOCHNOWSKI: Pardon me.

25 MR. THAR: The endorsements.

1 MS. BOCHNOWSKI: Okay. Right. Apparently
2 in other locations, and we didn't receive any
3 feedback from this, we have asked that comments
4 not be endorsements of particular companies, but
5 that they be comments regarding the overall
6 process or gaming in general, would that be
7 accurate? Okay. Our first speaker -- is it
8 Paul Maday, would that be right?

9 MR. MADAY: Yes.

10 MS. BOCHNOWSKI: Okay. Don't worry. We
11 don't start timing you until you start speaking
12 so take your time getting up here. And if
13 anybody has any questions, please indicate and
14 we'll keep the speaker up.

15 MR. MADAY: Good afternoon, ladies and
16 gentleman, my name is Paul Maday. I'm an
17 assistant business manager of the International
18 Brotherhood of Boilermakers, Iron Shipbuilders,
19 Blacksmiths, Forgers (phonetic) and Helpers
20 Union, Local 374, in Hammond, Indiana. The
21 local union jurisdiction encompasses the entire
22 state of Indiana so this project is extremely
23 important to every member of my craft as well as
24 every union member of the LaPorte Starke
25 Building Trades.

1 The Boilermakers support this project
2 because of the income and revenue it will
3 generate into the local economy and into the
4 wallets and households of the men and women
5 directly and indirectly related to this project.
6 And what better way to start generating that
7 income and revenue than to build the boat on
8 site, whether it be at Trail Creek or at a
9 different location or the harbor area. The
10 construction man hours on a project this size
11 are too huge to ignore.

12 By erecting the boat on site, approximately
13 300,000 man hours are required from start to
14 completion. And not only for wages in the
15 construction worker's pockets but also the
16 effect that the money will have to the rest of
17 the immediate communities and also the entire
18 geographic area. Economic research studies have
19 shown that on site development generates
20 economic impacts in the range of 22 to \$25
21 million.

22 Additional impacts include approximately
23 230 direct construction jobs with a payroll of
24 \$8 million and approximately \$12 million in
25 direct local purchases. Steel suppliers,

1 welding supply companies, lumber yards, hardware
2 stores, crane rental and heavy equipment
3 companies are just a few examples of businesses
4 directly related to on site boat construction
5 that would profit from it. Indirect businesses
6 would also reap the rewards, the Dunkin Donuts
7 and the mom and pop restaurants that serve
8 breakfast every morning, the sandwich shops and
9 fast foods restaurants at lunch, the local
10 taverns, liquor stores, mini-marts and gas
11 stations that are in the area would also reap
12 these benefits; results will be seen
13 immediately.

14 Since the shipbuilding industry requires
15 some specialized crafts, engineering and
16 construction management, a portion of this labor
17 force will be drawn from other parts of the
18 country. In Elgin, Illinois, for example, where
19 the Grand Victoria was built on site, members of
20 the administrative staff spent approximately \$1
21 million for housing, food and entertainment.
22 The construction workers spent approximately \$2
23 million in local hotels and apartments, eating
24 and entertainment establishments.

25 Although these statistics may vary between

1 the size of the project and location, the intent
2 is clearly evident, jobs and immediate positive
3 stimulation of the local economy. The
4 boilermakers also are aware that some casino
5 gambling boats have recently had to close their
6 doors for different reasons and now sit idle and
7 wait to be towed to different locations.

8 These boats are attractive because they
9 need in most cases little or no modifications
10 and are basically ready for business shortly
11 after they would arrive. We feel that these
12 should serve only as a temporary facility until
13 the completion of the on site built vessel. In
14 conclusion I would like to urge the recipient of
15 this gaming license to build a boat on site
16 using union building trades. However, if an
17 existing boat be used, we urge that any and all
18 modifications to it and all structures and
19 buildings that will surround it be built by
20 union tradesmen. Thank you.

21 MS. BOCHNOWSKI: Thank you very much.
22 Okay. Rebecca Williams is next on the list.

23 MS. WILLIAMS: Good afternoon. My name is
24 Rebecca Williams. I would first like to thank
25 you for giving me the opportunity to speak on

1 behalf the group that I represent. I have been
2 a resident of Michigan City for 37 years. I
3 have witnessed many progressive changes take
4 place in this community. One unfortunate
5 condition that still remains is the lack of
6 involvement from within the African American
7 Community in the area of economic development
8 and long range strategic planning sessions that
9 we could use in aiding to chart out our own
10 destiny.

11 I would like to begin my presentation by
12 saying that I voted against the gaming
13 referendum. I remember the lesson taught by
14 cities like Sodom and Gomorrah. Gambling to me
15 is a moral issue. My feelings are still the
16 same but it would be equally wrong due to the
17 realities of what soon will be potentially one
18 of the largest industries in the state of
19 Indiana for us not to step forward and involve
20 ourselves.

21 The African American community is losing on
22 many fronts, the war on crime, the war on drugs
23 and the war for self-determination aside from
24 personal -- we have submitted letters to three
25 casino developers requesting that the successful

1 applicant involve us as owners and investors, we
2 received two responses.

3 Aside from personal gratification and the
4 additional revenues these dollars will generate
5 in the community of Michigan City each person is
6 committed to reinvest a percentage of their
7 earnings into economic development --
8 development ventures that will aid in the
9 employment, education and training of our
10 people.

11 How can we be respected as adults when
12 constantly we go to others in our time of need?
13 Every other group in this country has resources
14 available to support the employment of some of
15 their own. We still remain in a position of
16 dependency. There was a court -- a court case
17 called Ging Poo v. Hopkins (phonetic) in the
18 city of San Francisco in 1896. The Chinese
19 Americans were not allowed to receive a laundry
20 license to operate a laundry even though they
21 were employed in the industry. This case went
22 to the Supreme Court. The Supreme Court
23 supported Ging Poo's position. Ging Poo showed
24 that the city of San Francisco denied a race of
25 people the right to provide for themselves.

1 We're requesting that the Gaming Commission
2 support us in this effort by issuing a license
3 to the company that will include African
4 Americans as owners and investors. Thank you.

5 MS. BOCHNOWSKI: Thank you very much.
6 Herbert Lasser.

7 MR. LASSER: Ladies and gentlemen, I, too,
8 thank you for the opportunity. My comments to
9 the commission are submitted as a property owner
10 in the city of Portage, Porter County, Indiana,
11 where a referendum for riverboat gambling in the
12 county was defeated in November of 1993.

13 Burns Harbor Development Group, of which I
14 am a partner, owns 120 acres of land adjacent to
15 the Little Calumet River with a 635 boat marina
16 approved by the Indiana DNR and the U.S. Army
17 Corp of Engineers, which states my interest.

18 Indiana's riverboat gaming laws originally
19 enacted contemplated that the fifth license on
20 Lake Michigan was to be awarded to Michigan
21 City, Portage, Gary, Hammond or East Chicago.
22 However, the 1995 legislature amended Indiana
23 Code 4336-1 provides that the fifth license be
24 issued to only Michigan City or Portage. The
25 original law as set forth in the special session

1 overriding the governor's veto allowed a special
2 election in 1995 if an applicant for a river --
3 riverboat license paid in advance of the
4 election the amount that was the difference of
5 the cost to hold a special election and the cost
6 to hold a municipal election. That special
7 legislation expired on January 1st, 1996, just a
8 month or so ago.

9 The law, both as originally written and as
10 amended, provides that if a public question is
11 defeated, another public question may not be
12 held in that county for at least two years,
13 which means that Portage's first opportunity for
14 a second referendum was in November of last
15 year. Based on the laws amended, Portage's
16 first opportunity for a second referendum vote
17 was November of 1995 and then only if an
18 applicant paid the cost of the election in
19 advance.

20 On or about July 6th, 1995, the Porter
21 County Election Board determined the additional
22 cost to place the question on the ballot in
23 November of 1995 would be \$122,100. The first
24 opportunity that the voters of Porter County
25 would have to have a second referendum election

1 without an applicant or payment of additional
2 cost at a general election would be November 5th
3 of 1996 on condition that the public question is
4 certified to the election board no later than
5 noon on August 1st of 1996.

6 It would appear that it was the intent of
7 the legislature by its 1995 amendment to isolate
8 the fifth Lake Michigan riverboat gaming license
9 to Michigan City or Portage with preference to
10 neither, which legislative intent would be
11 frustrated if this Gaming Commission were to
12 issue a certificate of suitability to an
13 applicant for Michigan City without at least
14 waiting until August 1st, 1996, to see if the
15 city of Portage takes the initiative to certify
16 the question to the election board until after
17 November 5th, 1996, if, in fact, the voters of
18 Porter County vote affirmatively.

19 The voters of Porter County should have an
20 opportunity to objectively entertain proposals
21 from any interested applicant. Any delay
22 occasion by deferral of issuance of a
23 certificate of suitability would certainly be
24 justified by the enhancement of a more
25 competitive bidding environment for the benefit

1 of the community that ultimately prevails,
2 whether it be the city of Portage or the city of
3 Michigan City.

4 Your consideration will be very much
5 appreciated by myself as a single property owner
6 and the city of Portage as well as all others in
7 that city and the county of Porter who would
8 benefit by the ultimate issuance of a riverboat
9 license. I thank you.

10 MS. BOCHNOWSKI: Thank you very much.
11 Jerel Millard.

12 MR. MILLARD: Good afternoon. Thank you
13 for the opportunity to speak. My name is Jerry
14 Millard, I'm the business manager of the
15 International Brotherhood of Electrical Workers,
16 Local Union 531, and vice president of the
17 LaPorte Starke Pulaski Building Trades so you
18 know where my interests are, they are in jobs,
19 especially in construction first and ongoing
20 jobs in the future.

21 I served as co-chairman of the Job Yes
22 Coalition which was formed back in August, 1993,
23 to work for passage of the gambling referendum.
24 And I'm here to tell you that it was the men and
25 the women of the organized labor who did the

1 biggest part of that campaign.

2 While the president of the Chamber of
3 Commerce and I worked closely together during
4 the campaign, I have got to tell you that most
5 of the meetings at the job coalition, the
6 turnout was 95 percent organized labor. So you
7 can imagine how disturbed I was and others in
8 the organized labor to be completely bypassed
9 for the participation of the riverboat committee
10 of the 22 members representing all facets of the
11 city.

12 Somehow we were good enough to ask for the
13 money and take the time to get volunteers back
14 in '93 but not good enough to make the selection
15 of the company. As you know, union labor is
16 firmly behind the concept of a riverboat. As
17 former chairman of the Jobs Coalition and
18 hundreds of other volunteers had a lot of hours
19 to pass the referendum, I cannot stress
20 enough how important it is that you grant the
21 license to Michigan City and do it soon.

22 By most accounts there will be about a two
23 year opportunity before the Indians get their
24 casino up and running in Michigan. Many of us
25 believe that the Michigan City riverboat, if

1 licensed soon, can get up and going, carve out a
2 respectable share of the market and develop good
3 customer loyalties before the Indians come on
4 line. Let's not make it look like Custer's last
5 stand, let's act before we have to react.

6 Obviously tying in the riverboat with some
7 of the existing attractions like Light House
8 Mall makes a lot of sense to us. The Light
9 House Mall was originally built or financed by
10 union labor to built 100 percent by unions.
11 It's going to take something special to lure the
12 patrons in off the interstate, we have got to
13 give them a reason to patronize us. Shop and
14 stay programs that feature gaming and other
15 entertainments make a lot of sense. And who
16 could beat to stay in a hotel where you're out
17 looking over your -- when you wake up in the
18 morning and you are looking over the beautiful
19 harbor and the light house. Michigan City and
20 LaPorte County could be a successful gaming
21 location if you give us the tools to do it
22 right. Grant the license soon and grant it in
23 the harbor right next to the Light House Mall.
24 Thank you.

25 MS. BOCHNOWSKI: Thank you very much. And

1 Marlow Harmon. Be careful, everybody, there's a
2 lot of wires around here.

3 MR. HARMON: Good afternoon. My name is
4 Marlow Harmon. I was recently re-elected to a
5 second term as councilman representing the sixth
6 ward in Michigan City. I'm a retired Michigan
7 City police officer having served 20 years on
8 the force. I was elected president of city of
9 Michigan City Council in 1993 and was in that
10 position when we passed the docking ordinance
11 that started the process of riverboat gaming.

12 I am a very firm believer in the potential
13 of riverboat development. I have some real
14 problems with our local evaluation process and
15 the end results. The process that we followed
16 as a committee was good. And many important
17 questions were answered by the three riverboat
18 applicants, many promises were made and
19 hopefully if Michigan City is awarded the
20 license, those promises will be kept.

21 My biggest concern about the applicants was
22 the failures or misfortunes they have
23 experienced prior to coming to Michigan City.
24 The consultants never addressed those issues,
25 and most of the committee members seemed to

1 ignore those issues. I believe the applicants
2 should have been more open and honest with the
3 evaluation committee about their past negative
4 experiences, and I'm sure you will look into
5 those issues more closely than what we were able
6 to.

7 I also have a problem with the site
8 selection. Former Mayor Behler and much of the
9 city's staff was supportive of the bank owned
10 site on Trail Creek from the moment riverboat
11 gaming was legalized in Indiana. There was
12 never any discussion by the former mayor or his
13 staff about any other site for the project other
14 than Trail Creek. All riverboat developers who
15 came into town were told that the bank owned
16 site was the city's preferred site. Both our
17 previous and current mayor have always been pro
18 bank sites.

19 I understand that the bank is a big power
20 in our city and they wheel a lot of clout. I
21 think it's no accident that all of these mayor's
22 appointees to the local evaluation committee
23 were pro bank site, there is nothing sinister
24 about that, it's just the way it was. You tend
25 to point to those who think like you do and I

1 think that's what they did. Unfortunately,
2 however, other sites did not get a fair hearing.

3 For example, Mayor Behler never asked the
4 city's consultants to compare the pros and cons
5 of the two sites before asking the committee to
6 take a vote. We paid those consultants
7 thousands of dollars and not one dime or one
8 minute of the committee's time was spent talking
9 over the positive and the negative aspects of
10 each site. I will be honest with you, I think
11 the comparison between the harbor site and the
12 bank owned site on Trail Creek never had a fair
13 hearing on a level playing field. I hope that
14 your commission can give this site issue and
15 fair hearing.

16 I understand that there is a new poll out
17 that shows what some of us have been saying for
18 a long time, the public knows better and wants
19 it built down at the harbor. Knowing that
20 having it next to the Light House Place means it
21 can better compete with the Indians and it can
22 compete with other boats in Northwest Indiana.
23 More than anything I want this development to be
24 successful and to generate jobs and permanent
25 economic development for the people of Michigan

1 City and LaPorte County. Let's listen to the
2 people of LaPorte County, they know our
3 riverboat belongs in the harbor where it can
4 best attract visitors and compete successfully
5 for many years to come.

6 I have one additional comment to make, I
7 was very surprised and a little bit upset to
8 hear Mayor Bergerson announce for the first time
9 this morning the so called deal with NIPSCO. At
10 the last local evaluation committee meeting a
11 representative of NIPSCO was there and told the
12 committee that it was NIPSCO's plans to stay out
13 of any discussions about the use of its sites
14 until after the Indiana Gaming Commission had
15 awarded a license to Michigan City.

16 If the city had not caused NIPSCO to change
17 its position, then the city had to intervene in
18 a way that restricts competition and reduces
19 some of the options that the Gaming Commission
20 has for the location of this project. Let it be
21 clear this could be viewed as an attempt by the
22 city to once again not allow a fair debate to
23 occur -- occur between the two sites. Thank
24 you.

25 MS. BOCHNOWSKI: Thank you very much.

1 Carla Filipiak. I certainly hope I'm
2 pronouncing your name correctly, I'm trying.

3 MS. FILIPIAK: You did a good job with
4 mine, it's difficult. My name is Carla
5 Filipiak, and I am a resident of the town of
6 Long Beach within LaPorte County. I was one of
7 those interested citizens who read all of the
8 newspaper articles about the upcoming local
9 riverboat evaluation process, and I decided to
10 see for myself what was going on.

11 I attended several of their meetings and to
12 be honest what I saw wasn't terribly encouraging
13 to me. I would like to express my concerns
14 about what I observed at these meetings. It
15 seems that whoever was going to pander most to
16 the committee did best, tell them what you think
17 they wanted to hear rather than what you really
18 believe.

19 Case in point, completely forgotten is that
20 all three companies have sites on the harbor,
21 two of them supposedly temporary. Two of the
22 companies promised they would get the necessary
23 permits within 30 to 60 days of licensing while
24 the third said, I quote, "We're not going to
25 mislead you. Based on our experience in

1 Evansville it will take at least nine months to
2 get the Corp of Engineers' approval at the
3 NIPSCO site."

4 Never behind that Michigan City's harbor
5 master, Mr. Rudisell, was quoted in the South
6 Bend paper agreeing with that company about the
7 likely delays. That same company got punished
8 for being honest with the committee and actually
9 had points deducted for a later opening date.

10 Another case in point, the companies are
11 told at the last minute, throw away your
12 community incentive plans and give back an even
13 higher percentage of revenue than the 5 percent
14 set by law to city government, two of the
15 companies did this, only one company stood by
16 its plan and committed money to various
17 community development groups and revenue sharing
18 to other cities and towns in the county. As a
19 resident of Long Beach which stands to benefit,
20 I like this idea. All residents in the county
21 were given the opportunity to vote on the
22 referendum to begin the project, we should all
23 benefit from its volition.

24 Final case in point is location, it's clear
25 the committee wanted redevelopment of the upper

1 creek area, who doesn't, that doesn't mean that
2 is where the riverboat should go, though. Two
3 of the companies claim they will only be on the
4 harbor temporarily. Those two pacified the
5 committee by saying they will move upcreek at
6 the earliest opportunity, yet only one company
7 had the guts to tell the committee, look, we
8 have budgeted money to assist Trail Creek
9 redevelopment but it's not the place for a
10 riverboat, it can't cruise up there, and besides
11 it's away from the action which is near Light
12 House Place and the lake.

13 This company's partner knows a thing or two
14 about picking location but who gets punished for
15 sticking to their guns and not pandering and
16 saying anything to win votes, that same company.

17 The harbor and our lakefront is the pride
18 of the city, in my opinion it is the best spot
19 for a riverboat. If there were points for being
20 candid and honest with the committee, maybe the
21 results would have been different. As it was,
22 one company got punished for being honest with
23 the committee, and I hope that you don't let
24 that happen again. Thank you for granting me
25 time to speak.

1 MS. BOCHNOWSKI: Thank you very much.

2 MS. FILIPIAK: Thank you.

3 MS. BOCHNOWSKI: Doug Bernacchi.

4 MR. BERNACCHI: I thank you for having me
5 here at this historic meeting of your commission
6 in LaPorte County. I thought earlier you said
7 there were too many lawyers in the and not wires
8 in the room.

9 MS. BOCHNOWSKI: I've been known to say
10 things like that.

11 MR. BERNACCHI: As I said, my name is Doug
12 Bernacchi. I was born and raised in LaPorte,
13 graduated from LaPorte High School. I'm deeply
14 rooted in this community. I live in Long beach,
15 as the previous speaker. I'm the town attorney
16 for the town of Michiana Shores, which is
17 another community in LaPorte County. And my law
18 practice, private law practice, is in Michigan
19 City, Indiana. My clientele consists primarily
20 of farm clients, having grown up in a farm
21 family deeply rooted in this county.

22 Some points I would like to make for the
23 record, first of all, I think -- I disagree with
24 the gentleman from Porter County. I think
25 LaPorte County has spoken. The riverboat gaming

1 offers promise of jobs, tax revenues and
2 positive economic impact to Michigan City and
3 LaPorte County in general and it's not just for
4 the short-term and for the construction jobs but
5 for the long-term. And I certainly encourage
6 you all to award the license to this county.

7 Second, the potential for riverboat
8 gambling and gaming can only be realized if the
9 riverboat project can effectively compete with
10 all of the ready existing gaming in Las Vegas,
11 in Atlantic City, in Illinois, in Iowa, down in
12 Mississippi and, of course, in Southwestern
13 Michigan when that comes on line.

14 I think that -- I don't have my watch with
15 me and I want to use all my time -- but I think
16 that I can summarize pretty much my comments
17 today with one analogy and that's if we have two
18 horses in Michigan City, we have \$1,000 horse
19 and we have a \$10 horse, I think your job is to
20 decide where we are going to put our thousand
21 dollar saddle. Are we going to put our \$1,000
22 saddle on the \$1,000 horse or the \$10 horse, to
23 me it's a very clear choice.

24 We have a very unique opportunity in
25 Michigan City, the beauty of it is the site on

1 the creek -- I mean the site -- not on the
2 creek, on the harbor -- we have an opportunity
3 to cruise on Lake Michigan. If you go upcreek
4 today, I'm sure you saw all of those boats in
5 storage. There are a lot of boats in storage.
6 There's a boating activity going on upcreek
7 right now. Those boats in storage are going to
8 have to be displaced if you put a development
9 there. Sure, three months out of the year there
10 are other boaters using the harbor, it will not
11 be too congested.

12 The beauty is we can comply with the
13 statutes and cruise on Lake Michigan. The key
14 issue, the competition to me would seem to be
15 that we choose a site that is most competitive.
16 Which brings me then to the following points I
17 would like to make and observations that I have
18 on both sites. The pros of the harbor site, the
19 boat can cruise on Lake Michigan as yet may be
20 required by law. The project can get open
21 quicker, as proven by the fact that all three
22 applicants have proposed their initial projects
23 there.

24 If the upstream site were so good, why
25 don't the two companies who say they want to be

1 there put their temporary facilities there as
2 well, why, it's not feasible. They know that
3 they can be up and running much quicker in the
4 harbor and that's key to the competitiveness
5 that we need in Michigan City.

6 Good road access and railroad access to the
7 site are already in place at the harbor, there's
8 the perfect tie-in of Light House Place Outlet
9 and the complex which already has two and a half
10 million patrons. The area where I represent --
11 Long Beach -- where I represent Michiana Shores
12 and where I live in Long Beach has a lot of out
13 of state residents. I probably have more
14 friends who have Illinois permanent addresses
15 than Indiana as a result of where I live and
16 reside. And I can tell you that these people
17 come here and they really appreciate the
18 shopping that we have and the activities that we
19 provide. I consider myself a steward of this
20 community for the Illinois people who come here
21 in the summertime and they are quite extensive.

22 There is no dredging that would be
23 required, and minimal environmental impact would
24 take place if we use our beautiful harbor. The
25 nice tie-in there is with the Amtrak railroad

1 that connects Chicago and Detroit, and it may be
2 an opportunity for us to improve our South Shore
3 service, which I took myself many years to
4 Chicago. The better -- it would be a much
5 better location for the hotel looking out over
6 the water.

7 If you consider this as a destination, you
8 must keep in mind that I've always said if all
9 three of these proposals were allowed to
10 compete, which one would do the best and I think
11 that's the choice. If all three were here,
12 which would be number one? I think the \$1,000
13 saddle and the \$1,000 horse is clear.

14 Potential problems with the bank site on
15 Trail Creek, it will take much longer to
16 construct. You can't cruise on Lake Michigan
17 because of that bridge. There is significant
18 dredging and environmental impact and the
19 proposals that would further --

20 MR. HANNON: Your time is up.

21 MR. BERNACCHI: Okay.

22 MS. BOCHNOWSKI: If you would like to
23 submit those comments in writing, we'll make
24 sure that everybody gets to see your entire
25 text.

1 MR. BERNACCHI: Well, I just have one last
2 thing that I'd like to present on what I have.
3 They are excerpts from the presentation of the
4 NIPSCO people, who I sat next to at the Michigan
5 City hearing, and they said that they did not
6 want their site to affect the impact of your
7 decision. And I have their quotes right here.

8 MS. BOCHNOWSKI: That would be nice if you
9 would submit those right over there, that would
10 be great. Okay. And Willie Milsap would be
11 next. Thank you very much, Mr. Bernacchi.

12 MR. MILSAP: Good afternoon. My name is
13 Willie Milsap, secretary vice president of
14 LaPorte County NAACP. I would like to thank you
15 for giving me the opportunity to speak to you
16 today. Our organization met a week ago, and
17 there was some serious concerns brought up that
18 I would like to share with you. First of all,
19 we encourage you to grant a license in Michigan
20 City, as we feel that it would greatly benefit
21 us in reference to economic development.

22 Whichever organization you decide on to do
23 the gaming operations in our community, we feel
24 that there is some features that you should
25 focus on in their proposals. One feature we

1 feel is very important is a strong proposal for
2 minority and women owned businesses. We feel
3 that whichever developer's proposal that
4 addresses that concern should be looked at
5 closely. We feel that the proposal should have
6 a strong program that would help minority
7 businesses get off the ground maybe on a
8 prefunded basis to give them startup funds to
9 get them off the ground to work strongly with
10 the community.

11 We also feel that whichever developer you
12 choose should have a strong scholarship program
13 for disadvantaged youths. We feel that the
14 program should also contain something in
15 reference to housing, maybe a program that will
16 help people who cannot afford housing generate
17 funds to gain ownership of housing. Another
18 item that we feel is very important regardless
19 of the location that you decide, Trail Creek or
20 the harbor, we feel that Trail Creek should have
21 some type of development funding to help develop
22 that area. Thank you.

23 MS. BOCHNOWSKI: Thank you very much.

24 Jerry Cooley.

25 MR. COOLEY: Hello and good afternoon. My

1 name is Jerry Cooley, and I'm president of the
2 LaPorte County Building Trades. I'm past
3 president of LaPorte County Town Council, and
4 I'm employed by the Northwest Indiana District
5 Council of Carpenters. And we have been
6 involved in this ever since the beginning of
7 this. We have been asked to have a lot of input
8 from the start, and we have some strong feelings
9 about it.

10 I wish I would have talked to Mr. Millard
11 before I came in today because sometimes our
12 paths don't cross. He's vice president of
13 building trades and I'm president, and we both
14 have feelings about what's happening on this
15 whole ordeal about the gaming. The one thing
16 that labor is very concerned about is the
17 complete failure of the former mayor of Michigan
18 City not to include us in representation on the
19 -- from organized labor and the local decision
20 making. When this started in 1993, we were all
21 good enough to be on the front line getting
22 people out to vote, and labor was there 10 to 1,
23 to anyone, we were there.

24 We had meetings with the chambers, we had
25 meetings with a lot of the different business

1 people that didn't belong to the chambers and we
2 were always there. We were the ones out on the
3 front fighting for this license because we
4 wanted jobs. We weren't necessarily involved in
5 the -- and I don't know if I even believe in
6 having the gambling on my back door -- but we
7 want jobs because in LaPorte County all we cared
8 about was the jobs.

9 I believe if it wasn't for organized labor,
10 that we wouldn't be here today talking about
11 this because of the 200 and some votes that was
12 involved -- we were there to hammer on doors and
13 make telephone calls. All we cared about was
14 one thing, good paying jobs for the people of
15 LaPorte County. And all we wanted from the
16 developers was insurance that labor would be
17 given a fair deal.

18 On the December 6th meeting of the last
19 committee that met in Michigan City, several of
20 our members asked to speak and they were even
21 denied to speak at the meeting. I want to make
22 sure that the commission receives a copy of the
23 editorial that ran in the Post Tribune on
24 December 13th.

25 The paper understood the local evaluation

1 process of Michigan City left doubt, and the
2 paper made valuable points. I want to give this
3 board a copy of it and I have it here to hand to
4 you today. We are here today to ask the council
5 when they make their decision to get a guarantee
6 from the developers that they will employ local
7 contractors that pay good union wages on their
8 projects and that they -- that when they are --
9 when -- and then when the going gets tough when
10 the Indians come in, which I'm not afraid of the
11 Indians, that they are -- that they don't
12 abandon the community and leave us like other
13 communities that have been left and that they
14 keep their word about building everything they
15 promised. That's real important to our
16 community, I believe, that they keep their
17 promises on this and employ the people of
18 LaPorte County with good paying jobs as they
19 promised.

20 We asked at the beginning that the
21 developers sign agreements with organized labor
22 to hire all union contractors and when the
23 project was completed, that they would organize
24 under the AFL and CIO to guaranty the good
25 paying jobs that they were saying they were

1 going to offer us. At this time -- at this time
2 only one has even talked to us about using 100
3 percent union, which is the Michigan City Casino
4 and Lodge. And I wonder why this would be a
5 problem because when it came to us for the help,
6 for the approval, they would say anything, and
7 I'm telling you anything.

8 I heard stories that they were going to
9 build all kinds of stuff and now it's not there.
10 Plus don't forget on November the 2nd, 1993, the
11 promise they gave us was jobs and that's what
12 we're asking for is jobs. So get that guaranty
13 from them because we were never there on board
14 to get it ourselves. Thank you.

15 MS. BOCHNOWSKI: Thank you. Just submit
16 those to the side table there and I'm sure we'll
17 all get copies. Okay. John Wolf. Thank you
18 very much.

19 MR. WOLF: Ms. Bochnowski and members of
20 the commission, I'm John Wolf from Valparaiso.
21 I'm coordinator of the state coalition against
22 legalized gambling. I believe the speakers
23 prior to this have all been in favor and I'm
24 speaking on the other side. Indiana Coalition
25 is a volunteer organization of citizens

1 resisting the spread of legalized gambling in
2 the state.

3 Recent referendum victories employed in
4 Clark County are indications that this problem
5 will not be resolved. The citizens of Indiana
6 have the right to statewide referendum on the
7 casino issues. We urge the Gaming Commission to
8 grant no license to Michigan City or to the
9 remaining vacancy on the Ohio River or Lake
10 Patoka (phonetic).

11 We understand that the law allows up to 11
12 licenses, and we agree with the Indiana
13 commission. In this morning's paper in Michigan
14 City, there is nothing in stone that says
15 Michigan City needs a casino. Our reasons for
16 rejecting any license in Michigan City are as
17 follows, taken together, the citizens of Porter
18 and LaPorte Counties overwhelmingly rejected
19 casinos. The Porter County vote against was
20 20,790; for, 15,186. The LaPorte County vote
21 against was 12,212 and for, 12,445, a difference
22 of 233. The total vote against was 27,631 or a
23 margin of 5,331 against.

24 Porter County is only six miles from
25 Michigan City and the saturation of casinos in

1 Northwest Indiana means that instead of fleecing
2 tourists, a casino in Michigan City will prey
3 mainly on the citizens of Porter and LaPorte
4 Counties. The promises of the gambling
5 enterprise are effusive, the costs must be
6 addressed; and these costs include, the negative
7 impact on youth and families; two, the gambling
8 tendency to encourage false hopes for wealth
9 while profiting from the losses of low income
10 people; three, the potential for corruption of
11 city governments to make deals with potential
12 licensees, and we have heard about that already
13 this afternoon; unreliability of revenue and
14 jobs, as casinos act like a giant sucking
15 machine with negative impact on other businesses
16 where jobs will be lost, we understand 1.7
17 according to every job gained; and the revenue
18 decreased including places like Light House
19 Mall; finally, the rise of compulsive and
20 problem gamblers who are the life blood of the
21 gambling enterprise.

22 We respectfully remind the commission that
23 LaPorte and Porter Counties are not depressed
24 areas like Gary. We have high standards of work
25 ethic and role models for youth. Gambling is a

1 menace and a vice. We ask you to reject all
2 applicants, allow us to develop our families and
3 our economy without this predatory monster. And
4 I thank you very much for the time.

5 MS. BOCHNOWSKI: Thank you, sir. Ron
6 Kniola, I believe it's K-n-i-o-l-a. He's not
7 here. The next person would be Nolah Nasser.

8 MS. NASSER: Good afternoon. I come before
9 you today as a member of the business community
10 and a member of the board of directors of the
11 Michigan City area Chamber of Commerce. And I
12 am not a lifelong resident of Michigan City. I
13 moved here 30 years ago from a large city in
14 Michigan, and at that time I decided to
15 volunteer my time and any talents I might have
16 had to my new hometown wherever they could be
17 useful. And because of this I have had the
18 opportunity over the years to work with many
19 people and many organizations in this community.

20 Michigan City is a solid community with
21 great pride in its history and a strong interest
22 in its future. And I would like to tell you a
23 little bit about a criteria that I feel is very
24 important for the successful Michigan City
25 applicant. Because of my association with the

1 Chamber of Commerce, I have the opportunity to
2 see new businesses move into our community, and
3 most of them are good employers paying honest
4 wages and providing adequate benefits for their
5 employees. However, not all of them possess the
6 key ingredient that is needed to make a
7 commitment to become good citizens of our
8 community. They have not made an effort to
9 become a thread woven in the unique tapestry
10 that makes Michigan City the city that it is.

11 I know that I want a casino with a proven
12 track record in the business, we all do, a
13 strong financial plan and a strong financial
14 base and several years of experience in the
15 gaming industry. I also want a casino who is
16 going to make a commitment to become involved in
17 all aspects of our city who supports the
18 community, not only with their monetary
19 donations but by also giving their time and
20 being active in the civic, the community
21 service, the education and, yes, the Chamber of
22 Commerce.

23 I want someone who is going to give of
24 themselves with no guaranties for additional
25 profit, no strings attached in participation, a

1 company who makes a commitment to become a good
2 neighbor citizen for our entire community. Our
3 community needs a company who joins and becomes
4 active with the main street association, the
5 rotary exchange club program, one who actively
6 participates in our junior achievement program,
7 the United Way campaign, Christmas in April, the
8 inner city sports programs and all of the dozens
9 of opportunities that are here, and I don't want
10 them to do that just by monetary donations.

11 But most important I want them to have an
12 interest in our entire community and in giving
13 their time to our community. I want a company
14 who is going to be an ambassador within the
15 community working with Michigan to and I quote,
16 "Make it the place to be now and especially in
17 the future." There is only one applicant before
18 you today who has spent the last two years doing
19 just that. They have given of themselves to the
20 entire community with no guaranties they are
21 going to receive a license. They are being a
22 good neighbor citizen because that's the type of
23 commitment they make everywhere they do
24 business, and there's no strings attached for
25 their participation. They are just the thread

1 woven together to help Michigan City do the best
2 job they can for all of their citizens. And I
3 thank you for your time.

4 MS. BOCHNOWSKI: Thank you very much.
5 Okay. Terrye Mansfield.

6 MS. MANSFIELD: Good afternoon, ladies and
7 gentlemen of the Gaming Commission. My name is
8 Terrye Mansfield, and I love Michigan City. I
9 can speak poetic and have about Michigan City
10 and LaPorte County, the beautiful lakefront,
11 cultural activities, museums and its fine
12 people. I think that it's the best place in the
13 world to live and raise a family. I was born
14 and raised in Michigan City. My husband, Greg,
15 was born and raised in Michigan City and we have
16 raised our five sons in Michigan City. We think
17 that it will be the place where our
18 grandchildren are born and raised.

19 One of the wonderful attributes of our
20 community and area is its many fine volunteers
21 and the organizations with which they are
22 involved. As an active volunteer for over 20
23 years in many county and community organizations
24 I feel very strongly about the support given to
25 these nonprofits by our business community,

1 without this support many of these wonderful
2 groups would falter, because of the support many
3 groups flourish.

4 One of the applicants for the local gaming
5 license has been in Michigan City for the past
6 two years and has certainly helped many
7 organizations flourish because during that time
8 the company has made more than 94 separate
9 donations to local organizations, clubs,
10 charities, et cetera. Many also benefitted from
11 the time and talent generously supplied by this
12 company's local representative. The company's
13 support of Michigan City's nonprofit community
14 has been nothing short of phenomenal. Wondering
15 if this generosity was only part of the
16 prelicense process, I decided to check out the
17 other company locations which are in the South.

18 I called each location and requested
19 information on the support and involvement they
20 provide to their local nonprofit communities,
21 frankly I was shocked. Here's (indicating) the
22 response. Altogether I received 48 faxed pages
23 outlining monetary contributions totaling
24 more than \$2,074,000. By the way, there was no
25 agreement to return money to these communities,

1 this was done on their on volition.

2 More importantly the volunteer involvement
3 of just the upper management included over 147
4 clubs, organizations, societies or associations.
5 Each location said that to list the involvement
6 of all their employees would take a tremendous
7 amount of time and fax paper, which I had
8 neither of. It became very clear to me that
9 this company encourages a very strong sense of
10 commitment to the communities in which each
11 casino business is located, what a magnificent
12 company.

13 I realized that the purpose of any business
14 is to make a profit to support its investors.
15 Good companies accomplish that purpose, however,
16 it is an exceptional company that makes a profit
17 for its investors and is a caring part of its
18 community. Obviously this is just such a
19 company, one which will improve not just the
20 economic structure of Michigan City but its
21 morale structure as well.

22 Last Friday my grandmother celebrated her
23 89th birthday. As well as being the handsomest
24 89-year-old woman I know, she is also the
25 wisest. Advice from her has helped me gain

1 perspective on many situations throughout my
2 life. Water seeps its own level is a homily
3 that she frequently used. I was in my 20s
4 before I realized just exactly how true this
5 saying is. It is true as for businesses and
6 communities as it is for individuals. Just as a
7 person's family and friends reflect on that
8 person, the quality of a business' personnel
9 reflect directly on the business, and the
10 quality of the elected officials to serve a
11 community reflect on that community.

12 A decision that will have a major impact on
13 our community will be made by the members of
14 this commission. You will determine the "water
15 level" quote/unquote for Michigan City's gaming
16 license, if we receive a license. That being
17 the case, please look at this company's people
18 and at the high level of involvement displayed
19 in their respective communities.

20 I believe that Michigan City deserves the
21 caliber of businesses they personify. I and
22 many people that I represent here today hope you
23 believe we deserve to have company as a part of
24 our community. We also hope that you will
25 demonstrate that belief by rewarding the license

1 to them. Thank you.

2 MS. BOCHNOWSKI: You can -- I appreciate --
3 I understand that some of you have changed the
4 names of the company to this company based on my
5 admonition. If you want to submit your original
6 text, you can do so. All right. Thank you.
7 Jack Arnett.

8 MR. ARNETT: Good afternoon. My name is
9 Jack Arnett, and I'm president of the LaPorte
10 County Labor Coalition. Our coalition is a
11 group of union officers of major unions and
12 locals in LaPorte County representing thousands
13 of workers in this county. I came here today to
14 express on the record our concern about the
15 outcome of the local evaluation process, a
16 process we had absolutely no input on.

17 When it came to doing the heavy lifting
18 during the referendum, it was organized labor
19 that was called on to provide the bulk of the
20 volunteers, and yet we were refused our efforts
21 to gain representation on the local committee.
22 Perhaps it's just as well because I'm not sure
23 that organized labor wanted to be connected with
24 this process they called an evaluation process
25 here in Michigan City.

1 I did some checking with union leaders in
2 other parts of the state and did some
3 comparisons. For instance, while the local
4 committee met only four times in Michigan City,
5 committees in places like Lawrenceburg and
6 Evansville met dozens of times. They had all
7 kinds of specialists helping them from auditors
8 to attorneys. The so called development
9 agreements that were negotiated in the final 24
10 hours before the last local committee meeting
11 held on December 6th, there wasn't even time to
12 provide copies to the committee members before
13 they voted, several of the committee members
14 complained about that.

15 Even though the city had been working with
16 these companies for years, at the very last
17 minute there were demands made on the companies
18 to throw out their incentive plans and simply
19 give the city a percentage gross instead, this
20 was absolutely unfair to any company that had
21 spent time and effort putting together a good
22 incentive plan.

23 I did some checking and I found out in
24 every community that had a local endorsement
25 process there was some opportunity for open

1 public comment, this wasn't the case in Michigan
2 City. Several people, including myself, were
3 stopped from making comments at the final
4 meeting on December 6th. I was upset that
5 information was given to the committee at the
6 11th hour. For instance, the day before the
7 final committee meeting the committee's
8 endorsement applicant, Blue Chip, closed its
9 only boat in Illinois, shouldn't that have set
10 off some alarm bells? The endorsement came
11 weeks before 200 of the boat workers brought
12 suit in federal court. Would that have changed
13 the committee's minds, who knows, there was such
14 a rush to justice that no one can be sure.

15 I heard one city councilman joking after
16 the last riverboat committee meeting that he had
17 spent more time in the council debating on
18 whether to buy a new pumper truck for the fire
19 station than he did on the committee selection
20 process that will be very important for Michigan
21 City and the whole county.

22 At the final meeting of the evaluation
23 committee the city attorney who sat on the
24 evaluation committee said in very threatening
25 tones to everyone that was there, there will be

1 a boat on the creek or there will be no boat.
2 Well, fortunately you all will make that
3 decision, not that person and not that
4 evaluation committee that was held in Michigan
5 City.

6 I did not feel the recommendations the
7 committee gave should be given weight over other
8 communities. You all have a job to do and we
9 understand that. But I would say to you as
10 president of the LaPorte County Labor Coalition
11 and as someone who has been involved in this
12 from day one, please hear our words. You are
13 doing better than them already, I got a chance
14 to speak before you today and I never got the
15 chance with them. Thank you.

16 MS. BOCHNOWSKI: Thank you very much.
17 Okay. We have Elmo Gonzalez.

18 MR. GONZALEZ: Good afternoon distinguished
19 members of the commission. I'm Elmo Gonzalez,
20 family proprietor of a local furniture store
21 downtown on Lincolnway and Indiana in LaPorte.
22 I'm also the past mayor of the city of LaPorte.
23 And some habits are a little bit hard to break,
24 so on behalf of myself I welcome each and every
25 one of you to LaPorte.

1 I know that this is a very serious matter,
2 but I think there are times when we can take a
3 little lightness and try to analyze some of the
4 things that have been said and discussed. But
5 from day one when the first news came out about
6 the possibility of a gambling riverboat in
7 Michigan City, I was at the forefront of seeing
8 that that happened, that it was a realization.
9 I was on the speaker's bureau, and let me tell
10 you, when you are up against eloquent speakers
11 such as Reverend Wolf and that coalition, you've
12 really got to do a lot of talking.

13 My main concern was, in this day and age,
14 of cutting taxes and of not wanting to raise any
15 new taxes and all of the infrastructure needs
16 that we have. I asked the minister's
17 association to tell me what other method we can
18 do to improve our cities and towns, our county
19 and our community. If you can give me something
20 that I can lay my hands on and present to the
21 public, then I will not support riverboat
22 gambling. It was never presented to me, we
23 never got any ideas as to how best we could do
24 some of these very necessary things.

25 I was somewhat disappointed also, of

1 course -- although I have a lot of respect for
2 my -- we weren't fellow mayors at the time --
3 the present Mayor Bergerson and regard her as a
4 real close friend as well, but I do believe that
5 this was a LaPorte County referendum and that
6 perhaps more representation for communities such
7 as LaPorte and other localities should have been
8 included in the selection or the recommendation
9 to this board. And I say that without
10 trepidation because although the overwhelming
11 support and the overwhelming vote came from the
12 city of Michigan City, I can tell you that
13 there has been many a politician who runs for
14 county public office who agonizes at those
15 closing hours of the day waiting for that all
16 important vote from Michigan City to come in and
17 make them successful to represent the county.

18 People are not going to be merely in
19 Michigan City, this is the ideal location. It's
20 far enough from the urban communities that they
21 can come and spend the day here. Not only will
22 they be able to shop the stores and the
23 facilities that we have nearby, the riverboat
24 gambling, but we want them to spend other time
25 in our fine community. Look at our fields, our

1 apple orchards, our fruit fields and look at our
2 antiques that we have, look at the uniqueness of
3 cities such as LaPorte, look at our inland
4 lakes, those are the things that we have to
5 develop on the strengths.

6 In fact, I attended a public meeting and
7 after that, having discussed with my fellow
8 Mayor McDonald of Evansville, I wrote a letter
9 of support which is a matter of record. But I
10 felt very strongly that money or revenue should
11 be shared over and above whatever agreement we
12 have made with the then present mayor about
13 sharing of the revenues with the other
14 communities so that we could invest in economic
15 development so that we could attract high paying
16 jobs and keep us in contention for -- against
17 other communities and at the same time offer
18 something more than just riverboat gambling. So
19 on that strength I believe that it is not a
20 matter of should Michigan City get a riverboat
21 gambling license but how soon. Thank you.

22 MS. BOCHNOWSKI: Thank you very much.

23 MR. THAR: Mr. Gonzalez, may I ask
24 question. Mr. Gonzalez, what's your
25 understanding of the revenue sharing proposal

1 discussed by the city this morning, 25 percent
2 of gaming tax receipts received by Michigan City
3 be utilized for projects throughout LaPorte
4 County?

5 MR. GONZALEZ: I endorse that very
6 strongly. I think when we spoke to Mayor Behler
7 at that time, it was agreed that we would get 25
8 percent of the pot according to the population.
9 But I'm saying that there should be added
10 revenues by the developers included in that pot
11 because we must protect our infrastructure.

12 MR. THAR: Is it your understanding that
13 that revenue sharing of at least 25 percent that
14 you discussed with Mayor Behler prior to change
15 of administration is in place?

16 MR. GONZALEZ: I couldn't say that because
17 you can't put something like that on a new
18 mayor, but I would hope that it took place. I
19 do not know if that's a reality or not.

20 MR. MILCAREK: I did not get that
21 impression that it was, I think I specifically
22 addressed that, and I was told it was going to
23 be the Pottawattomie Park area and sewer
24 extensions and I-94. And I asked about town of
25 Westville and LaPorte and I think I received a

1 negative reply on that.

2 MR. GONZALEZ: Well, I'm sorry to hear
3 that.

4 MR. THAR: What was your understanding --
5 let me go back to that question -- what did you
6 understand was to be shared in whatever way,
7 shape or form?

8 MR. GONZALEZ: The original agreement was
9 25 percent of revenue not including taxes and
10 that that pot would be distributed to the other
11 communities in LaPorte County, not giving a full
12 fair share to the county because they were going
13 to be sharing in the admission so that the other
14 communities could contribute to their own
15 infrastructure with that revenue and that was
16 the understanding we had.

17 MS. BOCHNOWSKI: That would be something I
18 would imagine we would have to follow up on.

19 MR. THAR: We want to follow up on that
20 issue.

21 MS. BOCHNOWSKI: Stanley Hynek.

22 MR. HYNEK: Hi. I'm Stan Hynek, and I'm
23 the current Wills Township trustee and assessor
24 here in LaPorte County. My township sits on a
25 northeastern corner of LaPorte County near the

1 St. Joe County line border. I'm also vice
2 president of the LaPorte County Trustee
3 Association, but I want to make it clear that
4 I'm not speaking for the association, I'm
5 speaking for myself and a few other township
6 trustees.

7 While I'm not here to endorse a particular
8 company, I would tell you that only one company
9 took time to seek out several of us and discuss
10 the revenue sharing throughout LaPorte County
11 and that was Michigan City Casino and Lodge.
12 Folks, this was a county-wide referendum, and I
13 think that the record ought to be clear that if
14 we are going to allocate money or the gross
15 earnings, that the smaller towns and county
16 should also to get their share. While it's
17 important that Michigan City gets its fair
18 share, I'm here to tell you that our towns and
19 townships will need the added revenue as well,
20 that this is important -- I know that this is
21 important, this is a big reason why the town
22 council of Kingsford Heights and the Chamber in
23 Westville this last week backed the plans -- so
24 I think that is something that we would like to
25 keep in mind over the coming days and weeks and

1 that is the idea of some of the revenue sharing
2 with other parts of the county, we hope that
3 this will be one of the things we can all keep
4 in mind. Thank you.

5 MS. BOCHNOWSKI: Thank you very much.
6 Bart Lombard.

7 MR. LOMBARD: Good afternoon. I want to
8 tell my friend, Elmo Gonzalez, not all of us
9 wait for Michigan City results, some of us in
10 fact, even dread those results when they come.

11 Good afternoon, members of the Gaming
12 Commission. My name is Bart Lombard, and I
13 reside at 116 South Roeske Avenue in Trail
14 Creek. It appears I have the dubious
15 distinction of being the final speaker to
16 address you today.

17 MS. BOCHNOWSKI: Actually you're not.

18 MR. LOMBARD: Well, I said dubious because
19 while I understand this is only the first of
20 three days you'll be spending in our beautiful
21 county, I am sure the amount of testimony in the
22 first session, in this session, has created a
23 very long day for you, and so I appreciate the
24 stamina that you have displayed so far today.

25 In fact, I'm reminded of a story of a

1 psychiatrist who was approached by a friend with
2 this question, he said, tell me, the friend
3 asked, how do you listen hour after hour day
4 after day to people pouring out their distress
5 and troubles, to which the psychiatrist replied,
6 well, who listens.

7 However, I know this commission is
8 sincerely interested in listening to the
9 thoughts and concerns from various members of
10 this community regarding the gaming operation in
11 the city of Michigan City. And so as a younger
12 community member of the Michigan City area, I
13 come before you today to tell of my hopes and
14 concerns over a potential historic moment in the
15 future economic growth of Michigan City.

16 I'd like to start off by reading a short
17 quote by a gentleman named John Ruskin
18 (phonetic). He writes, quote, "When we build,
19 let us think that we build forever, let it not
20 be for present delight, not for present use
21 alone, let it be such work as our descendants
22 will thank us for and let us think as we lay
23 stone on stone that a time is to come when those
24 stones will be held sacred because our hands
25 have touched them and that men will say as they

1 look upon this, see this, our fathers did for
2 us."

3 Now, all of this appears at face value just
4 a nice simple thought about development in
5 general. These words never have held more
6 potential meaning than they do today because,
7 ladies and gentlemen, these thoughts appear in
8 the foreward of a book published 20 years ago.
9 It's not any old book but rather it's a book
10 documenting the establishment of a town, a town
11 we all live in, a town called Michigan City,
12 Indiana. And the book is called Michigan City,
13 Indiana, the Life of a Town, you should check it
14 out.

15 So when Mr. Ruskin writes, quote, "When we
16 build, let us think that we build forever, let
17 it not be for present delight nor for present
18 use alone," it's as if he were writing to us
19 this day because after all of the pomp and
20 circumstances of this potential development
21 process, it is the development and the location
22 that, if granted, will long remain as our gift
23 to future generations of Michigan City area
24 residents.

25 And with that thought in mind, unlike some

1 in the audience, I publicly applaud the nearly
2 three years of preparation concluded by the
3 political businesses and civic leaders of this
4 community to ensure a bold and diverse strategy
5 for economic growth for Michigan City for years
6 to come. But I caution the commission to
7 understand that during your upcoming
8 deliberations, many in the community, like
9 myself, only support this type of economic
10 development for an upstream location. To
11 paraphrase a recent slogan, and with certainly
12 no disrespect intended, it's the location,
13 stupid.

14 Seventeen out of 22 members of the
15 evaluation committee established a review of the
16 companies and locations of a possible gaming
17 operation in Michigan City concluded
18 unequivocally that an upstream Trail Creek
19 location was not only the most desirable site
20 for not only a gaming operation but also allowed
21 the best site for future expansion and an
22 auxiliary economic development. And when one
23 concludes, as did the committee, that an
24 upstream location is what Michigan City wants
25 and needs, the only remaining question is what

1 company can accomplish this project in the
2 location that the leaders of the Michigan City
3 area overwhelming endorsed.

4 There are only two companies. To the
5 average person both companies are equally voiced
6 to become another strong economic partner to
7 this community -- and I see I'm running short on
8 time -- we in Michigan City know that company.
9 We know the company that has been there from the
10 first day on and has supported every aspect of
11 our community at the recommended site. So after
12 your time here this week you will leave our fair
13 city and return to your homes throughout state
14 of Indiana. But please remember, the critical
15 decisions you make in the days ahead will
16 forever decide the future landscape of our
17 hometown, my hometown, Michigan City, the town I
18 intend to stay.

19 MS. BOCHNOWSKI: Thank you very much. If
20 you would like to submit written comments, we'll
21 read the entire text. Okay. There are two
22 additional speakers who did submit their request
23 to speak in their -- I guess they were post
24 marked within the deadline time so the next --
25 we have two additional speakers -- so the next

1 one would be Steve Mueller.

2 MR. MUELLER: Thank you. I did get my
3 letter today in the mail at about 3:30. What
4 concerns me most about the gaming casino coming
5 into Michigan City is the influence that's been
6 put upon the commission and everyone else to be
7 here today and why we are all here, what they
8 want is the endorsement.

9 I think it is absolutely wrong for any
10 politics to become involved in this process and
11 it has, it's happened in East Chicago and it's
12 happening here today with all of the
13 representatives that have spoken. There is a
14 network system that's been brought to you today,
15 to the commission, to hear their endorsements.
16 I'm not here to endorse anyone but I think the
17 commission ought to think about the network
18 system being used and why this is important.

19 I can refer to a movie, the Godfather, if
20 anyone has ever seen it, I'm sure lots of have,
21 it does play a process and I think it's
22 absolutely wrong. Grant it, the referendum vote
23 in '93 was taken and the results are that it
24 passed by 1 percent. Well, maybe if there were
25 another referendum vote taken in 1996 in the

1 general election, there would be a higher
2 turnout, more people will cast their votes,
3 whether they are for or against, and more
4 general people of the population will be
5 representing their ideas.

6 And I think it is absolutely systematically
7 wrong for any corporation to be involved in
8 politics. As you may or may not know, one of
9 the former democratic committee council people
10 is now involved in one of the gaming casinos,
11 and I think that that has played -- he has since
12 diminished his state of town council chairman,
13 however, that is not to be so -- and I just
14 wanted to let the Gaming Commission know that
15 and bring it to their attention. Thank you.

16 MS. BOCHNOWSKI: Thank you very much.
17 Reverend Milton Gould.

18 REVEREND GOULD: To the members of the
19 commission, I'll make my comments very brief
20 because I asked permission to turn my time over
21 to another person, Becky Tippett, from East
22 Dubuque. In my counts so far this afternoon we
23 had seven endorsements for; one vote; two for
24 another and one for another, failed, of course.
25 And I didn't know our last speaker was going to

1 speak but he points out the illustration to
2 everything that I wanted to say this afternoon.

3 Simply my experience the last three years
4 has been with a knife to the belly cutthroat
5 style politics that's gone into bringing us here
6 today. We are not here because the citizens
7 overwhelmingly want to have gambling in LaPorte
8 County, Michigan City, nor do we need the jobs
9 particularly. We say we have 4.9 percent
10 unemployment according to the recent press
11 release, so it raises a lot of question in my
12 mind today as to why we are here, and I think a
13 lot of it simply has to do with money and with
14 the political system as it is.

15 And the one vote that has been endorsed by
16 the city has had a bad track record. And Becky
17 Tippett is a former employee of the Silver Eagle
18 in Illinois which would be Indiana Blue Chip
19 here, I would like to turn my time over to her.

20 MS. TIPPETT: Thank you. I appreciate it.
21 I traveled a long, long way to come and talk to
22 you today. I'm a proponent of gambling. I have
23 worked in the gaming business for over three
24 years, and I'm still currently employed in the
25 gaming business. I find it as a form of

1 entertainment. I find the majority of customers
2 are there for entertainment, not only do they
3 come for entertainment but they come back to see
4 people that are working there. Well, one thing
5 I need to let you know is the moneys that were
6 through tax dollars were well used in our
7 community. East Dubuque has put in sewer
8 services in a certain part of town that didn't
9 have them before, so now we have that. Those
10 things were good things that came from there,
11 there were bad things that came from it, though.

12 We have 340 dislocated workers in addition
13 to over 500 from our meat packing plants and
14 from another publishing company in town. Now in
15 the paper last night there is another 500 people
16 going to be laid off in 12 to 18 months, so now
17 we are economically depressed. Have we had
18 time -- have we had time -- we should have had
19 time to say -- to be able to turn around and get
20 different jobs, find something else. We were
21 given no notice.

22 In 1993 when our then competition, the
23 Dubuque Casino Belle, left, they gave people
24 notice, they gave the community notice. They
25 trusted employees, they trusted their community.

1 You wouldn't have believed the turnout that came
2 for the leaving of the boat. Our boat was shut
3 down like this (indicating) on a Tuesday night,
4 told it was an audit. The next day we were told
5 it was a layoff. The next day after that, on
6 December 6th, it came out in the paper that they
7 didn't expect to reopen. And in the process of
8 all of this they slammed our work ethic by
9 saying that they couldn't give us notice because
10 they didn't trust us as employees.

11 Now, we are bonded. And you will find that
12 all of your people that will work in a gaming
13 position will be bonded by the state and
14 licensed to work there. You do not ever want to
15 do anything to have that license taken away from
16 you because if it's taken away in one state,
17 it's looked at in another state as to why. And
18 if you are stealing, that's a felony and you
19 cannot get a gaming license in another state.
20 There was no one, not one single person employed
21 that day, that would have done that.

22 I want you to beware of this predator, this
23 is what they are. They came into our community
24 with promises, promises that were not kept.
25 There are three of five environmental issues

1 There are three of five environmental issues
2 that are still not completed, still not. We
3 were told on December 5th we were going to get
4 one week of severance pay, it has not come to
5 us. What are we supposed to do? It took them a
6 month to get the Job Training Partnership Act
7 Association to get us help so we could get aid
8 to get education for different jobs, it took
9 them a month. It shouldn't have taken a month,
10 it should have been the day after.

11 I just want you to be aware of this
12 predator. Be cautious who you choose. Make
13 sure you know who you're talking to, be sure to
14 check their track record. And believe me, you
15 wouldn't rent your house to someone who left a
16 mess in another house prior to renting yours.
17 Thank you.

18 MS. BOCHNOWSKI: Thank you very much.
19 Okay. That is the end of our public comment,
20 and I believe that's the end of our day,
21 correct? And we meet again tomorrow at 8:30 in
22 the morning here to begin. And I believe Blue
23 Chip will be our first applicant to testify.
24 Thank you all.

25 (Proceedings concluded at or about 5:04 p.m.)

1 STATE OF INDIANA)

2) SS:

3 COUNTY OF LAPORTE)

4 COURT REPORTER'S CERTIFICATE

5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 12th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 3:45 p.m., I then and there reported the
10 proceedings had before the Indiana Gaming Commission;

11 I further certify that I reported said proceedings by
12 the means of machine shorthand and that I have transcribed
13 my original shorthand notes through the use of
14 computer-aided transcription into the typewritten form and
15 that the foregoing and attached pages or parts of pages
16 number inclusively eighty-four through one hundred
17 forty-eight comprise a true, correct, complete and accurate
18 transcript of said proceedings;

19 IN WITNESS WHEREOF, I have hereunto set my hand and
20 official seal this 27th day of February, 1996.

21 *Natalie Bearickx*
22 Natalie Bearickx

Natalie Bearickx
Notary Public, State of Indiana
Laporte County
My Commission Expires 08/20/99

23
24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
25 HEREOF AND DOES NOT APPLY TO ANY XEROX COPIES MADE OF THIS
TRANSCRIPT.

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INDIANA GAMING COMMISSION

1 Tuesday, February 13, 1996 --

2 (At or about 8:30 a.m. Gaming Commission and
3 members of the public present at the Pine
4 Lake Hotel.)

5 MS. BOCHNOWSKI: Okay. I think we are
6 going to go ahead and get started here. I would
7 just like to make a quick announcement.
8 As Chairman Klineman indicated yesterday, he is
9 having severe back problems and he did decide
10 that he needed to return to his home so I'm
11 taking over.

12 So we are going to -- the commission
13 members are going to be moving out into the
14 chairs here so that we can see the presentations
15 better. And we'll give the Blue Chip folks time
16 to set up and -- why don't we go ahead and move
17 out. You have one hour.

18 MR. DUELLMAN: Good morning, members of the
19 Indiana Gaming Commission, Mr. Executive
20 Director, representatives of Michigan City,
21 ladies and gentlemen, my name is Joe Duellman.
22 I'm chief executive officer of Indiana Blue Chip
23 and president of Aerie Hotels and Resorts.

24 We are very pleased to be here this morning
25 to present Indiana Blue Chip's plan for a

1 riverboat casino and destination resort
2 development in Michigan City, Indiana. We feel
3 our plan is the best choice for the Indiana
4 Gaming Commission to make, not only for the city
5 of Michigan City but for the state of Indiana.

6 The Indiana Blue Chip partners have worked
7 together to develop a mission statement which we
8 believe accurately summarizes the goals we set
9 for our Michigan City project. I would like to
10 read that mission statement to you now. Indiana
11 Blue Chip is dedicated to developing,
12 constructing and operating a destination resort
13 in Michigan City, Indiana, including but not
14 limit to, an upscale hotel, a premier meeting
15 and convention site and a riverboat gaming
16 facility which will produce the greatest
17 economic benefits for the city and county tax
18 payers while generating the highest possible
19 return for its investors.

20 One of the key elements to the successful
21 achievement of our mission is the prominent
22 group of investors that has been assembled to
23 make our project a reality and to make Michigan
24 City a major midwestern tourist and convention
25 destination. Our investors include businessmen

1 from both Indiana and Illinois who are not only
2 destination travel experts but successful
3 entrepreneurs and financiers as well. Personal
4 resumes for our key investors have been included
5 in your booklet and discussed later in our
6 presentation.

7 This morning we will present to the
8 Commission two plans for a riverboat gaming and
9 destination resort in Michigan City. We have
10 worked closely with the city and have
11 incorporated its ideas, its goals and concerns
12 into each of our project plans. The Trail Creek
13 or upstream site has been selected by the
14 Michigan City Riverboat Gaming Evaluation
15 Committee as its preferred site for a riverboat
16 casino development.

17 Our Trail Creek proposal addresses the
18 city's desires for economic development at that
19 site. Our project plan includes significant
20 land-based development in addition to the
21 riverboat casino. We intend to construct an art
22 deco style support facility which includes
23 several food and beverage outlets, extensive
24 conference and meeting space and an upscale
25 hotel.

1 Our harbor site plan includes all of the
2 amenities of our Trail Creek plan including a
3 spacious meeting and conference center and a
4 hotel with sweeping views of Lake Michigan.
5 This plan has been designed for the possibility
6 that the Trail Creek site does not meet the
7 criteria of the Indiana Gaming Commission.

8 The economic benefit generated in Michigan
9 City and LaPorte County will be equivalent at
10 either site. One of the major strengths of
11 Indiana Blue Chip is financial strength of our
12 key investors. We have combined our individual
13 wealth with the financial commitment we have
14 received from LaSalle Bank in Chicago to provide
15 a financing plan for Michigan City development.
16 Indiana Blue Chip is excited about the positive
17 impact that the development and operation of its
18 riverboat casino and destination resort will
19 have on Michigan City, LaPorte County and the
20 state of Indiana.

21 Indiana Blue Chip has been working closely
22 with Michigan City officials over the past
23 several years. This strong relationship,
24 combined with our exciting and comprehensive
25 development plans and our significant financial

1 resources, have resulted in Indiana Blue Chip
2 being endorsed by Michigan City as a developer
3 for this gaming license.

4 We will achieve our goals and our missions
5 by creating elegant, first-class venues, hiring
6 excellent people and nurturing their careers so
7 that they may be inspired and motivated to
8 provide top quality service to all visitors and
9 utilizing expertise across all categories of the
10 travel and tourism industry to create Michigan
11 City's high quality riverboat casino complex.

12 At this point I would like to bring up Mr.
13 Bill Kelsey who two and a half years ago
14 organized a group of Indiana investors and
15 residents to begin a quest to seek this license
16 in Michigan City, Indiana. Bill.

17 MR. KELSEY: Indiana Blue Chip was formed
18 over two years ago by a group of Indiana
19 businessmen to seek and develop a riverboat
20 gaming license in Michigan City. Working with
21 local architect, Gerald Fedorchack, Sr., Indiana
22 Blue Chip began its plans to heed the city's
23 call to develop the Trail Creek site. Some of
24 our local investors are -- I would like them to
25 stand up -- Robert Calloway, Roger Duba,

1 (phonetic) Gerald Fedorchack, James Johnson and
2 William Renner (phonetic).

3 Acknowledging the need to bring gaming and
4 resort development and management expertise into
5 the group, as well as the financial resources to
6 make its plan a reality, Indiana Blue Chip
7 formed a relationship with prominent Chicago
8 businessmen. These individuals are expert
9 entrepreneurs and financiers whose companies
10 have been among the nation's top Wall Street
11 success stories throughout the past two decades.

12 They are destination travel experts whose
13 integrity and depth of experience covers special
14 segments of the industry such as meeting and
15 convention booking and management, resort
16 management, riverboat gaming management and
17 tourism promotion.

18 I would like to bring Mr. Duellman back to
19 the podium to tell you about HP of Indiana, Inc.
20 Joe.

21 MR. DUELLMAN: Thank you, Bill. The group
22 of Chicago businessmen that Bill referred to
23 formed HP of Indiana as a means to invest in
24 Indiana Blue Chip and become part of the
25 Michigan City Riverboat Gaming opportunity. We

1 are going to be speaking about two of these
2 individuals, they are prominent investors in HP
3 of Indiana, Mr. Peer Pedersen and Mr. Gene
4 Heytow.

5 Mr. Heytow would have liked to have been
6 here today, unfortunately, he is recovery from
7 surgery and couldn't make it today. But I would
8 like to introduce Mr. Peer Pedersen, he is here
9 with us today.

10 One of America's most prominent attorneys
11 and entrepreneurs, Peer Pedersen is known not
12 only for the founding of the prestigious
13 Pedersen & Houpt Law Firm, but for his
14 leadership in helping to build WMX Technologies
15 (formerly Waste Management) into the world's
16 largest waste removal organization.

17 He has garnered Wall Street's attention as
18 a major catalyst in the success of Blockbuster
19 Entertainment, Discovery Zone, Boston Market,
20 H2O Plus, among his many other ventures.

21 His community contributions and his
22 involvement are substantial. He is president of
23 the Robert R. McCormick Chicago Boys and Girls
24 Club and a board member of many other charitable
25 organizations. He endowed the Pedersen Law

1 Pavilion at the University of Illinois
2 Champaign.

3 Mr. Eugene Heytow is the Chairman of the
4 Board of Amalgamated Bank and Trust of Chicago,
5 Illinois, and chairman of First Oak Brook
6 Bancorp. He is a prominent member of the
7 Chicago business community, and as chairman of
8 the Metropolitan Fair and Exposition Authority,
9 he directed the state and the city board which
10 oversees the operation of McCormick Place.

11 Complete biographies for Mr. Pedersen and
12 Mr. Heytow along with complete biographies of
13 each of the other key investors are included in
14 your packet. Mr. Pedersen and Mr. Heytow, along
15 with other prominent midwestern businessmen, are
16 also investors in Eagle Ridge Inn & Resort,
17 Eagle Ridge Realty and the Silver Eagle Casino
18 Cruise. Each of these properties is managed by
19 Aerie Hotels & Resorts which is responsible for
20 all operational aspects of Indiana Blue Chip.

21 Eagle Ridge Inn & Resort is a destination
22 resort consisting of 6800 acres of luxurious
23 home sites, 325 vacation homes, 80 guest rooms,
24 20,000 square feet of conference and meeting
25 space, 45 holes of champion golf, a lake,

1 fitness center, swimming pool and fitness
2 facility, restaurants lounges and retail shops.
3 Nearing completion is an \$8 million addition
4 which includes another championship golf course,
5 club house facilities and additional
6 restaurants.

7 Aerie also developed and manages the Silver
8 Eagle Casino Cruise in northwestern Illinois.
9 Opened in June, 1992, the Silver Eagle is
10 outfitted with 475 electronic gaming devices,
11 three craps tables, two roulette tables and 24
12 blackjack tables.

13 Currently the Silver Eagle has discontinued
14 its gaming excursions at its East Dubuque
15 location. The Silver Eagle maintains its
16 license in good standing with the Illinois
17 Gaming Board and is working with the board and
18 the Illinois General Assembly to seek a remedy
19 to the competitive imbalance that exists in this
20 jurisdiction.

21 I would like to take a minute now to
22 present to you a short video highlighting Eagle
23 Ridge and the Silver Eagle. Our intention is to
24 show the quality inherent in these projects and
25 to emphasize our commitment to bring that

1 quality to our development in Michigan City.

2 (A video was viewed by the Gaming
3 Commission and members of the general
4 public.)

5 MR. DUELLMAN: Our involvement with Eagle
6 Ridge and the Silver Eagle bring quality
7 combined with years of experience in the
8 hospitality industry to provide Indiana Blue
9 Chip with a strong basis for developing and
10 successfully operating a first class riverboat
11 casino and destination resort in Michigan City.

12 At this point I'd like to introduce Mr. Joe
13 McQuaid who will begin to discuss some of the
14 specifics regarding the project. Joe came to
15 our company from the Illinois Gaming Board where
16 he was instrumental in establishing Illinois'
17 excellent reputation for its regulation and
18 administration of the riverboat gaming industry.
19 Joe joined our company in 1995 and is
20 responsible for overseeing gaming operations.
21 Joe.

22 MR. MCQUAID: Thank you, Joe. Members of
23 the commission, Mr. Thar, and staff, good
24 morning. Indiana Blue Chip has gone that extra
25 mile to address concerns of Michigan City and

1 the Indiana Gaming Commission by creating two
2 viable plans for the destination resort we want
3 to develop in Michigan City.

4 The first plan develops the Trail Creek or
5 upstream area of Michigan City. This site has
6 been selected by the Michigan City Riverboat
7 Gaming Committee as its preferred site. The
8 second plan develops the harbor area. This plan
9 has been designed for the possibility that the
10 Trail Creek site does not meet the criteria of
11 the Indiana Gaming Commission.

12 Riverboat gaming will be the focal point of
13 Indiana Blue Chip's destination resort, and the
14 vessel we will build will be spectacular. The
15 permanent vessel will be consistent with the
16 upscale design and the overall art deco theme of
17 the land-side support facilities. Although the
18 final design will be dependent upon the location
19 approved by the Indiana Gaming Commission, the
20 riverboat will contain the elements whether it
21 is located at Trail Creek or at the harbor
22 site.

23 We are currently working with Guido Perla &
24 Associates of Seattle, Washington, on the design
25 of our riverboat casino. Once the location for

1 our casino is determined, we believe the plans
2 and specifications will be completed swiftly so
3 that construction can begin within months of
4 opening our interim facility.

5 We have also contacted Chicago Bridge &
6 Iron regarding the possibility of constructing
7 our permanent vessel on site should the Trail
8 Creek location be selected by the Indiana Gaming
9 Commission. Teamed with marine designer, Guido
10 Perla & Associates; Chicago Bridge & Iron, a
11 midwestern steel company, was a leading
12 contractor in the construction of the Grand
13 Victoria Riverboat in Elgin, Illinois. The
14 Grand Victoria is the largest and most
15 successful riverboat casino in Illinois.

16 As mentioned previously, our first class
17 riverboat casino will have the same project
18 elements no matter which site is selected by the
19 Indiana Gaming Commission. An overall emphasis
20 will be placed on customer safety and
21 convenience, security and overall quality of
22 service. The vessel will be designed in a
23 fashion that creates an entertainment experience
24 that greatly exceeds the industry average.

25 Patrons will board the vessel on two

1 different levels directly from the land-side
2 support facility. The transition from land to
3 water will be seamless with the same art deco
4 theme being carried forward from the pavilion,
5 through the boarding area and on to the
6 riverboat itself.

7 The vessel itself will include four decks
8 with gaming activity occurring on three decks
9 and occupying approximately 70 percent of the
10 70,000 square feet of enclosed space. Total
11 gaming space will include 2,000 gaming positions
12 and the riverboat will be able to accommodate
13 2,200 passengers.

14 Gaming machines and tables will be arranged
15 to maximize customer comforts and interface
16 naturally with the non-gaming components of the
17 vessel. These components including a casual
18 dining area, lounges and areas for live
19 entertainment will significantly enhance the
20 overall experience for each patron visiting our
21 establishment.

22 The cruise path of the riverboat will be
23 determined by the site selected by the Indiana
24 Gaming Commission. If the Trail Creek site is
25 selected, our vessel will cruise between E

1 Street Bridge and the railroad bridge, a cruise
2 path of approximately one mile.

3 Since the width of the channel does not
4 offer the opportunity for a vessel the size of
5 our proposed riverboat to turn around, the
6 vessel constructed for this location will of a
7 two-bow nature. This will allow our riverboat
8 to retain symmetry as it cruises up and down the
9 channel.

10 If the harbor site is chosen as the
11 location for the Michigan City gaming license,
12 the riverboat used may be constructed
13 specifically for the project, or an existing
14 vessel with the necessary characteristics may be
15 purchased and retrofitted to our specifications.

16 At this time I would like to introduce our
17 architect, James Lencioni, of Aria Group
18 Architects, Incorporated. Prior to forming Aria
19 Group Architects in 1989, Mr. Lencioni was
20 senior designer for the firm of Bernheim Kahn
21 and Lozano. Aria Group is nationally recognized
22 for its work with leading restraunteur Rich
23 Milman of Lettuce Entertain You Enterprise.
24 Jim.

25 MR. LENCIONI: Thank you, Joe. Good

1 morning. The intent of this project development
2 is to create a facility that is not only an
3 aesthetically pleasing addition to Michigan
4 City, but also an easily accessible, functional
5 and efficient riverboat casino complex.

6 It is also important that all of the
7 elements, including the conference center and
8 hotel, not only function independently but also
9 complement each other increasing the value of
10 all of the elements.

11 The site favored by Michigan City for the
12 riverboat development is located approximately
13 one half mile upstream from the harbor along
14 historic Trail Creek. The 35 acre -- excuse me
15 -- the 35 acre site is unique in that 85 percent
16 of the property is ready for development
17 requiring minimum displacement of the residents
18 and businesses.

19 On the right you'll see the slide
20 indicating the site, and those little black
21 squares indicate homes that are actually
22 occupied on the site itself. The burgundy
23 squares are vacant homes, and the rest of the
24 land is either vacant or currently controlled.
25 The site offers an expansion of the Michigan

1 City Central Business and Recreation District
2 located near, but not apart from, the harbor and
3 Light House Place Mall areas. The Trail Creek
4 site will avoid any traffic to this already
5 congested area in the central section of
6 Michigan.

7 Route 35 (Michigan Boulevard) will be the
8 key access from U.S. 94. The main route
9 entering into the site are indicated on the left
10 there in yellow. That site right there Route --
11 or that road -- is Route 12 coming from the
12 Indiana Toll Road. That's (indicating) 421, And
13 35 is on the right there. The two sites in red
14 indicated in the upper area there is the harbor
15 site and the Trail Creek site. Light House Mall
16 is in pink, and Washington Park is in green.

17 Once at the site, divided boulevards will
18 provide easy access from Route 12 and 8th Street
19 throughout the site. A shuttle service will
20 connect the riverboat development with Michigan
21 City's other recreational destinations including
22 Light House Place Mall and Washington Park.
23 Across the water is a proposed future commercial
24 development. The development will utilize
25 existing structures as well as new infill

1 buildings to create an entertainment oriented
2 retail and business district

3 Amenities such as a new marina, small
4 parks, and restaurants are all joined together
5 by a riverwalk which will greatly enhance and
6 expand the downtown commercial district. There
7 have already been discussions regarding the
8 development of a new 40 lane, 50,000 square foot
9 bowling facility at this location. A trolley,
10 utilizing the existing track at the site, could
11 escort shoppers from the parking facility
12 through the development.

13 A key element to the success of this
14 project is to ensure that there is adequate
15 parking available with easy access to the
16 land-based facilities at the casino on the
17 right. In the modified plan, we have developed
18 an on grade parking area for 1,200 cars and a
19 separate bus parking lot for groups and tours.
20 Valet service will be provided at the main
21 entrance.

22 The slide on the left indicates a shot of
23 the entrance to the main docking facility and
24 the entrance canopy along with the covered
25 walkway which bisects the parking lot and leads

1 the patrons to the facility itself. A bermed
2 landscaped buffer strip will effectively screen
3 the parking from nearby residential areas.

4 The passenger pavilion itself is 77,800
5 square feet situated on two levels. The overall
6 style of the development will be reminiscent of
7 1920 art deco design including a seven story
8 light beacon. The theme will be carried
9 throughout the interior with an emphasis on
10 color and lighting to create an exciting,
11 stimulating and dramatic venue. Uniforms,
12 signage and food and beverage operations will
13 all be thematically linked creating a total
14 entertainment experience.

15 The lower level of the facility provides a
16 multi-functional conference area which can
17 divide into six separate meeting rooms. The
18 main entrance to the facility brings passengers
19 directly into the ticketing area and adjacent to
20 a 400 seat buffet restaurant. This buffet is a
21 key element to our marketing to bus and group
22 tours.

23 A separate group area and entrance will be
24 located at the west end of the first level. The
25 second level will include a 400 seat show

1 lounge, bar, and the 1,000 seat ballroom. There
2 will be regularly scheduled entertainment in the
3 lounge itself. Adjacent to the show lounge is a
4 200 seat fine dining restaurant which is
5 designed to provide an upscale dining amenity
6 for our casino patrons.

7 A separate VIP players lounge for our
8 preferred customers will be adjacent to the fine
9 dining restaurant. This special VIP area is
10 also an important component of our casino
11 marketing which will provide additional levels
12 of comfort and accessibility to our best
13 patrons. Both levels offer easy access to the
14 riverboat which will operate on the Trail Creek
15 cruise path.

16 Adjacent to the ballroom and conference
17 center is the first stage of the hotel component
18 of this project. The hotel will be a 200 room,
19 five story tower with an enclosed pool area and
20 health club providing quality accommodations to
21 support the conference center, ballroom and
22 riverboat casino operation. A key component of
23 our development plan is the ability to begin
24 operations this year during Michigan City's
25 strongest season.

1 With the interim option is in place,
2 Michigan City will garner the benefits of early
3 entry in the competitive gaming arena and ensure
4 that the performance of the gaming development
5 will be maximized. This can be achieved while
6 the permanent facility is being constructed.

7 The interim plan includes a docking
8 facility and riverboat and will be implemented
9 within five months of preliminary suitability.
10 The channel at the railroad bridge will be
11 widened to allow access of the temporary gaming
12 vessel into the site.

13 Our development would be focused at the
14 north end of the site as indicated on the right
15 slide there. Remodeling of the existing two
16 buildings at that corner, which total about
17 20,000 square feet, will provide ticketing, food
18 service, restrooms, offices, et cetera to serve
19 the visitors while the balance of the project is
20 being completed.

21 We're showing 700 parking spaces being
22 provided during this phase. The construction of
23 the permanent facility -- I mean the gaming
24 vessel and the facility -- will be at the other
25 end of the site and will completely avoid

1 interference with the interim operation.

2 An alternate plan creating a harbor site
3 facility has been developed. This site is
4 located in the heart of the Michigan City
5 recreational area between Light House Place Mall
6 and Washington Park as indicated on the left
7 slide there. Access to the site will be off of
8 Route 12 which abuts the property on the south.

9 A vehicular plaza with a grand fountain at
10 its center, will extend Wabash Street into the
11 site and feature the main entry into the docking
12 pavilion, the hotel entrance and access to the
13 parking garage. The 600 car, eight level,
14 parking structure can also be accessed from
15 Washington Street. The facility will offer the
16 same amenities as those we have just described
17 in the Trail Creek project.

18 Additional garden areas and spectacular
19 views of the harbor will be provided for both
20 the hotel and docking facilities. The ballroom,
21 restaurant and ticket functions occur on the
22 second floor along the pedestrian walkway which
23 extends over the tracks on to the riverboat.

24 This mall like space has a continuous
25 vaulted skylight with laser light effects to

1 provide a festive exciting experience connecting
2 the parking garage to the riverboat. The 200
3 room hotel has been oriented so that the views
4 are toward the harbor and entry plaza. An
5 enclosed natatorium will be provided to offer
6 additional recreational amenities to the total
7 development. The interim site for this location
8 would be remote. Train services will be
9 provided in a strong central structure. The
10 location of an interim site in any development
11 at the harbor is contingent upon acquisition of
12 NIPSCO property.

13 In order to start the revenue stream to the
14 city, county and state, we anticipate opening an
15 interim operation at either site within five
16 months. A detailed time line has been provided
17 in your information packets for further
18 reference. The construction schedules should
19 have the riverboat and docking pavilion project
20 substantially complete within one and a half
21 years.

22 As you can see, we have spent a
23 considerable amount of time designing two
24 comprehensive, first-class projects to house our
25 riverboat casino and destination resort complex.

1 Each of our proposals contains exciting and
2 diverse dining venues, extensive meeting and
3 conference facilities, entertainment areas and
4 an upscale 200 room hotel in addition to the
5 riverboat casino.

6 The basis of our interim plan is consistent
7 for either the Trail Creek or the harbor site
8 and allows us to be operating and generating tax
9 revenues by this summer. Joe Duellman is now
10 going to speak on the financial portion of our
11 proposal. Joe.

12 MR. DUELLMAN: The capital budgets for each
13 of the proposed alternatives are very similar in
14 scale. Each of the projects require an
15 investment of approximately \$86 million. Each
16 of the alternatives calls for a component piece
17 of equity, asset based financing and project
18 financing.

19 The strength of this partnership lies in
20 the financial strength, business expertise and
21 financial track record of the principal
22 investors in HP of Indiana. We contemplate an
23 initial equity funding of \$20 million. We
24 propose to generate an additional \$40 million
25 with asset based financing. This amount

1 includes financing for computer equipment,
2 electronic gaming devices, furniture and
3 fixtures and a new riverboat to be constructed
4 on site at Trail Creek as well as the hotel and
5 conference center components.

6 In addition to these amounts, we will be
7 working with LaSalle Bank of Chicago to provide
8 additional project financing. A copy of their
9 letter has been provided to you in your packet
10 for your reference, but I would like to read the
11 short, to the point, paragraphs which speak to
12 the financial capability of this application.

13 "Commission Members, two Chicago
14 Executives, Mr. Eugene Heytow and Mr. Peer
15 Pedersen, are the principal investors in HP of
16 Indiana which holds a 60 percent interest in
17 Indiana Blue Chip. These gentlemen have an
18 enviable record in the start-up, development,
19 operation and nurturing of new companies. They
20 are respected for their integrity as well as
21 their financial and business expertise. Their
22 track record would indicate a high level of
23 confidence in the success of Indiana Blue Chip.

24 Please be advised that LaSalle National
25 Bank is prepared to provide up to \$25,000,000 in

1 financing to HP of Indiana to support their
2 efforts to develop a gaming operation in
3 Michigan City, Indiana, in conjunction with
4 their investment in Indiana Blue Chip. This
5 financing would be contingent upon the
6 principals, Mr. Heytow and Mr. Pedersen,
7 providing personal collateral acceptable to the
8 Bank. Both gentlemen are well known to the Bank
9 and we are highly confident in their capacity to
10 provide the desired collateral to complete the
11 transaction."

12 In evaluating the financial credentials of
13 any company, either publicly or privately held,
14 you must determine whether or not they have the
15 money and the will to invest it. Our investors
16 have provided you with their own personal
17 financial statements demonstrating their
18 capacity to fund this project.

19 I would also like to share some additional
20 background with you. In the 1980s a small group
21 recognized the business potential inherent in
22 our rapidly changing electronic entertainment
23 industry -- Peer Pedersen was a key member of
24 that group -- that recognition became a business
25 plan which they invested in personally and

1 developed and nurtured. That idea become
2 Blockbuster Entertainment, a multi billion
3 dollar company, whose merger last year with
4 Viacom was one of the largest transactions in
5 recent years.

6 In the 1990s another small group came up
7 with a new idea in convenience dining, offering
8 an alternative to industry giants such as
9 McDonalds and Burger King, again Peer Pedersen
10 was a key member of this group. After investing
11 in this idea personally, they nurtured and
12 developed the idea until in November, 1994,
13 Boston Chicken became the most successful
14 initial public offering of the year.

15 Times does not allow us to go through a
16 complete list of their impressive
17 entrepreneurial successes. Each of these
18 companies started as an idea that required their
19 personal investment and commitment to get off
20 the ground, our investors have shown that they
21 have historically made that commitment. They
22 have a proven track record of entrepreneurial
23 success. Their business and investment acumen
24 is outstanding. They understand the business
25 plan proposed here. They realize the commitment

1 required to make it a success, and they are
2 prepared to go forward to make Indiana Blue Chip
3 a reality in Michigan City. They have the
4 resources, they have the ability, they have done
5 it in the past, they are prepared to do it again
6 with this application.

7 At this point I would like to bring Joe
8 McQuaid back up, and we're going to discuss a
9 little bit about the economic benefits of
10 Michigan City and LaPorte County.

11 MR. MCQUAID: Indiana Blue Chip is excited
12 about the positive economic impact that the
13 development and operation of its riverboat
14 casino and destination resort will have on
15 Michigan City, LaPorte County and the state of
16 Indiana.

17 The construction phases of the project will
18 generate an economic impact of approximately \$60
19 million annually and provide for more than 730
20 full time jobs. Since Indiana Blue Chip is
21 committed to comparable developments at either
22 the Trail Creek or Harbor site, the final
23 location will not affect the economic impact
24 generated by project construction.

25 Once Indiana Blue Chip's project reaches

1 maturity with the opening of the hotel, economic
2 impact to the state of Indiana will be in excess
3 of \$100 million annually. This includes both
4 direct spending in Indiana by Indiana Blue Chip
5 as well as the downstream benefit stimulated by
6 those expenditures. In addition, Indiana Blue
7 Chip will generate more than 1,000 jobs
8 directly, while indirectly creating more than
9 1,200 jobs elsewhere in the economies of
10 Michigan City and the state of Indiana.

11 As part of our Trail Creek development
12 plan, Indiana Blue Chip is committed to building
13 its permanent vessel on-site. Chicago Bridge &
14 Iron has determined that our Trail Creek
15 location is ideal for building a vessel on-site.
16 Chicago Bridge & Iron requested Economics
17 Research Associates to prepare an objective
18 analysis of the economic impacts of constructing
19 a riverboat on-site, as Indiana Blue Chip
20 intends to do in Michigan City.

21 ERA concluded that on-site boat development
22 generates economic impacts in the range of \$22
23 to \$25 million. This is consistent with the
24 primary intent of the Indiana Riverboat Gaming
25 Act which is to stimulate positive economic

1 impacts at both the state and local levels.

2 The construction of the vessel on site will
3 create an additional 230 direct construction
4 jobs. These individuals, as well as the project
5 management professionals who direct the
6 construction of the boat, will purchase
7 significant amounts of goods and services in the
8 local economy during their stay.

9 In the Elgin riverboat casino project,
10 where a vessel was constructed on-site, it is
11 estimated that members of the administrative
12 staff spent approximately \$1 million for
13 housing, food, entertainment and other services
14 for the 12 months they were in Elgin. The
15 construction workers spent approximately \$2
16 million in local hotels, apartments, restaurants
17 and entertainment establishments during the
18 construction phase of the project.

19 Indiana Blue Chip also will generate
20 significant tax revenues for Michigan City,
21 LaPorte County and the state of Indiana from
22 both the construction and operation of its
23 Michigan City destination resort. The
24 construction phases alone will total more than
25 \$3.5 million in personal income and sales taxes

1 for the State of Indiana. Each year thereafter
2 these taxes will grow to \$2 million annually.

3 The riverboat casino will also generate
4 significant gaming and admission taxes once the
5 project is operational. Indiana Blue Chip
6 estimates these expenditures could approach \$28
7 million annually with Michigan City receiving
8 \$7.5 million of that total.

9 In addition, Indiana Blue Chip intends to
10 contribute directly to Michigan City by setting
11 up a wholly owned subsidiary, Michigan City
12 Community Endowment Corporation, which will
13 serve as a vehicle for identifying and funding
14 projects for the local community.

15 Decisions regarding how these amounts will
16 be spent will be made by a board of directors.
17 This board will include representatives of
18 Indiana Blue Chip but will consist primarily of
19 representatives of the government of Michigan
20 City and the citizens from the local community.
21 It is anticipated that local governmental, civic
22 and charitable groups will be able to apply to
23 the Michigan City Community Endowment
24 Corporation for funds for their own preferred
25 projects.

1 This corporation will be funded on an
2 on-going basis by a semi-annual grant from
3 Indiana Blue Chip. During our initial licensing
4 period the amount of this grant will be equal to
5 one-half of one percent of adjusted gross
6 receipts. Based on current projections this
7 could amount to as much as one-half million
8 dollars per year.

9 If Indiana Blue Chip is required to develop
10 its project at the harbor site, we are still
11 committed to assisting Michigan City in
12 developing the Trail Creek area. If the
13 riverboat casino facility is located at the
14 harbor site, Indiana Blue Chip will fund an
15 additional one-half million dollars per year for
16 five years to the Michigan City Community
17 Endowment Corporation. This amount will be
18 specifically identified for providing start-up
19 capital for development at the Trail Creek area.

20 At this point I would briefly like to
21 explain our marketing strategy. Michigan City
22 is known throughout Indiana, Michigan and
23 Illinois for its miles of beautiful beaches and
24 the scenic Indiana Dunes. In addition 1.8
25 million tourists each year visit Light House

1 Place. The Indiana Blue Chip casino and hotel
2 project will position Michigan City as a
3 year-round destination for tourism.

4 It is our plan to market the Indiana Blue
5 Chip hotel and casino to the population residing
6 locally and throughout Indiana, Michigan and
7 Illinois. The Indiana Blue Chip casino project,
8 with each of its entertainment components, will
9 be marketed as an exciting and exhilarating
10 destination for both the casino and non-casino
11 patron.

12 We will market to the local population,
13 building a loyal repeat customer base and
14 vigorously pursue the individual and group
15 traveler passing through the area. The Indiana
16 Blue Chip casino will be marketed as a regional,
17 must-stop attraction/destination.

18 Michigan City is located in the heart of a
19 dense ring of population. Approximately 4.7
20 million persons over the age of 21 live within
21 50 miles of Michigan City. Three point two
22 million adults reside between 50 and 100 miles
23 of Michigan City, and 4.6 million adults reside
24 100 to 150 miles from Michigan City. In total,
25 more than 12.5 million adults live within 150

1 miles, or less than a three hour drive, of
2 Michigan City.

3 Based on these population studies, in
4 conjunction with other marketing analyses, we
5 have projected that this population base will
6 provide our casino with two million gaming
7 patrons annually, this will result in \$70 to
8 \$100 million of gaming win each year.

9 In order to attain this level of market
10 penetration, we expect to spend over \$5 million
11 annually in advertising and business promotion
12 including extensive promotion via radio,
13 television and newspapers as well as a
14 comprehensive direct mail program targeting both
15 current and prospective patrons.

16 Indiana Blue Chip casino will have a
17 two-pronged marketing program targeted at the
18 individual and group patrons. For both markets,
19 the docking facility with its hotel, dining and
20 entertainment venues, the luxury of the gaming
21 vessel and the comprehensive services provided
22 are key elements in attracting our customer
23 base. Again, all aspects of these operations
24 will be created and geared toward providing
25 excitement, entertainment and interest.

1 One large component in the development of
2 customer loyalty will be the implementation of a
3 VIP Players Club. The VIP Players Club is a
4 marketing program which enables casino
5 management to identify, encourage and reward
6 those patrons who frequently visit the casino.

7 Each Club member's casino play will be
8 tracked electronically. Based on the number of
9 visits and amount of play, different award
10 levels will be established. Members of the Club
11 will be rewarded with discounts, complimentary
12 services and invited to special casino-sponsored
13 events.

14 Another important aspect of the marketing
15 campaign is to gain the support and involvement
16 of the local business community. Indiana Blue
17 Chip will work with the local community to
18 implement a program where VIP Players Club
19 members will be able to redeem their points with
20 area merchants who sign up to participate in the
21 program. This will offer our patrons a vast
22 array of products and services and also
23 stimulate retail activity within the community.

24 The casino marketing program gives Indiana
25 Blue Chip management the ability to specifically

1 verify, target and market directly to each of
2 our regular and most valued patrons
3 individually.

4 A far different marketing strategy is
5 necessary when attracting the group or tour
6 operator. This market segment is dependent on
7 attractiveness of locale, ease of access,
8 overnight accommodations, dining facilities, and
9 availability of entertainment. This market
10 segment is typically price-sensitive.

11 The tour operator will be drawn to the
12 Indiana Blue Chip Casino because of the natural
13 beauty of the lake and the supporting amenities
14 Indiana Blue Chip and Michigan City will be
15 creating. The docking facility has been
16 designed to include a special group entranceway
17 and a casual restaurant designed to effectively
18 and efficiently handle large groups.

19 Indiana Blue Chip will utilize a strong
20 corporate and direct sales force, group
21 incentives, lively entertainment and special
22 group discounts to attract this market segment.
23 Both the individual and group casino patron will
24 be marketed by utilizing innovative and state of
25 the art table and electronic games, fun filled

1 tournaments and aggressive payouts, a strong
2 Casino Service Department will be developed to
3 handle the specific needs of each.

4 Public relations is one of the most
5 important components of a marketing effort. The
6 pre-opening time period will lend itself to
7 various events worthy of extensive news
8 coverage, such events include signing the vessel
9 construction contracts, breaking ground for the
10 land based facilities, opening of the land based
11 facilities, launching of the casino vessel and
12 the grand opening of the entire project. Each
13 of these events will be used to provide positive
14 exposure for both Michigan City and the Indiana
15 Blue Chip project.

16 Another important part of Indiana Blue
17 Chip's development of positive public relations
18 is generated from the casino management
19 personnel and their employees. Indiana Blue
20 Chip firmly believes that all employees must
21 exude an enthusiastic attitude to develop a good
22 rapport with casino patrons which will encourage
23 repeat and referral business. In order to
24 develop and maintain such attitudes with
25 employees, Indiana Blue Chip will conduct

1 extensive employee training and motivational
2 programs.

3 Indiana Blue Chip intends to become an
4 active member of the Michigan City community.
5 By participating in community activities, local
6 business clubs, local charities and events,
7 Indiana Blue Chip will quickly become a strong
8 and supportive member of the local community.

9 Just in closing I would just like to
10 mention a little bit on the Michigan City
11 endorsement. Indiana Blue Chip is very proud
12 that Michigan City chose us as the developer of
13 choice. We, as well as the other two
14 applicants, participated in the city's selection
15 process. It was, as you heard yesterday from
16 Mayor Bergerson and her staff, a very complete
17 and fair process.

18 This process began with the selection of 22
19 individuals from the local community to make up
20 the Michigan City Riverboat Gaming Evaluation
21 Committee. These women and men were willing to
22 devote great time and effort because they felt
23 it was important to select the one developer
24 which would best represent Michigan City and its
25 interests to you, the Indiana Gaming Commission.

1 The city utilized the services of a professional
2 consultant who was hired to coordinate these
3 efforts.

4 The thousands of hours spent by the
5 committee members reviewing each applicant and
6 their project plans culminated in a scoring
7 summary that was held on December the 6th, 1995.
8 Each committee member evaluated the four
9 proposals and rated each in 11 different
10 categories. Based on the results of this
11 scoring summary, Indiana Blue Chip earned the
12 privilege of representing Michigan City as its
13 preferred developer. Indiana Blue Chip was
14 selected first overall. Indiana Blue Chip was
15 selected first over the other applicants for
16 Trail Creek. Indiana Blue Chip was selected
17 first over the other applicants for a harbor
18 proposal. It was clear then and it is clear
19 now, Michigan City wants Indiana Blue Chip.

20 In other commission hearings the local
21 endorsement process has been questioned in
22 regard to:

23 The opportunity for all applicants to
24 participate, all applicants participated for
25 Michigan City;

1 The possibility that the endorsement has
2 grown old or stale, this endorsement is 68 days
3 fresh;

4 The possibility that the endorsement was
5 initiated by one or two individuals, this
6 process had 22 citizens of Michigan City all
7 with the same voting power;

8 The fear that the endorsement was made away
9 from public review, all contact with the
10 committee members was at public meetings;

11 The possibility that the criteria used for
12 selection was vague, each of the 11 categories
13 for evaluation were identified and defined.

14 There can be no doubt that Indiana Blue
15 Chip is Michigan City's choice. Thank you.

16 MS. BOCHNOWSKI: I think we'll go ahead
17 and get started. Dr. Ross will be back, he had
18 important calls to make, so he will join us when
19 he can. Oh, here he is, never mind. We'll wait
20 for you. Good timing.

21 Okay. Since we have got everyone here,
22 we'll go ahead and get started with our
23 questioning. Just to start out with, I think
24 this is a question that's on all of our minds,
25 particularly in view of the last speaker

1 yesterday, and that is the closing of the boat
2 in the Galena area. And I would like you to
3 address that, how Michigan City should feel
4 knowing that you left an area where there is
5 competition. You are going to be facing
6 competition here from Indian gaming and from the
7 Lake County boats, what's to prevent you from
8 leaving Michigan City when times get tough?

9 MR. DUELLMAN: Well, I would like to
10 address that carefully and clearly because there
11 is a lot of misconceptions about what has
12 happened. First of all, the Silver Eagle still
13 retains its license with the state of Illinois,
14 and the license is in good standing with the
15 Illinois Gaming Board.

16 We are a company that is meeting all of our
17 obligations to the county, to the state and to
18 our community, and we are not necessarily
19 leaving that jurisdiction. Our situation in
20 East Dubuque is that we are in a situation that
21 has a competitive imbalance between Illinois and
22 Iowa.

23 We are talking here today about awarding
24 one license to Michigan City. In our location
25 in East Dubuque, there is now three gambling

1 entities in a county that has 23,000 people and
2 does not have accessibility to major centers of
3 population, as we showed in our marketing
4 analysis here.

5 What we -- actually what has happened in
6 this location is that in May, or the spring of
7 1994, Iowa dramatically amended its -- the Iowa
8 Gaming Act. They removed all of their
9 restrictions on gaming wagers and on gaming bank
10 roll, but they did something much more
11 significant. They allowed the creation of slot
12 -- land-based slot operations at paramutual
13 sites, and they also eliminated or dramatically
14 revised their boarding rules and requirements
15 for vessels to cruise.

16 In Illinois every single gaming excursion
17 has a requirement or mandate to cruise. We have
18 a set boarding time, a set cruise time and a set
19 disembarking time. On the shortest possible
20 schedule in Illinois we can board passengers on
21 to the riverboat 25 percent of the time that we
22 are open. In Iowa, when they amended the rules,
23 they have set a standard for the riverboats to
24 cruise 100 times per year, this is generally
25 met -- this obligation is generally satisfied by

1 cruising once a day in the summertime, usually a
2 9:00 in the morning cruise, and then staying
3 completely docked throughout the balance of the
4 day, allowing passengers to complete
5 accessibility, boarding and disembarking, at
6 will. In effect, it becomes a completely 100
7 percent accessible casino.

8 In the situation where most of our patrons
9 are driving up to an hour, or possibly an hour
10 and a half or longer, to come to the attraction,
11 the lack of accessibility is a serious
12 competitive problem. If you miss our boarding
13 requirement by five minutes, you will be
14 required to wait for an hour and a half before
15 you can get on the vessel again. Whereas you
16 can go two minutes away across the river to the
17 Iowa site and be completely free to come and go
18 upon arriving.

19 The competitive imbalance was -- is
20 something that we have tried to amend at the
21 regulatory level. We have been appearing for
22 the Illinois Gaming Board for over two years
23 seeking some type of revenue to allow us to
24 compete with this imbalance going forward. We
25 also appeared before the Illinois General

1 Assembly that continued to lobby in Illinois for
2 the potential of revising the Illinois Gaming
3 Act to provide a more equal playing field,
4 particularly for those entities that are
5 competing on the Illinois, Iowa border. That
6 effort has been public, it's been shared with
7 our employees, it's been shared with the county
8 board and it has been publicly reported since it
9 began over two years ago.

10 Our situation there now is that in October
11 our competing riverboat on the Iowa side
12 dramatically expanded its facility, adding twice
13 the casino space and twice the casino capacity
14 by bringing in a much larger boat than Dubuque.
15 In November of 1995 the Dubuque Greyhound Park
16 opened a land-based slot facility with 550
17 electronic gaming devices. We had anticipated
18 that these events would occur, we had no way of
19 knowing exactly how they would affect our
20 operations. Our employees and the county and
21 the Gaming Board was all aware that this was
22 going to be happening.

23 When the land-based slot operations at the
24 Greyhound Park opened, its effect on our
25 operation was dramatic, it was immediate and it

1 was drastic. Not only did it occur in one of
2 our worst seasons, the winter season, the effect
3 was awesome. On certain days, since the opening
4 of the Greyhound Park, we had 44 people all day
5 in the operation.

6 We cannot compete with land-based casinos
7 in that county with another -- with two other
8 entities alongside. It is probably a classic
9 example of market saturation. And on the
10 Illinois side of the border we are working with
11 a severe competitive imbalance, we can't
12 compete. We are currently maintaining all of
13 our obligations. We haven't abandoned our
14 community. We are paying all of our bills. We
15 haven't sought the protection of bankruptcy. We
16 are paying all accounts payable. We have
17 honored our obligations to our employees, we can
18 probably talk about that in a moment. And we
19 are pursuing a remedy with both the Illinois
20 Gaming Board and the Illinois General Assembly
21 to try to seek some kind of relief for this
22 situation.

23 MR. VOWELS: You were talking about the
24 other two boats there in the Galena area and
25 then the ones going across the river with Iowa.

1 I don't see a whole lot of difference between
2 what your competition was there and the problems
3 you had versus -- there is going to be four
4 boats in Lake County and in southern Michigan
5 and the possibly of land-based casinos with the
6 Indians.

7 MR. DUELLMAN: That's true.

8 MR. VOWELS: You need to explain to my
9 satisfaction how it is that that's going to be
10 any different here than there because -- I will
11 be honest with you, after each of this licensing
12 hearings, particularly lately, this commission
13 has come under some attack. If we were to grant
14 Blue Chip this license and then you pulled out,
15 then at least in that instance, the attacks that
16 this commission would be under would be, in my
17 mind, completely valid, and I don't see how I
18 can defend that. So you need to understand, as
19 far as my mind goes, that I see that as a real
20 problem. Develop that more how it is that I
21 should believe that you are not going to pull
22 out once the Indians get going and once Lake
23 County gets going because I don't see any
24 difference in what happened in Illinois.

25 MR. DUELLMAN: First, I would like to

1 reiterate that we have not left the East Dubuque
2 location. We are still there, and we are still
3 meeting our obligations.

4 MR. VOWELS: Your boat is here, right?

5 MR. DUELLMAN: No, sir, it's not.

6 MR. VOWELS: The Silver Eagle is not coming
7 here as your temporary boat?

8 MR. DUELLMAN: The vessel itself -- it is
9 part of our plan to bring that vessel here, the
10 reason that that vessel -- it satisfies a couple
11 of situations. It has a narrow beam which will
12 allow us to use the Trail Creek site as an
13 interim facility. It will require us to replace
14 that vessel in East Dubuque in order to maintain
15 our license standing in Illinois. It is a piece
16 of gaming equipment that is uniquely suited to
17 our application as an interim facility here in
18 Michigan City which will only allow us to get up
19 and running at the earliest possible date.

20 MR. VOWELS: Can that boat turn around in
21 that creek?

22 MR. DUELLMAN: It cannot turn around in
23 that creek.

24 MR. VOWELS: Can it go back and forth?

25 MR. DUELLMAN: It will be going back and

1 forth.

2 MR. VOWELS: Go ahead. I'm sorry.

3 MR. DUELLMAN: What we can -- the vessel is
4 a piece of equipment, we have to replace it in
5 Illinois. We have obligations and license
6 requirements in Illinois, the same as exist here
7 in Indiana. Regarding the market situation, Jo
8 Daviess County has 23,000 people. Dubuque
9 County, the entire county, has 85,000 people,
10 that's 110,000 people in the two adjoining
11 counties.

12 In Michigan City we have almost -- we have
13 over 12 million people within 150 miles. In Jo
14 Daviess County the population center there is
15 dramatically different. We are also under
16 competitive -- we are also suffering from this
17 competitive imbalance with Iowa. Iowa has
18 expanded its gaming up and down the Mississippi
19 River dramatically.

20 The difference in Michigan City is that we
21 have a dramatically larger core population. We
22 competed aggressively and successfully with some
23 of the competition that has come on board for
24 over two years. We didn't pop up and disappear,
25 we have been there since 1992. We have seen

1 seven new casinos operate on the Iowa side of
2 the river since the change in legislation in
3 '94. If there were five new casinos in Michigan
4 City, I don't believe all five would be
5 successful.

6 I do believe that we have shown we can
7 compete aggressively, even under the
8 circumstances of the competitive imbalance, but
9 at some point markets are saturated. When the
10 land-based facility opened at the Dubuque
11 Greyhound Park, we reached that saturation
12 point, and there was not adequate population to
13 support three casinos in that area of the
14 country. That's not the condition in Michigan
15 City, and we feel that we would be funded, we
16 would have an excellent facility here and we
17 would be able to draw and garner a significant
18 market share from the population base.

19 MR. MILCAREK: You are saying conditions
20 changed which caused the increase in
21 competition, and I believe you said that there
22 was some indication of this and you could see it
23 coming.

24 MR. DUELLMAN: Yes, sir.

25 MR. MILCAREK; Did you share this with

1 Michigan City before the evaluation process?
2 Did you say, we are in trouble, it doesn't look
3 good, it looks like we are probably going to
4 close that operation?

5 MR. DUELLMAN: At both of the public
6 meetings I was asked point blank why our boat
7 was doing -- they looked at the numbers as
8 compared to other Illinois boats and what was
9 the situation with our boat, why was it only
10 doing \$1 million, a million two a month, and we
11 explained exactly what we said here.

12 When Iowa changed its law, it was very --
13 it affected our operations significantly. Our
14 ability to compete head-to-head, when we had a
15 competitive imbalance, was a severe problem. We
16 continued to garner a significant market share
17 until the opening of the Dubuque Greyhound Park.
18 At that point the Dubuque market, which we value
19 at about 60 to \$65 million annually, had three
20 competitors in that site all pushing for market
21 share. The only competitor with a competitive
22 constraint was on the Illinois side of the
23 River.

24 We had a boarding accessibility problem
25 that limited us to putting passengers in our

1 casino only 25 percent of the time. With those
2 kinds of constraints and that kind of market
3 condition, three competitors would not be
4 successful in that arena.

5 MR. MILCAREK; I realize that. I have
6 your reasoning. I'm wondering at what time
7 frame you shared this information with Michigan
8 City.

9 MR. DUELLMAN: In both of the public
10 meetings that question was asked, and both times
11 I answered it in those terms.

12 MR. MILCAREK: Did you answer similarly --

13 MR. DUELLMAN: Yes.

14 MR. MILCAREK: -- to what you're doing
15 now --

16 MR. DUELLMAN: Yes.

17 MR. MILCAREK: -- or did you just say,
18 well, we think we are closing, we think we are
19 in trouble, or did you go on and say, the
20 competition was tough and so on and so forth?
21 Did you indicate you were planning on closing
22 that boat?

23 MR. DUELLMAN: I gave them the state of
24 the art as it was at that moment. When the
25 Dubuque Greyhound Park opened, it was in late

1 November, around November 20, and the situation
2 accelerated very dramatically thereafter. And
3 we had no preconceived notion that we were going
4 to close. Our anticipation was that we were
5 going to be there and continue to compete to the
6 best of our ability.

7 MR. MILCAREK: With the plan to bring the
8 Silver Eagle to Michigan City, are you now in
9 the process of locating a boat to replace this
10 --

11 MR. DUELLMAN: Yes, we are.

12 MR. MILCAREK: -- or are you going to wait
13 and see what happens?

14 MR. DUELLMAN: No. We have several
15 potential boats available. One of the
16 situations that make the Silver Eagle
17 particularly acceptable for a Michigan City
18 interim solution is the fact that it's an ocean
19 worthy craft. It was built on the West Coast
20 and brought down the Pacific Ocean through the
21 Panama Canal for application on our side in East
22 Dubuque.

23 At East Dubuque a much more varied type of
24 craft is acceptable and at work in that
25 location. Many flat bottomed, typical paddle

1 wheel type vessels could operate in that
2 scenario where they would be very difficult to
3 bring across Lake Michigan. So the Silver
4 Eagle, from a marine capable standpoint,
5 satisfies what we need in Michigan City. Many
6 other vessels are available that would satisfy
7 the requirements at the East Dubuque location.

8 MR. VOWELS: There are two other boats
9 there now still in Galena; is that right?

10 MR. DUELLMAN: There is one boat, the
11 Dubuque Diamond Joe, and then there is the
12 Dubuque Greyhound Park, which is a land-based
13 slot operation.

14 MR. VOWELS: Had there been an earlier boat
15 that pulled out?

16 MR. DUELLMAN: There was an earlier boat
17 that withdrew, it pulled out in March of '93, I
18 think.

19 MR. VOWELS: But they didn't have the
20 problems with Iowa at that time, did they?

21 MR. DUELLMAN: They were an Iowa vessel.

22 MR. VOWELS: They were an Iowa vessel?

23 MR. DUELLMAN: They were an Iowa vessel,
24 and at that time, although I can't speak -- I
25 was not a part of that company -- but they

1 withdrew -- Iowa had --

2 MR. VOWELS: My whole question was: Do
3 you know how the remaining two entities are
4 doing there from where you guys left?

5 MR. DUELLMAN: We competed with the
6 replacement vessel, the riverboat, and did all
7 the way until the opening of the Greyhound Park.
8 We shared markets. I would say that -- I don't
9 have exact number of what the entire market did
10 in 1995, adding up all of the component parts,
11 my guess would be it was around 55 million,
12 maybe \$50 million. With a third entity with a
13 significant competitive advantage, that market
14 can support three competitors.

15 MR. VOWELS: Do you feel that competition
16 in Illinois was a better scenario or worse
17 scenario than what would be here with four boats
18 in Lake County and possibly a land-based Indian
19 casino?

20 MR. DUELLMAN: I think Michigan City is
21 dramatically better, it's not close. If -- I'm
22 sorry. I should have brought a map to maybe
23 indicate how remote East Dubuque is from other
24 centers of population. The closest Illinois
25 town of any size is Rockford which is 90 miles

1 from Galena. And Rockford is closer, in fact,
2 to Elgin where Illinois opened the Grand
3 Victoria Riverboat.

4 MR. VOWELS: What's the status of that
5 lawsuit that the employees filed about -- that
6 complies with the federal warning?

7 MR. DUELLMAN: Well, the status is that
8 it's been filed. The -- in actuality we honored
9 all of our obligations under the Worker
10 Adjustment Retraining Notification Act.

11 MR. VOWELS: There is a time period that
12 you have to give notice to the employees; is
13 that correct?

14 MR. DUELLMAN: Yes.

15 MR. VOWELS: How many days is that, 60
16 days?

17 MR. DUELLMAN: Sixty days is how the act
18 reads, and there are provisions within the act
19 to allow for unforeseen circumstances and other
20 things which apply to the operation of the
21 business.

22 One of the things that the young lady
23 mentioned yesterday -- let me discuss a little
24 bit about what some of those unforeseen
25 circumstances are, and I believe that you are

1 probably in a better position to understand at
2 least this element of the problem. We have met
3 with the Illinois Gaming Board approximately 10
4 days after the opening of the Dubuque Greyhound
5 Park. At that point we were doing a negligible
6 amount of business per day and we wanted to
7 address our options.

8 The Gaming Board had some significant
9 issues and they were considerable. They were
10 concerned that if, under a status of
11 notification, what level of diligence would our
12 employees have in the operation of gaming
13 activities. Would our surveillance people be as
14 vigilant as they were under regular
15 circumstances? Would our supervision of table
16 games and fault and cage operations be up to the
17 same standard that we supplied when we were not
18 under such notification?

19 What would be our ability to replace key
20 executives if they left for other positions?
21 Would we be able to recruit other executives and
22 bring them in and provide the same type of
23 effective control systems that the Illinois
24 Gaming Board demands or would we be at risk?
25 And, thirdly, they did have a concern about the

1 possibility of employee collusion, what was the
2 risk of employees possibly entering into some
3 type of malfeasance or misconduct that would
4 affect the relationship with the customer.

5 It was the Gaming Board's position that
6 they had a definite mandate from the Illinois
7 General Assembly to ensure that the operation
8 was beyond any question of integrity. They felt
9 that under some scenario of notification that
10 they could not make that claim, that we would be
11 open to some type of concerns over whether or
12 not we could maintain the integrity of the games
13 at the level that the Illinois Gaming Board
14 demanded. And in concert with them, it was
15 decided that we would have to close
16 precipitously without notification.

17 MR. VOWELS: I understand your explanation.
18 I don't see any difference in that and any other
19 industry. Back in 1988 that problem was debated
20 in congress when they passed this act, so I
21 guess the Illinois Gaming Board carved out some
22 exception to the federal law. I understand
23 where you are coming from, but I don't see it
24 being any different from any other industry
25 protecting workers.

1 MR. DUELLMAN; Well, Commissioner, the
2 actual -- they didn't address the question of
3 the law, they addressed the question of whether
4 or not we would be allowed to continue to stay
5 open as a gaming entity. They said under those
6 circumstances we cannot meet the mandate that we
7 have and protect the integrity of the customer,
8 and under those circumstances you will not be
9 allowed to be go forward. They didn't address
10 the question of whether or not they that
11 violated the warrant act. Their sole concern
12 was their obligation to the public, and they
13 felt that they could not guaranty the same level
14 of integrity under those circumstances.

15 MS. BOCHNOWSKI: I have a question. Jack,
16 in our investigation, have we spoken with the
17 Illinois Gaming Commission regarding that issue.

18 MR. THAR: We have not spoken with the
19 Illinois Gaming Board with regard to that issue,
20 no.

21 MR. SUNDWICK: I would like to ask a
22 question if I can. Explain the relationship
23 between Blue Chip and the Silver Eagle
24 organization as far as ownership. We are
25 assuming today that these are 100 percent the

1 same people, 100 percent the same companies.

2 MR. DUELLMAN: No, sir.

3 MR. SUNDWICK: And as much as -- as
4 distasteful as this appears to be as far as the
5 lady's statement last night, I want to give you
6 the opportunity to try to explain that to us and
7 the committee at large the relationship so maybe
8 you don't personally take all of the specific
9 blame for this.

10 MR. DUELLMAN: Thank you. Whatever blame
11 is there is probably more on my shoulders than
12 anyone else's, I don't view it in quite that
13 same situation. The young lady's testimony
14 yesterday was dramatic. From our standpoint
15 it's unfortunate that -- I'm not sure that the
16 people who were supporting her in that
17 presentation yesterday don't have a different
18 agenda, and it's maybe not always in the best
19 interest of the employees, it might be more
20 directed toward an agenda of anti-gaming in
21 general.

22 The organization structure -- the Silver
23 Eagle is owned and operated by HP, Inc. The
24 individuals who make up HP of Indiana are all
25 investors and principals in HP, Inc., they are

1 two separate organizations. So from that
2 standpoint -- and then HP of Indiana owns a 60
3 percent interest in Indiana Blue Chip, so they
4 are two separate and legal entities. HP of
5 Indiana will be a 60 percent owner in Indiana
6 Blue Chip.

7 MR. SUNDWICK: So HP of Indiana, as 60
8 percent owner, is the responsible partner for --
9 in the Silver Eagle?

10 MR. DUELLMAN: The individuals who make up
11 HP of Indiana are also investors in HP, Inc.
12 There is no direct tie between the two other
13 than commonality.

14 DR. ROSS: Who owns the boat, Silver
15 Eagle?

16 MR. DUELLMAN: HP, Inc. owns the boat.

17 DR. ROSS: They own the boat 100 percent?

18 MR. DUELLMAN: Yes, sir. HP Indiana would
19 acquire the vessel from HP Inc. in Illinois.

20 DR. ROSS: One hundred percent?

21 MR. DUELLMAN: Yes. It would buy a piece
22 of equipment.

23 DR. ROSS: They would buy it, not rent it?

24 MR. DUELLMAN: No. And they would have to
25 meet all of the regulatory protocols that are

1 required in Illinois for that to happen in order
2 to bring it to Indiana.

3 DR. ROSS: You know, it seems to me three
4 things happened real quick -- it may be
5 coincidental -- one was when you decided to
6 close down in Galena and; two, was when -- it
7 seemed like when the committee said that you
8 were their main choice to come to Michigan City,
9 these two things happened on the same day; and
10 the other thing is that you needed that boat to
11 come to Michigan City. Is that just a
12 coincidence that those things happened together?

13 MR. DUELLMAN: Not entirely. We have been
14 pursuing the Michigan City license opportunity
15 for some time. We felt that the Silver Eagle,
16 as a vessel, would provide us with a wonderful
17 interim solution to get up and running in
18 Michigan City. We anticipated from day one that
19 the vessel itself would have to be replaced at
20 the East Dubuque location.

21 In Illinois I can think of five boats
22 who -- five gaming companies, who have traded
23 out or changed pieces of equipment or vessels.
24 In fact, the Empress, the affiliate of the
25 company that's just been selected in Hammond,

1 has brought in new boats. It was always our
2 intention to try to use that vessel in Michigan
3 City, we were very open about that.

4 The thing that is coincidental is that our
5 closing was tied, not to the endorsement process
6 of the city but to the reaction to the opening
7 of the Dubuque Greyhound Park, that was the
8 driving force in what happened with the
9 discontinuing of gaming excursions.

10 DR. ROSS: Did all three of these things
11 happen on December 6th?

12 MR. DUELLMAN: We discontinued operations
13 on the 5th, the gaming endorsement was on
14 December 6. If there was any way -- I would
15 never pick December 5th as the time that we
16 would have elected to discontinue that gaming
17 excursion with the city's endorsement lying in
18 the balance the next day, that was not something
19 we chose.

20 DR. ROSS: Who chose that?

21 MR. DUELLMAN: It was in discussions with
22 the Illinois Gaming Board that that became a
23 matter of when it was chosen. It had to do as
24 much with the fact that there was a meeting with
25 the Illinois Gaming Board, a public meeting, on

1 that Tuesday, and they wanted to make that
2 scenario the implementation of this
3 discontinuation program consistent with that
4 meeting schedule.

5 DR. ROSS: One other thing about the
6 organization, I see Mr. Pedersen has been
7 involved in some very big rich things. The --
8 let's see -- Boston Chicken and Blockbuster, is
9 he -- is he a major player in Blockbuster and
10 Boston Chicken? Does he own all of it or --

11 MR. DUELLMAN: I think he wishes he owned
12 all of it but he -- he -- Mr. Pedersen was part
13 of the council that took Waste Management public
14 approximately 20 something years ago. And he
15 has been a close associate and confidant and
16 advisor with Mr. Hizinga, (phonetic) Mr. Quinn
17 (phonetic) and a few others who have been
18 instrumental in the development and nurturing of
19 these companies. The list is more extensive
20 than Boston Chicken and Boston Markets and more
21 extensive than just Blockbuster but in the
22 interest of time we to focused on those two
23 because they are well known here in the Midwest.

24 His interest has been significant, and I
25 believe that in your packets you have his

1 personal financial statement which would be
2 probably the most appropriate determinant of how
3 significant his involvement has been. He
4 continues to serve on the board in many of his
5 corporations.

6 DR. ROSS: I have an interest in two
7 because these are the two I know about, I eat at
8 Boston Chicken sometimes. I just --
9 specifically what is his -- how much of Boston
10 Chicken does he have?

11 MR. PEDERSEN: I help co-found Boston
12 Chicken. I'm on the Board of Boston Chicken. I
13 own a significant amount of stock in Boston
14 Chicken and have an interest in probably 350 of
15 their franchise stores, so I have been there
16 from the beginning. And when they first started
17 out, since they were initially from Blockbuster,
18 they asked my advice when they bought these
19 seven or eight little stores in Boston, and I
20 have been on their board and very much involved
21 and very much a substantial investor. And I
22 also raised the money for them on their two
23 private offerings, I was in charge of that.

24 DR. ROSS: I'm not trying to be picky, I'm
25 just trying to understand something. It seems

1 like the bank of LaSalle said that they would
2 loan all this money if you came up with the
3 proper collateral, could you speak on that.

4 MR. PEDERSEN: Well, I think you have my
5 financial statement, and I have the will and the
6 desire and the capacity to do that together with
7 other people that I would, you know, bring into
8 the package. So I don't think there is a --
9 could be a question about our ability
10 financially to do it.

11 MS. BOCHNOWSKI: You are willing to put up
12 the collateral necessary for this loan?

13 MR. PEDERSEN: Yes, I and some other
14 investors. I would not be the sole investor
15 just as I am not in HP of Illinois.

16 MS. BOCHNOWSKI: This would be the same as
17 a personal guaranty then?

18 MR. PEDERSEN: I have a \$13 million
19 personal guaranty at the Bank of America for the
20 Illinois boat, not for the Illinois boat, the
21 Illinois operation.

22 MR. SWAN: Where do we stand as far as the
23 financing from the other investors as well?
24 This is a fairly highly leveraged endeavor from
25 what I see, and the Indiana investors were to

1 come up with \$8 million or some figure like
2 that, do you know where that stands now?

3 MR. PEDERSEN: I believe they are
4 committed and prepared to do that and have the
5 ability to do it.

6 MR. SWAN: Is anything secured at this
7 point as far the financing for those
8 individuals?

9 MR. DUELLMAN: Bill, why don't you speak.

10 MR. KELSEY: As far as the Indiana
11 investors are concerned we are committed to \$8
12 million. We have a million and a half on
13 deposit at LaPorte Bank today, and in addition
14 to that we can come up with six and a half
15 million dollars of the personal net worths of in
16 Indiana investors.

17 MS. BOCHNOWSKI: You are saying that you
18 don't have to finance that, you'll just put your
19 own personal money --

20 MR. KELSEY: We have -- they will either
21 borrow it or come up with it. They have north
22 worths in excess of \$30 million, I believe.

23 MS. BOCHNOWSKI: So that would be on
24 individual basis --

25 MR. KELSEY: Yes.

1 MS. BOCHNOWSKI: -- not the company
2 borrowing, the individual borrowing?

3 MR. KELSEY: Right.

4 MS. BOCHNOWSKI: Excuse me. Could
5 everybody please identify yourself as you speak.
6 Go ahead and do that for the court reporter.

7 MR. DUELLMAN: The last speaker was Mr.
8 William Kelsey, and I'm Joe Duellman.

9 MS. BOCHNOWSKI: From now on, everybody
10 please identify yourself.

11 MR. MILCAREK: Could we get back to the
12 Galena operation. What besides the boat was
13 there, what kind of facilities, restaurants?

14 MR. DUELLMAN: The video -- we wanted to
15 show the video to give you a sense of it. There
16 was a 25,000 square foot pavilion including a
17 restaurant, two lounges, office space and a
18 passenger ticketing facility as well as -- as
19 well as parking for approximately 750 cars.

20 MR. MILCAREK: Is that similar to what we
21 would be in Michigan City?

22 MR. DUELLMAN: It is smaller in scope than
23 what we planned in Michigan City.

24 MR. MILCAREK: Now that the gambling
25 operation has been shut down, how are the other

1 facilities doing without the boat?

2 MR. DUELLMAN: Those facilities are
3 essentially not operating right now.

4 MR. MILCAREK: So if your boat leaves
5 Michigan City, that could be the same scenario
6 here?

7 MR. DUELLMAN: Well, there is not a hotel
8 on site there. One of the things that I would
9 like the commission to be still maintained an
10 awareness of is that we are still one of the
11 largest employers in Joe Davies County near East
12 Dubuque.

13 The Galena operation also includes our
14 operation of Eagle Ridge Inn and Resort which is
15 the finest golf resort in the Midwest. We
16 employ approximately 600 -- over 600 people at
17 Eagle Ridge and had just made another
18 significant investment in Eagle Ridge to
19 continue on. Our presence in the county is
20 going to remain.

21 We have always tried to attach the Silver
22 Eagle and Eagle Ridge to pick up the synergy
23 between the operations, but the two are separate
24 there. In Michigan City you are going to have a
25 resort hotel built as part of the project.

1 Michigan City has made it very clear to us that
2 they have a significant interest in a meeting
3 and conference center. Well, I understand that
4 it's the entire county, this facility is
5 somewhat small for this type of meeting, it's
6 small and narrow. And we are hoping to bring to
7 Michigan City a better venue for conference and
8 meeting space, that will remain regardless of
9 what happens.

10 MR. MILCAREK: What year do you intend to
11 start the hotel?

12 MR. DUELLMAN: I think our time line shows
13 that we have about 9 to 10 months for plans and
14 it will begin operating in the ground around the
15 year 02.

16 MR. MILCAREK: The presentation this
17 morning, it really doesn't compare to what we
18 have been shown in the past. What happened to
19 the Trail Creek extension? I guess what I'm
20 trying to say is, this plan looks different than
21 the one you submitted to the commission.

22 MR. DUELLMAN: In analysis we determined
23 that the Trail Creek extension, the dredging of
24 that channel, was not nearly as viable as the
25 using Trail Creek itself for the entire cruise

1 path of the vessel. We felt it was more in
2 keeping with the act in that doesn't change or
3 alter existing pathways, that it provided an
4 adequate cruise path for the vessel. We used --
5 well, it's a different jurisdiction, we compared
6 it significantly to the operation in Elgin,
7 Illinois, which has been a successful operation.

8 MR. MILCAREK: I think the point I'm
9 trying to make is the plan you presented this
10 morning and the one you submitted to the
11 commission for study is significantly different.

12 MR. SUNDWICK: Also let me ask the
13 question, is that the same package that you got
14 the nod from the city on with the intent over
15 the canal, did they --

16 MR. DUELLMAN; We had the cruise path.
17 The channel was there but in discussing the plan
18 with the Gaming Evaluation Committee, we
19 indicated that we felt that the tent or the
20 canvas coming provided some significant
21 drawbacks and most likely not be part of the
22 plan. We felt that the covering would provide
23 some environmental and HBAC problems, exhaust
24 fume problems and in the final analysis was not
25 in the best interest of the license application.

1 MR. SUNDWICK: They were, in fact, aware,
2 that this is not something --

3 MR. DUELLMAN: Yes. We shared that with
4 the Gaming Evaluation Committee.

5 MR. SUNDWICK: Within the last 68 days
6 there was an opportunity -- this is the first
7 time, I think -- I was really anxious to see
8 this. We knew 68 days ago that we weren't going
9 to do this, right?

10 MR. DUELLMAN: We knew that we were going
11 to probably have to redesign the canvas
12 overview, yes, sir.

13 MR. SUNDWICK: In the harbor -- the
14 dredging or new path is drawn, you knew that 68
15 days ago?

16 MR. DUELLMAN: Yes, sir. Let me restate
17 that. We knew that the canvas shelter --

18 MR. SUNDWICK: Uh-huh.

19 MR. DUELLMAN: -- was -- it was highly
20 likely that it was not going to work, that there
21 would be a better plan that can be made viable.
22 And I'm not sure whether it was 68 days or so
23 but we had our questions about the viability of
24 the plan at that time, and we have continued to
25 develop it until it has this stage today.

1 MR. SUNDWICK: So the 22 member commission
2 at that time, 68 days ago, they really did think
3 they were going to have this other canal but
4 they didn't? I'm confused. They were aware
5 that it just wasn't going to be there?

6 MR. DUELLMAN: I believe it was part of
7 the package that the canal would be
8 perpendicular to Trail Creek. And I do believe
9 that that was part of the package at that time.
10 And we addressed the problems of the awning and
11 a potential for other problems there and talked
12 about that, but we did not present the plan that
13 said that Trail Creek itself would be the entire
14 cruise path.

15 MR. SUNDWICK: Why were we notified today
16 or this morning, but I was so anxious to see
17 this, but we didn't know about it.

18 MR. DUELLMAN: I believe that we tried --
19 I think we had a discussion with staff about
20 some ideas regarding the plan. Let me just
21 check one -- check.

22 MR. McQUAID: If I could, Mr. Commissioner,
23 the amenities have all stayed the same. I had
24 discussions with staff about the possibility of
25 using the natural cruise path of Trail Creek

1 rather than making a leap of faith that a
2 manmade channel would be consistent with your
3 interpretation of the act.

4 MR. SUNDWICK: You kind of narrowed it, I
5 think, a little because I'm having a problem
6 thinking the state legislature thinks that we
7 ought to have boats on Lake Michigan and we are
8 going to end up with less than a mile of very
9 narrow creek, am I right? That's what we have
10 now?

11 MR. McQUAID: The cruise path would be
12 approximately one mile, and that would probably
13 be very consistent with the breakwater distance
14 at the harbor. This is still considered Lake
15 Michigan waters. We do not want to come here
16 and ask the commission to weigh the possibility
17 that a manmade channel would be consistent with
18 Lake Michigan waters. But as far as the canopy
19 over the top of the pavilion, that was never
20 part of our presentation to the city, in fact,
21 that was dropped during our first presentation
22 to the city, as we informed them then, that
23 there would be some inconsistencies with what I
24 interpreted the act of leaving the dock.

25 MR. SUNDWICK: So the first presentation

1 to the city the canopies were gone?

2 MR. McQUAID: Yes, sir.

3 MR. SUNDWICK: How long ago was that?

4 MR. McQUAID: That was in September and I
5 think that was consistent with our application
6 to the commission.

7 MR. SWAN: I would like to ask a
8 follow-up, if I may, as far as two sites
9 themselves are concerned, do you as a provider
10 of these services have one preference over the
11 other? I know the city has said that they like
12 the Trail Creek site but do you have a
13 preference for harbor versus Trail Creek?

14 MR. DUELLMAN; We are here because we made
15 a commitment to the city to represent Trail
16 Creek as our preferred site, I would -- that
17 would be our position. If the commission finds
18 that the Trail Creek cruise path is inconsistent
19 with the Gaming Act, then we would develop the
20 harbor. But our responsibility today to the
21 city and to the endorsement process is to be
22 here to represent Trail Creek.

23 MR. SWAN: As far as you're concerned is
24 the harbor site viable, can it be done?

25 MR. DUELLMAN: Well, it certainly can. We

1 don't believe it can with done without some
2 access to the harbor, and that seems to be a
3 significant drawback. We think that there are
4 some problems with space in the harbor and --
5 but it can work. We feel that the cruise path
6 on Trail Creek is consistent with Lake Michigan
7 waters but we are aware that that's the
8 commission's interpretation, and the
9 commission's interpretation will determine
10 whether or not that cruise path is acceptable
11 which is the reason we have proposed the harbor
12 as an alternate.

13 MS. BOCHNOWSKI: Have you had any
14 conversations -- I understand NIPSCO does not
15 want to let go of that land for more than a
16 year -- have you had any conversations with
17 NIPSCO?

18 MR. DUELLMAN: There was some casual
19 conversations but it was our understanding that
20 they did not want to discuss anything prior to
21 an actual applicant being selected.

22 MR. SUNDWICK: Is it there any other city
23 property that if you had a clean sheet of paper
24 that you can look at and say this is a better
25 spot than the creek area? There is a lot of

1 city property around there, and it appears to me
2 the city is saying that we don't want to disturb
3 that, we don't want to disturb that, et cetera,
4 et cetera, but, you know, I don't think you are
5 putting this project in the best locations
6 because you are being restricted by the city.

7 MR. DUELLMAN: Well, we viewed the project
8 from a gaming standpoint. Outside of the
9 determination of whether the cruise path meets
10 the act, being on a confined cruise path
11 provides a number of safeguards, both for
12 passenger's safety and for operation of the
13 vessel. The Elgin operation is probably a good
14 example for what that does for the operation.
15 It does provide a cruise path, it does provides
16 limited concern for passenger safety. It would
17 be in a channel that's protect from high winds
18 and wave action. You would be in a channel that
19 would not have access to a significant amount of
20 traffic.

21 As you move downstream toward Lake
22 Michigan, there are a number of significant
23 vessels there, personal boats, which are fairly
24 good size. They also have to operate through
25 the harbor, the chance for accident are more

1 difficult. There are questions about whether or
2 not there will be rescue operations, both -- all
3 of our vessels, all of the applicants are
4 anticipating significant vessels with thousands
5 of passengers on them at one time and to operate
6 on Lake Michigan provides significant safety
7 hazards, it will require significant safety
8 plans, so those are all elements -- it's all
9 doable but it's all elements and tradeoffs and
10 which locations are acceptable.

11 I haven't seen any other significant area
12 that would be acceptable. To be honest, we
13 listened primarily to what we felt was the
14 mandate of the city and the Trail Creek
15 operation. The referendum and the whole process
16 seemed dependent on Trail Creek, and we felt
17 that that was an important part of representing
18 the city's interest.

19 MR. MILCAREK: In your application you
20 stated that the vessel would be constructed by
21 Jeff Boda (phonetic) in Jeffersonville, Indiana.
22 When did you change to the plan that you are
23 going to build it on site?

24 MR. DUELLMAN: The actual vessel -- we have
25 contracted -- they haven't contracted with

1 anyone, we have had discussions with several.
2 We have discussed it with CB&I because of their
3 experience and their success in launching the
4 vessels on site. The primary consideration is
5 to try to find a local contractor. Part of the
6 reason there is no contract is we haven't
7 determined the site. If we have two sites still
8 before the commission, we think that there is
9 going to be significant changes in the final
10 determination of the vessel and the vessel would
11 be bid and would be awarded to the most
12 appropriate contractor.

13 MR. MILCAREK: I'm somewhat curious. Why
14 wouldn't you state in your application if there
15 were a possibility that the vessel would be
16 built on site? Why didn't you -- this morning I
17 don't believe we were told that this was going
18 to happen. I'm thrilled that it will be
19 available on site but I'm wondering why it
20 differs so much from your original proposal.
21 Why didn't you mention that, is this something
22 that just came up recently? That's what I am --

23 MR. DUELLMAN: Joe.

24 MR. McQUAID: We feel, sir, at this time.

25 MR. SUNDWICK: Give your name.

1 MR. McQUAID: Joseph McQuaid. The Trail
2 Creek location will really dictate that the boat
3 has to be built on site and it was certainly our
4 intention in our application to indicate that,
5 we were just discussing. I thought it was in
6 our initial application that if Trail Creek was
7 the selected location, that any vessel at Trail
8 Creek will have to be built on site due to the
9 height limitations and the width limitations of
10 the two bridges.

11 MR. SWAN: Can I ask a follow-up on that.

12 MR. McQUAID: Yes.

13 MR. SWAN: Is there a problem with running
14 the excursions up and down Trail Creek with
15 other boat activity in the area? That boat is
16 how wide, I don't remember right now?

17 MR. McQUAID: Yes, sir, the Silver Eagle
18 is approximately 45 feet wide.

19 MR. SWAN: I'm talking about --

20 MR. McQUAID: -- the permanent vessel. And
21 I would like, if I could, to bring Jim Lencioni
22 up here to explain the component where the boat
23 will be birthed.

24 MR. LENCIONI: My name is Jim Lencioni.
25 And the permanent vessel we would actually, in

1 the overall final construction, widen Trail
2 Creek where the vessel would be docked. Joe is
3 over there pulling out the site plan now. And
4 there would be some additional dredging which
5 would accommodate the vessel in that particular
6 route in Trail Creek. For our interim vessel --
7 we can get that into the site, it's a smaller
8 vessel -- and we will be able to, again with
9 minimal dredging, get it at the interim docking
10 site.

11 MR. SWAN: How wide is the permanent
12 vessel?

13 MR. McQUAID: It would be approximately 70
14 feet wide.

15 MR. SWAN: And the creek itself is about
16 100 feet.

17 MR. LENCIONI: Correct, without any
18 additional widening.

19 MR. SWAN: And that's the dotted line, I
20 see.

21 MR. McQUAID: This is it's creek line as
22 it stands now and that's where it would be.

23 MR. THAR: Okay. There is a couple of
24 things, let me back up to a few discussions that
25 the staff has had. Joe, can you leave that up,

1 please.

2 MR. McQUAID: Yes, sir.

3 MR. THAR: There's two things, Bob
4 Sundwick, to go back to your original question
5 about the cover trench so to speak, that was
6 eliminated early and in time to make into these
7 reports. You did have a discussion with Joe
8 McQuaid concerning whether or not Joe's
9 statement that you believe the company was going
10 to switch from using a channel at all to
11 cruising up and down Trail Creek based upon a
12 dredging operation, that discussion occurred too
13 late to get into the reports.

14 I don't believe that anything has been
15 presented to the commission in written form
16 other than the discussions and showing the site
17 plan. In follow-up to what Tom Swan just
18 asked -- which is the reason I'm interjecting
19 and I apologize, because we are not the answers
20 weren't to the question asked -- the question
21 was: How is the boat traffic going to get up
22 Trail Creek?

23 If the full-size, built on-site boat is
24 cruising Trail Creek between the two bridges
25 indicated -- and in discussions that exact

1 question was asked and their answer was to build
2 a new marina there so boats docked on Trail
3 Creek will no longer dock on Trail Creek but, in
4 fact, be at the northern edge of the cruise area
5 to minimize pleasure boat traffic with the
6 cruise boat.

7 MS. BOCHNOWSKI: Are most of those boats
8 headed out to Lake Michigan exactly? There is
9 really nothing to do.

10 MR. McQUAID: I apologize for not
11 answering the question. This will be prepared
12 to mitigate the loss of any of the slips along
13 here. This will be cruise path, and these boats
14 will go back out to the harbor.

15 MR. THAR: Which then raises the issue on
16 the new boat that is built, if you were to built
17 one on site, the height of that bridge is only
18 40 feet at 12th, how do you intend to get the
19 boat underneath there to the railroad bridge,
20 that's another 30, 40 yards, maybe 60 yards.

21 MR. McQUAID: Actually this is
22 approximately 48 feet. I think the Elgin boat
23 is 52 feet and there is some room and some
24 flexibility. We are still working out those
25 plans and details.

1 MR. THAR: The bottom line is that you
2 would intend that the permanent boat would
3 dominate that area of Trail Creek from at least
4 the 12th Street Bridge to the E Street bridge
5 and eliminate for all practical purposes any
6 pleasure craft from going in that area?

7 MR. McQUAID: Right.

8 MR. THAR: If the Coast Guard brought into
9 that proposal.

10 MR. McQUAID: Right.

11 MR. THAR: The other aspect with regard to
12 Trail Creek, from a Corp of Engineer point of
13 view, everything from E Street to the lake is
14 considered a navigable waterway which will mean
15 that both the Coast Guard and the Army Corp of
16 Engineers will have jurisdiction over the
17 development phase, is that your understanding?

18 MR. McQUAID: Yes.

19 MR. SWAN: Have you had any preliminary
20 indications as to feasibility from those people?
21 Have you talked to them at all about this plan?

22 MR. THAR: Let me back up just a minute.
23 The staff has been advised by the Army Corp, and
24 that is some years ago, a permit was allowed by
25 the Army Corp of Engineers for a proposed

1 condominium, et cetera, type development in the
2 area, the gray area, that is shown in there,
3 which is one of the reasons why the bank is
4 holding a lot of the property there, and the
5 city owns some of the other property, it went
6 belly up.

7 Under that permit there was some dredging
8 that was allowed and some construction that was
9 being allowed. Now, the corp has told us they
10 would review that permit to see if it was
11 workable so that any permit application would be
12 an amendment to that or they may require a whole
13 new permit application, they haven't decided.
14 But some issues with regard to dredging and with
15 regard to construction in that area, the corp
16 has already seen, they just have to process it.

17 MR. SUNDWICK: Excuse me. The majority of
18 the property in gray is owned by the bank?

19 MR. McQUAID: Yes, sir.

20 MR. SUNDWICK: How many people from the
21 bank are on the commission?

22 MR. McQUAID; None to my knowledge. I can
23 verify that, but there is none to my knowledge.

24 MS. BOCHNOWSKI: I think we do.

25 MR. THAR: Bob, it was represented

1 yesterday when that question was asked of the
2 city that no one involved with the bank was
3 involved directly or indirectly with the
4 selection committee.

5 MR. SWAN: I guess the area north of
6 that -- is it the 12th Street Bridge is the one
7 at the top?

8 MR. McQUAID: Yes, sir.

9 MR. SWAN: And then there is the railroad
10 bridge north of that?

11 MR. McQUAID: Yes.

12 MR. SWAN: And there would be pleasure
13 craft coming in-between into those bridges into
14 that harbor there --

15 MR. McQUAID: Correct.

16 MR. SWAN: -- and would be competing for
17 space with those pleasure crafts as well, right?

18 MR. McQUAID: At times, yes, sir.

19 MS. BOCHNOWSKI: I don't want to move on
20 if there is some other questions. There is some
21 question that was brought up in our information
22 here regarding your temporary vessel, the Silver
23 Eagle, that you are bringing here. The size of
24 that is quite small, and would you be able to
25 meet your projections of your number of

1 customers just based on the side of the boat,
2 and it would possibly have more demand than you
3 can handle, could be a problem? And how long --
4 and again can you repeat how long that temporary
5 boat would be in operation?

6 MR. DUELLMAN: This is Joe Duellman. I do
7 think that the demand would be in excess of
8 capacity initially. The boat does have the
9 Coast Guard capacity of 1100 passengers, it has
10 approximately 600 gaming positions. The real
11 advantage in this -- for us in using this vessel
12 is that it would be immediately accessible to
13 us, and we felt that it would meet the marine
14 problems and navigable problems of this site.
15 It has a 46 foot beam.

16 We believe that we have a scenario where it
17 can actually access the interim site by widening
18 the railroad bridge, a project which has been
19 already evaluated and considered by Amtrak. And
20 our engineers have met with their engineers and
21 we have seen no problem in moving forward on
22 that process, that would allow Silver Eagle to
23 come in to the Trail Creek area and utilize the
24 two existing facilities there.

25 We believe the earlier the vessel comes in,

1 the more capable it will be to take advantage as
2 yet on an untapped market. Obviously the demand
3 is greatest when there is fewest number of
4 competitors. The sooner the boat opens, the
5 more market share it should garner, therefore,
6 demands should exceed capacity. And our plans
7 would be to build a larger boat at the earliest
8 possible convenience.

9 MS. BOCHNOWSKI: You don't have specific
10 date for when you will build that larger boat?

11 MR. DUELLMAN: We have some people with us
12 from CB&I, and we believe that it can be
13 designed, constructed and completed within one
14 year.

15 MS. BOCHNOWSKI: So from the time you are
16 granted the license a year?

17 MR. DUELLMAN: We would hope it would be
18 up and running before the summer tourism season
19 next year with the larger vessel.

20 MS. BOCHNOWSKI: Based on having the
21 smaller vessel, though, do you think that your
22 projections are accurate?

23 MR. DUELLMAN: We think the projections are
24 accurate. We think that a larger vessel earlier
25 on will do a significantly -- will do

1 significantly more business.

2 The projections are fairly flat because we
3 anticipate that the startup of getting a smaller
4 vessel up and running is a tradeoff on market
5 share until we have a larger vessel. We have
6 been more conservatively projecting going
7 forward due to the potential market impact of an
8 Indian casino and other competitors coming on
9 line. So early on it's market share based on
10 the vessel, later on its effects of other
11 competition.

12 MR. SUNDWICK: If, in fact, this commission
13 determines that going a mile up and down a very
14 narrow waterway doesn't comply with the state
15 law, what major problems do you see building on
16 the harbor, what's your major problems going to
17 be?

18 MR. DUELLMAN: Well, there will be -- the
19 most significant problem is access still,
20 assuming that we can get access, appropriate
21 access, in the site worked out. We do think
22 that there are some other concerns regarding
23 vessel and marine design, all of which can be
24 handled, they are operational but I think that a
25 good plan can address those. They have to do

1 with Coast Guard capabilities, safety issues,
2 parking and access are more difficult at that
3 location.

4 MR. SUNDWICK: Do you have any options on
5 the land that you are proposing?

6 MR. DUELLMAN: No, we don't have any
7 options there.

8 MR. SUNDWICK: Really what you have is you
9 just have the bank property under control now?

10 MR. DUELLMAN: We don't have bank property
11 under control either. The bank --

12 MR. SUNDWICK: But that won't be a
13 problem?

14 MR. DUELLMAN: According to what the
15 testimony was yesterday it's not, not according
16 to our discussions. They want to deal with the
17 successful applicant. Our feeling in the
18 harbor, while the owners of much of that
19 property are part of another applicant.

20 Whoever is the successful candidate in this
21 process, we hope to be able -- if it's us, we
22 hope to be able to deal in an environment to
23 acquire property and work with individual owners
24 to move forward on that site. There is only
25 going to be one successful applicant here and if

1 it is us, we hope to deal hope openly in the
2 acquisition of that property.

3 MR. SWAN: May I ask sort of an unrelated
4 question but it's one that's been on my mind, in
5 your projections your win is \$34 is what I am
6 seeing, and that's probably one of the most
7 conservative numbers I have seen in a long time.
8 I'm curious how that number was derived?

9 MR. DUELLMAN: Our projections are very
10 conservative. We believe that -- we -- our
11 presentation and our marketing plan involves a
12 market segment from Chicago and from the western
13 locations, but we believe it is more
14 significantly going to be drawn from the east
15 and from the south and bus tour markets. And
16 our plan is to concentrate on group business.
17 Although the estimates there are very
18 conservative, we do not believe we are going to
19 be hitting \$60 wins, I believe it will be less
20 than that, it may be more in line what you see
21 in Peoria, the Metropolis.

22 MR. SWAN: Those would be --

23 MR. DUELLMAN: Mid 40s.

24 MR. SWAN: Evansville was at 38, I think,
25 in December. I haven't seen January yet but it

1 may be that kind figure I guess. While I said
2 that was conservative, I wasn't so sure about
3 the attendance. I did some quick math on that
4 and it looks like you would be pretty well
5 running at full occupancy or at about 85 percent
6 maybe during that first year on an interim
7 vessel, is that what your understanding is too?
8 You're showing about a million nine for the
9 first year.

10 MR. DUELLMAN: We think it would be about
11 70 percent. In Joe Davies County in Galena we
12 were doing about a million passengers annually
13 with severe competitive problems by aggressively
14 marketing the bus tour business and bringing
15 business from outside that location. And in
16 generating a million passengers without the
17 population base and the market base that we have
18 here on the Michigan south shore so we think
19 it's very doable.

20 MR. SWAN: Have you done any calculations
21 to show what your break even point may be? We
22 have a couple of significant variables obviously
23 with the admissions and with the win. If you
24 kept those reasonably constant, let's say you
25 use the \$34 win, what would your admissions need

1 to be break even cashflow-wise?

2 MR. DUELLMAN: Do we have that? We have
3 done those projections. I don't have those
4 available right now. I would be glad to get
5 them back to the commission.

6 MR. SWAN: I'd be interested to see what
7 that is. If we can do it, I'm freezing the win
8 at the 34, 35, 36 dollar level, something like
9 that, it will be interesting from a cash flow
10 standpoint.

11 MS. BOCHNOWSKI: Okay. We need to take a
12 very short break to change paper for the
13 recorder.

14 (A short break was taken.)

15 MR. MILCAREK: Other applicants show a
16 slowdown -- other applicants show a slowdown in
17 the third, fourth and fifth year and you do not
18 seem to project that, can you tell us why that
19 is?

20 MR. DUELLMAN: We anticipate that we won't
21 be able to accommodate a full market share early
22 on due to the using of the smaller vessel and
23 the building of our larger vessel. We believe
24 that by the time our larger vessel comes on
25 board, we anticipate competitive intrusion that

1 is anticipated in the other applications. So we
2 believe that earlier on we have a smaller
3 capability to require market share. We can be
4 up and running early but we are giving up a
5 certain amount of market share in order to do
6 that.

7 We are anticipating, on a conservative
8 basis, that by the time our permanent boat comes
9 on line that at that time we would anticipate a
10 very early entry of the potential of Indian
11 casinos in Michigan.

12 MR. MILCAREK: You don't see a slowing in
13 the third, fourth and fifth year as the others
14 do?

15 MR. DUELLMAN: I believe that we see it
16 occurring -- we see a slowing as you go forward,
17 as other competitors enter the market. We have
18 incorporated primarily in our third year.

19 MR. MILCAREK: I would like to -- I would
20 like to change the question here for just a
21 moment. It says that you encourage minorities
22 and women who own business to do business with
23 you. Could you please give me an example of
24 what type of services you would expect them -- I
25 mean I hear the phrase all the time we encourage

1 people -- how would you encourage them and what
2 businesses would you suggest that prepare for to
3 take advantage of this?

4 MR. DUELLMAN: Certainly we have used NB
5 and WD qualified companies in the construction
6 phases and development phases of our other
7 businesses, I think I can think of one right off
8 the top of my head, which is Equipment Dynamics,
9 which is a woman owned business, that has worked
10 with us in all of our applications in providing
11 all of our kitchen equipment and kitchen design
12 in all of our restaurants and food service
13 applications.

14 I believe on an on going basis certainly
15 out source capabilities come in terms of
16 advertising, possibly public relations. In
17 addition to the construction trades on the
18 initial building, bus service and tour operators
19 are also areas where we would probably be doing
20 a large amount of business with those sources.

21 MR. MILCAREK: What do you think in your
22 job fares, or whatever, the way you might
23 conduct that, would it be beneficial to provide
24 a list at that fair to people to say these are
25 the type of services we are going to require,

1 here are some ideas for you to think -- to maybe
2 start a business or to take advantage OF that
3 because the statement is really batted around
4 quite freely, we are going to give the
5 opportunity.

6 A lot of people have approached me and
7 asked about this. What opportunities will there
8 be? What is something specific that you could
9 put out at a job fair or something that would
10 give them an idea of how to approach this over
11 than just working on the boat?

12 MR. DUELLMAN; We have had -- in our bid
13 process we have tried to identify certain
14 construction firms who meet those
15 qualifications, and we have tried to publish
16 those, we did process significantly. Perhaps --
17 Joe, do you have anything you can add on the bid
18 process?

19 In our Galena operations, there is -- it
20 has not been -- we have not had the capability
21 of many minority owned operations. We in a
22 population mix of that area is heavily white, it
23 has not been possible. We have tried to bring
24 women owned businesses in line and have used,
25 for example, the example of Equipment Dynamics.

1 At the Silver Eagle itself the general
2 manager, who was with us until December, was a
3 female. We believe in advancement and try to
4 meet the standards identified in those
5 applications.

6 MR. MILCAREK: Yes. I was thinking along
7 the lines of helping someone start a business.
8 And, you know, if some newcomer could say to
9 you, I'd like to start a business, I would like
10 to get involved in it, it would be nice if you
11 could give some thought to that in the future
12 and answer those questions. Also, will you have
13 incentive or profit sharing program for the
14 employees?

15 MR. DUELLMAN: We have a 401K plan in place
16 currently under Aeria which we have made
17 available to all Silver Eagle and Eagle Ridge
18 employees, that is currently the program
19 available.

20 MR. MILCAREK: Does the company contribute
21 to that?

22 MR. DUELLMAN: They did not last year.

23 MS. BOCHNOWSKI: I would like you to review
24 your financing book again. In my material that
25 I have here at the time they were doing the

1 investigation, it was a little hazy exactly how
2 all this was going to come together and whether
3 or not the individuals, particularly the
4 local -- the Indiana portion, had enough cash
5 flow really -- if the cash flow from the
6 operation didn't meet expectations -- to cover
7 their debt obligations so I would like to hear
8 that.

9 MR. DUELLMAN: If it's on the locals, let
10 me bring up Bill Kelsey, one of the local
11 investors, and he can address that.

12 MS. BOCHNOWSKI: Yes. And even the total
13 financial package, I just want to get a real
14 strong feeling for how that's going to come
15 about.

16 MR. KELSEY: My name is William Kelsey. I
17 think I testified earlier that the local
18 investors would be investing \$8 million. We
19 have a million and a half dollars on deposit in
20 a LaPorte County Bank, the remaining 6.5 million
21 would be available when we are licensed, it
22 would either come from the net worths of the
23 individuals, either through loans or from cash
24 that they have, and it would be repaid or debt
25 from dividends from the boat or from other

1 income that they had.

2 MS. BOCHNOWSKI: What if you didn't get
3 cash flow you expected from the boat, would you
4 be able to put in your own money or would that
5 be a problem?

6 MR. KELSEY: We would do that. And I
7 think we have an understanding with the Illinois
8 people that they would be of assistance as far
9 as that's concerned too.

10 MR. SUNDWICK: What does that mean?

11 MR. KELSEY: Well, I think that we have
12 significant net worths there, that if we weren't
13 able to take care of the obligation, that they
14 would back up our obligation which I know it
15 would.

16 MR. SUNDWICK: Is there a written
17 agreement to that or you think they will?

18 MR. DUELLMAN: Well, it's -- currently we
19 don't have a formal agreement to that effect.

20 MR. SUNDWICK: Their boat just left
21 someplace, you know.

22 MR. DUELLMAN: We have confidence in the
23 people and the integrity of that group. I think
24 that we have dwelled on their boat but I think
25 it's a totally separate operation in a different

1 market with a different population base and so
2 we are highly confident.

3 MR. SWAN: Well, on the total package you
4 had indicated, Mr. Duellman, I think that you
5 would have, I think, 41 and a half million of
6 asset based financing -- maybe I wrote this down
7 wrong -- in what we were presented with a
8 proposal it looks like it's 23 million.

9 MS. BOCHNOWSKI: Yes. There is some
10 discrepancy between what we have got and --

11 MR. McQUAID: Joseph McQuaid. As a point
12 of clarification, and I apologize for the
13 inconsistencies, we submitted the black book
14 today and just if we could walk you through that
15 version of the financial section, it might be
16 easier.

17 MS. BOCHNOWSKI: What page are we talking
18 about?

19 MR. McQUAID: It comes immediately after
20 the reference.

21 MR. SWAN: I really want to know what the
22 difference is between what you gave us before
23 and what you have now, if we could focus on that
24 when we get to it, that's what I want to
25 understand.

1 MS. BOCHNOWSKI: There is a page titled
2 Indiana Blue Chip Financing Plan, that's the
3 page we are talking about.

4 MR. McQUAID: Yes, it is.

5 MR. SWAN: Does that this relate to phase 1
6 only, what we were talking, about the original
7 proposal that's phase 1 and phase 2?

8 MR. McQUAID: Yes.

9 MR. SWAN: So there is a couple million
10 dollars difference in that, in the total -- in
11 the total package but I want to know about the
12 asset based financing differences between the
13 two proposals.

14 MR. DUELLMAN: This is Joe Duellman again.
15 Some of the changes that are reflected in these
16 financial statements have to do with changes in
17 some of the soft costs that were in the earlier
18 presentation were at a higher level. Some of
19 the expense due to the dredging of that channel
20 has been eliminated, and we have increased the
21 capital budget for the vessel. And we have
22 projected a higher amount of investment in
23 gaming equipment, slot machines and so forth.

24 MR. THAR: Can we reformulate the
25 question. The figures that Mr. Swan is

1 referring to as shown are investigative
2 information based upon figures provided by you.
3 It would indicate, for instance, \$20 million
4 equity distribution for both the Trail Creek
5 site and the harbor site, that appears to be
6 consistent with regard to the financing plan
7 shown in the black book.

8 You then shift to debt financing with
9 LaSalle National Bank, in the black book you
10 have \$25 million to secure financing at 41.5
11 whereas bank financing based on projections we
12 earlier had was \$33 million and asset based was
13 \$23 million. I believe today it has been
14 illustrated at 46 million and I believe Mr. Swan
15 is really getting to, can you tell us where
16 those differences are coming from and why?

17 MR. DUELLMAN: By changing and increasing
18 the capital budgets in both the boat and gaming
19 equipment we are able -- it changes the ratio of
20 debt and equity. So prior to that in 33 -- I
21 believe the number is 33 -- we had included in
22 there significant amounts of contingencies and
23 soft costs, we included some dredging of that
24 channel, we included some materials for the
25 possible relocation of the vessel that we don't

1 believe are necessary now, if we had to acquire
2 a vessel in our area. They were budget numbers
3 which now had been hardened into projections of
4 a larger amount of money spent on the boat which
5 also equals the ability to finance it at a
6 higher level and more gaming equipment which
7 also includes the ability to finance that at a
8 higher level, and that is taking the amount
9 necessary in outside financing down to about \$25
10 million.

11 MR. SWAN: Do you have some form of
12 commitments on the asset based lending at this
13 point?

14 MR. DUELLMAN: We don't because we don't
15 have plans built for the boat, we don't have
16 plans for the hotel. We have had conversations
17 and understandings about the project but really
18 the strength lies in the individuals who stand
19 behind those project.

20 And as Mr. Pedersen said, he is committed
21 to making this project go so is Mr. Heytow and,
22 of course, he couldn't be here today.

23 MR. SWAN; Would you expect on this asset
24 based lending they would ask for some forms of
25 guaranties beyond the assets themselves?

1 MR. DUELLMAN: In some cases they may ask
2 for a portion of that be guaranteed personally.
3 We have had discussions with gaming equipment
4 managers and some of the boat lenders and we
5 believe that we are in good shape in this ratio.
6 And we have the underlying of our investors to
7 stand underneath that and provide shortfalls if
8 necessary.

9 MR. SWAN: And they are willing to do
10 this. And again Mr. Pedersen addressed the \$25
11 million LaSalle note is he further willing to go
12 into this and a personal guaranty and to the
13 extent necessary on this collateral as well.

14 MR. DUELLMAN: I will ask him directly,
15 but our expectation is not that those are going
16 to have to be 100 percent collateralized. Our
17 funding has been and our experience in other
18 projects was that some of those assets have
19 significant value and can be secured by the
20 assets themselves. There may be a portion that
21 will require some personal guaranty or personal
22 collateral above and beyond that.

23 What -- I'm paraphrasing Mr. Pedersen, and
24 he is right here -- but he will use his personal
25 resources. And if we need to, we have access to

1 other individuals who are anxious to come into
2 this process, given their suitability to the
3 Indiana Gaming Commission's scrutiny who would
4 also provide significant net worth if necessary,
5 it was beyond his scope.

6 MR. SWAN: I need to ask one more
7 question. As far as bonding is concerned,
8 things of that nature, I'm concerned that there
9 may be some amount of development down here in
10 this area and with competition, you may decide
11 that this isn't the place for you and that you
12 have to leave. Have you had discussions with
13 the community about providing some amount of
14 bonding or financial surety that the land in the
15 area can be reclaimed appropriately if you do
16 have to move?

17 MR. DUELLMAN: We have not to this stage.
18 And while the emphasis is focusing on leaving
19 based on what's happening in East Dubuque, I
20 would just, for practice, like to say again that
21 we have not left the East Dubuque location and
22 we continue maintain and meet all of our
23 obligations in East Dubuque.

24 We have currently discontinued gaming
25 excursions but we are there paying all of our

1 vendors, meeting all of all obligations to the
2 banking communities there. We have met all of
3 your debt an interest obligations there. And I
4 think that instead of focusing on a situation
5 that because of a competitive concentration in
6 the East Dubuque area our shareholders and our
7 investors have stepped up and not sought any
8 relief from this situation but are continuing to
9 seek an orderly transition in conjunction with
10 the Illinois Gaming Board and the Illinois
11 General Assembly.

12 MR. SWAN: I don't mean to press on that
13 point, I want to make it clear that we ask
14 virtually same questions of each applicant in
15 each location. We need to have assurance that
16 if you are going to pull out, that we can get
17 things back to normal around here.

18 MR. DUELLMAN: We have to problem
19 providing those assurances and working out those
20 agreements.

21 MS. BOCHNOWSKI: Bob is right, normally we
22 do require a bond of some sort.

23 MR. DUELLMAN: We have no problem entering
24 into those and I believe we have an agreement.

25 MR. McQUAID: Joseph McQuaid. We do have

1 a letter of agreement with the city that will
2 call for a million dollars a year for any
3 abandonment fee for the licensing period.

4 MS. BOCHNOWSKI: Now, I want everybody
5 to -- Bob, if you have anymore questions, don't
6 feel like you have quit your line of
7 questioning.

8 MR. SUNDWICK: I just have one, there is a
9 \$20 million to start?

10 MR. DUELLMAN: Yes.

11 MR. SUNDWICK: Could you tell us what that
12 is.

13 MR. DUELLMAN; The \$20 million equity
14 includes \$8 million coming from our local
15 investors. And HP of Indiana will acquire the
16 Silver Eagle and all of the gaming equipment,
17 surveillance equipment and computer equipment on
18 Silver Eagle and contribute that to Indiana Blue
19 Chip.

20 MR. SUNDWICK: Who are you going to acquire
21 the boat from?

22 MR. DUELLMAN: HP, Inc. In Elgin.

23 MR. SUNDWICK: So you are going to transfer
24 the boat over?

25 MR. DUELLMAN: They are two different legal

1 organizations so --

2 MR. SUNDWICK: In fact, that's what is
3 going to happen?

4 MR. DUELLMAN: Yes.

5 MR. SUNDWICK: The \$12 million to Indiana
6 is going to come from the Silver Eagle boat,
7 right?

8 MR. DUELLMAN: Correct, that's what we are
9 going to contribute.

10 MR. SUNDWICK: Thank you.

11 MR. MILCAREK: Yes. I would like to know
12 a time frame for the opening of the temporary
13 boat, whether it would be at the harbor site or
14 at the creek site. Where would you plan on
15 opening your temporary, where is your
16 preference, in harbor?

17 MR. DUELLMAN: Our primary focus has been
18 on the Trail Creek site.

19 MR. MILCAREK: For a temporary boat also?

20 MR. DUELLMAN: Yes.

21 MR. MILCAREK: What will be the time frame
22 to start gambling on that point?

23 MR. LENCIONI: July, I think.

24 MR. DUELLMAN: We anticipate being able to
25 open in July.

1 MR. MILCAREK: Would you have to do any
2 dredging to get boat in area?

3 MR. DUELLMAN: Yes. We have to do some
4 dredging and work on the railroad bridge.
5 Beyond that we may have to do some dredging at
6 the actual site at the temporary and interim
7 facilities but the cruise path area would not
8 require that dredge.

9 MR. MILCAREK: And would not require a
10 corp permit for that dredging?

11 MR. LENCIONI: Jim Lencioni. As Mr. Thar
12 indicated earlier, the Army Corp of Engineers
13 has a permit that they would consider amending
14 for this particular dredging requirement. The
15 permit says that dredging can occur between June
16 15th and July 15th. And in speaking with our
17 contractors, they feel that there is no problem
18 during that time period to do the limited amount
19 of dredging and improvements that we would need
20 for this interim facility, again it's up to the
21 Army Corps but it's very possible.

22 MR. MILCAREK: That could be delayed then.
23 If they do not accept the previous permit, that
24 could delay that process is what you are saying?

25 MR. LENCIONI: It's very possible. Prior

1 indications would say we would be able to amend
2 the permit.

3 MR. THAR: I would like to follow up on
4 both what Mr. Sundwick and Mr. Milcarek said
5 with regard to the Army Corp permit. You need
6 the Army Corp permit to widen channel to bring
7 boat in, wouldn't you, that's not part of the
8 present application?

9 MR. LENCIONI: That's correct. That's
10 correct. It's a little upstream from where we
11 are talking about. The -- it's primarily --

12 MR. THAR: You would need to get Army Corp
13 of Engineer's approval to widen it enough under
14 railroad bridge to get the boat through?

15 MR. LENCIONI: That's correct.

16 MR. THAR: So July is pretty optimistic?

17 MR. LENCIONI: Yes.

18 MR. THAR: July of '96 is very optimistic?

19 MR. LENCIONI: Well, we'll primarily doing
20 other work but you are right, that would be an
21 Army Corp permit required for that work.

22 MR. THAR: To follow up on Commissioner
23 Sundwick's area with regard to the boat, as
24 being an equity contribution that means there
25 would be no cost associated with respect to the

1 operation of that boat to Indiana Blue Chip?

2 MR. DUELLMAN: This is Joe Duellman again.
3 Not to Indiana Blue Chip, it would come in as an
4 equity contribution.

5 MR. THAR: Okay. The one area that I would
6 like to go back to, I believe you indicated
7 there is 12 million people within 150 miles of
8 Michigan City; is that correct?

9 MR. McQUAID: Yes, sir, Mr. Thar, there
10 is approximately 12 and a half million people
11 within that 150 mile ring.

12 MR. THAR: Of that 12 and a half million
13 how many people are in the Chicago market?

14 MR. McQUAID: Approximately three and a
15 half million.

16 MR. THAR: So you are saying there is 9
17 million outside the Chicago market.

18 MR. McQUAID: Yes.

19 MR. THAR: Where?

20 MR. McQUAID: If you are talking about
21 Chicago, sir, we have by county listed here --

22 MR. THAR: What I want to get to quickly
23 is, let's forget Chicago market, how many people
24 do you see then as being the Michigan City
25 market if you forget Chicago?

1 MR. McQUAID: Well, again if you are
2 talking about Chicago City limits or are you
3 talking about the Chicago --

4 MR. THAR: I'm talking about the Chicago
5 gaming market, which will be probably by the
6 end of this year be serviced by eight different
7 riverboat companies. I want to look at Michigan
8 City without looking at the Chicago gaming
9 market, I want to see what your market
10 projections are then.

11 MR. McQUAID: The market projections, as
12 we have it within -- let's go back to the
13 smaller concentric circles. There is
14 approximately 4.7 million people over the age of
15 21 within 50 miles of Michigan City.

16 MR. THAR: What area does that encompass
17 on your projections, Southwest Michigan?

18 MR. McQUAID: Southwest Michigan, Northern
19 Indiana.

20 MR. THAR: Does that include Lake County
21 in northern Indiana?

22 MR. McQUAID: Yes, it does.

23 MR. THAR: Now, there is going to be four
24 riverboats in Lake County, Indiana, so one would
25 have to assume your market draw from there will

1 be a smaller scale. How much are you projecting
2 east of Michigan City, let's say Fort Wayne,
3 Indiana, how far east do you go?

4 MR. McQUAID; First of all, I'm not
5 comfortable conceding that we are going to lose
6 that market share. I think that Michigan
7 City --

8 MR. THAR: I'm not saying you are going to
9 lose market share but it's going to be smaller
10 with the four in Lake County.

11 MR. McQUAID: Again I'm not comfortable
12 conceding that point. I think Michigan City
13 offers certain amenities the other locales may
14 not. Michigan City on its own draws well over
15 two and a half million people here for Light
16 House Place and the Dunes as it is.

17 MR. THAR: That's right. So we can say
18 you have got a market share of at least two and
19 a half million people established already?

20 MR. McQUAID: For the amenities that are
21 here already and a riverboat will just add
22 another amenity to the list.

23 MR. THAR: If I can get to the point real
24 quickly, I'm uncomfortable with the idea that
25 there is 12 million people, that there is a

1 market share of 12 million people within 150
2 miles of Michigan City to which you would have
3 an exclusive draw. There is really eight other
4 companies buying for that plus the potential at
5 least for one, if not more, land-based casinos.

6 So I would like to whittle down to a more
7 market share approach of how many people will
8 actually be looking at Michigan City conceding
9 that whatever comes to Light House Mall now,
10 which is around two to two and a half million
11 people, plus what you might draw from
12 Southwestern Michigan and places east of here,
13 from there I want to see how you judge your
14 competitive base in relationship to land-based
15 casinos because as the commission has seen it
16 today, if you just block off everything west of
17 Lake County, Indiana, you we are really looking
18 at everything east of that as the draw in
19 contention and competition with a potential of
20 one or more land-based casinos. And I want to
21 see how your figures jive, how your financing
22 jives, when you start taking the marketplace and
23 eliminating the Chicago market.

24 MR. McQUAID: Well, there are two
25 variables that you brought up, one, you want to

1 diminish market but you also want to continue on
2 with the competition. If we excluded both from
3 the scenario, if we talked only about Michigan
4 City and we looked at a market absent of
5 competition other than what will happened in
6 Southwestern Michigan, we are so very confident
7 that three and a half to four million people
8 will eventually come here for Light House Place,
9 the Dunes and casino gambling. If you exclude
10 the market that you speak of but continue on
11 with the competition that you speak of, it's
12 very difficult to address that.

13 MR. THAR: I'm sure I'm going to hear it
14 from some of your competitors, I want to give
15 you your opportunity to make your statement
16 also. Do you believe you are going to draw from
17 the Chicago market place, is that your --

18 MR. McQUAID: We believe that we will have
19 a niche in that Chicago marketplace, yes, sir.

20 MR. THAR: So, therefore, you believe the
21 market that you will draw is legitimately 12
22 million people within 150 miles?

23 MR. McQUAID: I think those are
24 potentially patrons of Michigan City's riverboat
25 casino. And I think if you have that pool of

1 possible patrons, we will draw a large portion
2 of that to the amenities that Michigan City will
3 offer and that our destination resort will
4 offer.

5 MR. DUELLMAN: If I can expand -- this is
6 Joe Duellman again -- if I can expand on that
7 just a slight bit, we identify market share
8 areas and then within those market share areas,
9 we determine what is the propensity of those
10 people to gain and how many visits can we
11 realistically expect those people to experience.
12 The farther and more competitive -- once that's
13 determined, the farther out you are from the
14 site, the less the propensity is and less -- the
15 fewer number of visits each one of those
16 potential market components will actually come
17 to the site.

18 MR. THAR: I would like to move from one
19 other area and quit. How many land based
20 casinos from Indian competition are you
21 anticipating being in the four counties in
22 Southwest Michigan and Northwestern Indiana, as
23 a competitive factor, how many land based
24 casinos from Indian Gaming?

25 MR. DUELLMAN: We anticipated one.

1 MR. THAR: If there is two or three, what
2 do you consider the significance of additional
3 land-based casinos on the impact to your
4 figures?

5 MR. DUELLMAN: I think that it will
6 impact -- it will our market share as it would
7 impact Chicago. The more gaming entities that
8 are out there -- Smith Barney (phonetic) in 1994
9 evaluated the greater Chicago metropolitan
10 market and it was worth \$2.80 billion. Every
11 company that has a license that market area has
12 an expectation in a certain market share.

13 If you were the only riverboat casino or
14 the only casino in that area, realistically your
15 potential would be \$2.8 billion. Depending on
16 the location and the access the market share
17 will vary. One thing that Michigan City does
18 have is excellent access through the toll way
19 and freeway system, it has proximity to Chicago
20 and the greater centers of population in
21 northwestern Indiana, it has the availability of
22 becoming more of a tourism and destination site
23 given the amenities of the harbor and Light
24 House Place.

25 MR. THAR: How drastically are you

1 affected if there is to be gaming in New
2 Buffalo, Michigan, and Niles, Michigan? What
3 does that do to your competitive situation?

4 MR. DUELLMAN; We think it would certainly
5 affect it seriously.

6 MR. THAR: Would you be a viable
7 operation?

8 MR. DUELLMAN: Yes, we would.

9 MR. THAR: You don't think you would have a
10 repeat of Silver Eagle?

11 MR. DUELLMAN: I think it would be
12 different.

13 MR. THAR: Bonding, this commission has
14 statutory requirement to require bonds for
15 certain things. And I anticipate your answers
16 have been with regard to performance bonds or
17 other types of bonds, you understand we have the
18 ability of be imposing those if you were
19 selected.

20 MR. DUELLMAN: Yes.

21 MS. BOCHNOWSKI: Okay. Before I close this
22 I want to make sure everybody has completed all
23 of their questioning.

24 MR. SUNDWICK: Can you explain to me what
25 the Michigan City endowment is. It was briefly

1 mentioned and it's a profit, nonprofit, how is
2 it organized, what's it for?

3 MR. DUELLMAN: The actual organization is
4 yet to be document. The idea was that we would
5 participate in a program that we would fund out
6 of a share of revenue that would be administered
7 by a board of directors, predominantly local
8 officials, whether it's city and county, to fund
9 new development projects. It would not be in
10 our control, although we would like to
11 participate, the exact structure has not been
12 documented.

13 MR. SUNDWICK: You would see it as a
14 nonprofit organization?

15 MR. DUELLMAN; Yes, not for profit.

16 MS. BOCHNOWSKI: That's it. Go ahead.
17 I'm not trying to cut people off.

18 MR. MILCAREK: I have got one more, in our
19 investigative issues it was determined that the
20 temporary boat is too small. And Mr. McQuaid
21 states length of cruise times could be changed
22 to meet demands of patrons. Could you elaborate
23 on the how you would accommodate more people.
24 Would you have more cruises?

25 MR. DUELLMAN: Well, the cruise protocols

1 can vary, and The Gaming Board, The Gaming
2 Commission will set certain standards, obviously
3 we would adhere to those standards. We
4 anticipate some cruises may be longer than
5 others. By using the shortest potential cruise
6 time available to us, we provide more access to
7 the vessel.

8 MR. MILCAREK: More cruises per day?

9 MR. DUELLMAN: More cruises per day. What
10 we anticipate doing now is that in Michigan City
11 we will also be required to cruise, and we will
12 have access to the vessel -- if you are on a
13 three hour cruise schedule, then you only have
14 access to the vessel once every three hours. By
15 shortening that cruise schedule, consistent with
16 the approval by the Indiana Gaming Commission,
17 you could provide more access to that vessel and
18 possibly shorten cruise times.

19 MS. BOCHNOWSKI: Anybody else. Okay.
20 Now, we are running behind schedule but we will
21 take a -- what do you think -- still 15 minute
22 break.

23 (Proceeding concluded at or about 11:00 a.m.)
24
25

1 STATE OF INDIANA)

2) SS:

3 COUNTY OF LAPORTE)

4 COURT REPORTER'S CERTIFICATE

5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 13th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 8:30 a.m., I then and there reported the
10 proceedings had before the Indiana Gaming Commission;

11 I further certify that I reported said proceedings by
12 the means of machine shorthand and that I have transcribed
13 my original shorthand notes through the use of
14 computer-aided transcription into the typewritten form and
15 that the foregoing and attached pages or parts of pages
16 number inclusively one hundred forty-eight through two
17 hundred sixty-six comprise a true, correct, complete and
18 accurate transcript of said proceedings;

19 IN WITNESS WHEREOF, I have hereunto set my hand and
20 official seal this 29th day of February, 1996.

21 ~~~~~
22 Natalie Bearickx
Notary Public, State of Indiana
Laporte County Natalie Bearickx
My Commission Expires 08/20/99
23 ~~~~~

24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
25 HEREOF AND DOES NOT APPLY TO ANY XEROX COPIES MADE OF THIS
TRANSCRIPT.

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BEFORE THE
INDIANA GAMING COMMISSION

IN RE: THE POSSIBLE)
ISSUANCE OF A GAMING)
LICENSE FOR A RIVERBOAT)
IN MICHIGAN CITY, INDIANA)

MICHIGAN CITY CASINO AND LODGE PRESENTATION
AND QUESTIONS AND ANSWERS
VOLUME IV Pages 268 thru 384

The presentation of the Michigan City Casino and Lodge and the Questions and Answers as had before the Indiana Gaming Commission, commencing on Tuesday, February 13, 1996, at or about 11:30 a.m. at the Pine Lake Hotel, 444 Pine Lake Avenue, LaPorte, Indiana.

GAMING COMMISSION MEMBERS PRESENT:

- DAVID E. ROSS, JR., M.D.
- ROBERT W. SUNDWICK
- ANN MARIE BOCHNOWSKI
- DONALD RAYMOND VOWELS
- ROBERT SWAN
- THOMAS F. MILCAREK



Also Present:

- JACK THAR
Executive Director, Indiana Gaming Commission
- FLOYD HANNON
Deputy Director, Indiana Gaming Commission
- KAY FLEMING
Chief Legal Counsel, Indiana Gaming Commission
- JANINE HOOLEY
Director of External Affairs
- Members of each Applicant's Staff
- Members from the General Public

Reported by:
Natalie Bearickx, CSR, Associate Reporter

1 Tuesday, February 13, 1996 --

2 (At or about 11:30 Gaming Commission and
3 members of the public present at the Pine
4 Lake Hotel.)

5 MS. BOCHNOWSKI: We are going to have this
6 presentation for one hour, and then we are going
7 to recess for lunch. I have been asked to make
8 a couple of announcements. First of all, there
9 is no smoking allowed in this room. And,
10 secondly, we had a few people coming into the
11 community rooms, which is really a private room
12 for the commissioners, so that is not a public
13 room. If you want coffee or pop, you need to
14 buy that yourselves because actually we are
15 paying for that.

16 Okay. Without any further ado, I guess we
17 can stay right here and we'll begin the
18 presentation.

19 MR. RUBELI: Thank you. I'm Paul Rubeli,
20 chairman, president, chief executive officer of
21 Aztar Corporation. And I will be opening up the
22 presentation on behalf of Michigan City Casino
23 and Lodge or what we call MCCL. This has been a
24 very difficult process for us so far here in
25 Michigan City, as I know it has been for you

1 and, in fact, I would suggest it has been for
2 everyone involved.

3 And I want to step back just a minute or
4 two in the beginning to perhaps make an
5 observation that might be relevant to everyone.
6 The existence of the event of an Indian casino
7 arriving in southern Michigan creating a
8 land-based competitor is new relatively speaking
9 and very unique to the Indiana gaming process.
10 And I think it has created a series of unique
11 but nevertheless real situations that everybody
12 involved has had to deal with. I recall the
13 Indians announced this decision sometime last
14 year, of course, yet they made a contract with
15 Harrah's, which is a very well regarded gaming
16 operator.

17 The intention is that they are going to put
18 a land based casino someplace in southern
19 Michigan and maybe even northern Indiana was
20 what was being said then. Well, what happened
21 to Michigan City was an immense bail out of
22 interest. You had any number of firms that just
23 simply packed up and left, declared they were no
24 longer going to be interested in this market,
25 and by the time the summer was over with it was

1 down three applicants, most of whom were
2 scrambling to reduce their perception of the
3 market, the investments that they intended to
4 make and a city that was confronted with trying
5 to engage in a selection process in the midst of
6 very dynamic and moving series of equations.

7 So what you have got are a lot of things
8 that aren't quite like they have been in each of
9 the other jurisdictions. We will speak to
10 ourselves but I think it's also reflected that
11 the other applicants wound up significantly
12 reducing the original scope and size of the MCCL
13 scope project, I think the other two applicants
14 did the same. That resulted in pretty pictures
15 that were nice to look at but, frankly, can't be
16 built for the kind of money wherein some of the
17 budgets that exist today and I think we all have
18 to be cognizant of that.

19 We also had a situation where the city was
20 confronted with trying to conduct a selection
21 process in what was now a smaller group of
22 applicants, applicants who themselves were
23 changing positions in the real world, and a
24 selection process that got compressed into a
25 very, very short period of time. I recall

1 yesterday that the dates were given by the
2 consulting group, whether it was Carl Zeitz or
3 Dick Treptow, I can't remember, but the first
4 meeting of the selection committee happened here
5 on October the 11th and the last one was
6 December the 6th, that was seven weeks.

7 Now, when we participated in Evansville,
8 that was nine months. And there is a big
9 difference in what happens in a seven week
10 process where you are getting 48 hours notice to
11 respond to something and a nine month process
12 where there's a lot of time to do things in a
13 very deliberate, careful and hopefully
14 methodical way. That's not saying that it's
15 wrong here, I'm just saying the Indian situation
16 resulted in real and significant changes,
17 created dynamics.

18 And the ultimate burden in the end has been
19 flowing to your staffs because even after the
20 selection process I will suggest to you there
21 have been continuing and -- what's the proper
22 term -- clarifications in the original
23 applications, bluntly stated things have
24 changed. But what we are trying to present to
25 you today is, as of February 13th, that

1 represent from our point of view at least what
2 MCCL believes is going to be the best
3 presentation we can offer to this commission,
4 but I will be quick to tell you up front it is
5 the same one the city selection committee saw.
6 In our case we happen to believe this is one,
7 with its clarifications, that is substantially
8 better. But to the extent there may be some
9 in-between version A and version B, that's the
10 real world, I think that the city did what they
11 had to do in their circumstances.

12 I think your staff has been dealing with a
13 very difficult situation over the last few
14 weeks. I will tell you, we dealt with a very
15 difficult situation that came to our attention
16 only yesterday morning regarding the harbor and
17 the NIPSCO site and we had to deal with that
18 over the last 24 hours, so things are what they
19 are on February 13th.

20 Now, my personal goal today is not to make
21 this process easier for you because that's not
22 able to be done but I will try my best. And
23 our commitment to you is to prove as
24 presentors -- we will try our best to try to
25 keep things simple and keep it clarified and

1 give you the best answers we can to answer any
2 questions you have and try in an affirmative
3 presentation to sort of reduce the thing to what
4 we think are the basic factors that is part of
5 your decision making process in terms of looking
6 at all three applicants and, frankly, looking at
7 the city of Michigan City and deciding what it
8 is that you want to decide.

9 So with that very long winded presentation,
10 let me introduce our MCCL team which is where I
11 was supposed to have begun. Aztar came into the
12 picture only in August when we were asked by
13 local partners of MCCL to consider joining them
14 to be in charge of their development and
15 ultimately the operation and management of the
16 casino. I want to remind the commission that we
17 are limited under Indiana and under Indiana reg
18 to only own up to 10 percent interest in a
19 second casino, so we are here as an owner but it
20 will be less than 10 percent. But I will tell
21 you we will be the developer. We'll be the
22 manager of the construction, design and opening
23 process, and we will be the operator of this
24 casino under a long-term contract with MCCL. So
25 what you get is Aztar for those things but we

1 will be less than 10 percent ownership, which
2 will also create some difficulties which we'll
3 share with you in terms of the clarity of
4 presentation to you.

5 Joining us in this team, though, is a
6 Horizon Lighthouse Place -- the owners of
7 Lighthouse Place has been spoken about so much
8 yesterday and this morning and they will be
9 presenting to you in a few minutes; Kehl
10 Riverboats, one of the largest developers, and
11 in some cases, of operators of riverboats,
12 having done 10 of them over the last few years;
13 very strong local business interests with two
14 very successful businessmen from northern
15 Indiana, the Lubezniks, who own and operate the
16 largest number of McDonald's franchises in
17 northern Indiana and some local partners that
18 have struggled for the last two years to
19 maintain the application of MCCL and keeping it
20 before the commission that brings us here today.

21 I want to talk a little bit about Aztar.
22 I'm sorry. I'll introduce this team in more
23 detail then I'll talk about Aztar. Horizon is a
24 large public company in the real estate trust
25 business, they are one of the largest operators

1 of factory outlet malls. And the president,
2 co-chairman and CEO of Horizon is with us today,
3 Jeff Kerr, who will be presenting to you in a
4 few minutes.

5 Kehl Riverboats received the first license
6 in Iowa, opened the first boat subsequently in
7 Missouri, Louisiana, as I said earlier, had
8 built 10 of these boats most of which have been
9 sold to other gaming companies in our business.
10 They are a company that's been in business a
11 long time and were the proud recipient of a
12 Ronald Reagan award in 1986 as business persons
13 of the year. They have been involved in every
14 facet of operations from vessel construction to
15 operations.

16 In 1994 Bob was singled out by the Trade
17 Journal Passenger Vessel News to receive its
18 first annual Compass Award for his leadership in
19 the riverboat gaming business, so we're pleased
20 to have him as part of the team. Glenn Lubeznik
21 runs businesses in northern Indiana, in fact,
22 right here in Michigan City, seven McDonald's
23 restaurant, employs 500 employees and has been
24 here 32 years in this city. Rod Lubeznik has a
25 \$33 million business operating in northern

1 Indiana and Chicago 21 McDonald's locations,
2 over 1800 employees. A very sizeable business
3 is run by these two men, 35 years in business.

4 Let me go right to the market. There was
5 some discussion actually just before break time
6 about just what is this market called Michigan
7 City. What I have here on a map is Michigan
8 City in the center of two circles, the inner one
9 is a 50 mile radius circle, the outer one is a
10 100 mile radius circle. The blue dots represent
11 existing or approved casino sites, the three in
12 Illinois to the left; the three in Lake County
13 that have been recently approved in East
14 Chicago, two in Gary and one in Hammond and
15 Michigan City, of course, where we are standing
16 or sitting here today.

17 I bring this slide up to clarify just what
18 is this market, and I want to make an important
19 point in our point from our view. This market
20 is a lot better than some of the trade
21 newsletters and some of the trade journals that
22 have given it credit for. For some reason it
23 got relegated into, oh, that's the small market
24 up there on the northern side of Indiana, not
25 true.

1 Let me lead you through what we believe is
2 the primary market, very simply it's the
3 counties in blue. We have exceeded, in our
4 judgment, what's going to happen here. All of
5 Illinois counties and Lake County, western
6 counties of Indiana, just simply saying, that's
7 not in our primary market. If you look at what
8 we think is the primary market, it is the
9 counties to the south, to the east and to the
10 northeast of Michigan City.

11 What's interesting to highlight is in those
12 blue areas are living today are 2.5 million
13 people. Now, we are very familiar with
14 Evansville, you folks went through a license
15 hearing last February all about Evansville. Let
16 me give you this illustration to compare this
17 market to Evansville, this is just a frame of
18 reference, in Evansville within 650 miles the
19 inner circle lives 650,000 people. In this
20 inner circle in only the blue counties, meaning
21 excluding Lake County, there is one million
22 people. In Evansville within 100 miles in all
23 directions there are two million people just
24 reaching into Louisville. In this chart here
25 within 100 miles just including blue counties

1 there is over 2.5 million people.

2 Putting it in laymen's terms this is a
3 bigger primary market than Evansville, and we
4 have a window of opportunity here before the
5 Pokagons open up in Michigan to seize this
6 opportunity to establish this market, to
7 establish a market share, to get customers here
8 in our data base just like we are planning to do
9 in Evansville. We'll have an opportunity there
10 before Louisville gets challenged by other boats
11 or before Cincinnati even gets challenged to do
12 what we are doing right now, get that market,
13 then you are going to take on the competition
14 when it comes.

15 So important point number one, Michigan
16 City is a bigger market than Evansville in terms
17 of its primary population. And I just don't
18 think that's been a conventional wisdom in our
19 industry, and it's a fact that ought to be
20 shared with you. Should this city deserve a
21 license, absolutely, absolutely no question.
22 And for a window of opportunity, we think for
23 the last -- for two years we have a big market
24 to go after in south and eastern Michigan and
25 southeastern Michigan and we intend to do it

1 with our proposal.

2 Now, the Indians will come, we think, after
3 two years. At some point the Indians arrive in
4 Michigan, and what we are showing you here is
5 the judgment. At the time we filed an
6 application we presented to the City of Michigan
7 City that we thought the Indians might be in the
8 Kalamazoo area just to the west of Kalamazoo and
9 so we put a blue dot there. Other people and
10 analysis people went to work on the same basis
11 we did elsewhere and said, now, those yellow
12 counties are no longer going to be our primary
13 market, they are going to be the market that
14 will be the primary market for the Pokagon
15 Indians land-based casino.

16 The point is even when they are excluded
17 and Illinois and Lake county Indiana are
18 excluded, there be still be left in those blue
19 areas one point two million people. That also
20 is bigger than what we are going to be left with
21 in Evansville when the other boats go up on the
22 Ohio River, so there is a very large primary
23 population to begin with. We have a two year
24 window of opportunity. We think, during those
25 two years that we can see recently a market here

1 of over \$110 million of casino revenue, same
2 attitude as others, little bit smaller because
3 there's more competition here but I will come
4 back to that.

5 When the Indians come, if they come to
6 Kalamazoo in our submission, we believe that
7 will immediately drop to 70 million, big hit, 40
8 to 45 percent reduction, and the reason is a
9 land-based casino is a very significant
10 competitive advantage over a riverboat. There
11 are no cruising schedules, period; you get in,
12 you get out, you arrive, you leave whenever you
13 want 24 hours a day. And the facilities
14 themselves look much more like a real casino
15 than what we have to pretend we have on these
16 boats, so there is real competition coming in
17 the form of that land-based casino. And we
18 think the market will drop from \$110 million,
19 our share of the market to be precise here, from
20 110 million down to 70 million.

21 And recently in the fall, which led to some
22 of the confusion, I think, among the applicants,
23 before the city selection they began talking
24 seriously about coming to New Buffalo. Now, New
25 Buffalo is the farthest left-hand yellow point

1 on that map, it's only 10 miles from Michigan
2 City right up Route 12, I guess it is, and, wow,
3 talk about being in your backyard. So if that
4 happens our people have already done an
5 estimate -- it's not in the submission because
6 who knows where they will wind up -- we think it
7 will drop to 50 million of casino revenues.

8 So the real world is we are looking at an
9 operation that for the first few years is going
10 to be a very strong viable operation with
11 significant revenues. We still think this is
12 still probably the more likely scenario than the
13 Indians, which would mean \$70 million casino,
14 but we are prepared and we are only prepared to
15 invest on the assumption it's a \$50 million
16 casino in the long run. We have to survive in
17 that environment is the reality that we think we
18 face. But actually dealing with maps, to orient
19 everyone as to an issue, that hasn't come up.

20 The interstate is along the southern
21 portion of this map and the western -- what I'm
22 trying to illustrate is that downtown Michigan
23 City area, whether it's Trail Creek or the
24 harbor is a long way off that interstate. I
25 mean it is a long drive on surface streets to

1 get from I-94, no matter how you come here, to
2 the downtown area. Now, that is a competitive
3 disadvantage because every other one of those
4 northern Indiana casinos that you folks approved
5 is either near an interstate or right off an
6 interstate, easy to get to. Psychologically
7 this place is not easy to get to, it's a lot
8 easier to go whipping on I-94 and wind up in New
9 Buffalo than it is to get off at this exit or
10 vice versa. So how far we are from the
11 interstate is important to us as a consideration
12 for the city to deal with the decision of where
13 should this place be best located.

14 In summary we think there are four points
15 that constitute what we call the Michigan City
16 business reality, a very competitive market but
17 nevertheless a big market, let's not be
18 apologetic about it; number two, we are going to
19 have to deal with Chicago area riverboats to the
20 west, and our assumption is we don't get any of
21 their business in terms of primary marketing.
22 But if it's true that Lighthouse Place derives
23 as much as a third of their business from
24 Chicago, and they believe it's true, then we'll
25 get that piece of the Chicago business if we are

1 right next door to them, that's why we are going
2 to be where we are going to be. But otherwise
3 we have not assumed in our numbers any Chicago
4 business to speak of other than what we call
5 limited transient.

6 The Pokagon Indians are very real. When
7 they will come, where they will come and how
8 they will come is still the guessing game of
9 marketing warfare, maybe it's going to take them
10 a little longer. It looks like politically the
11 climate is less favorable. It looks like
12 Governor Angler (phonetic) is under some
13 pressure in Michigan. It looks like there is
14 some litigation pending in the southern New
15 Buffalo area. It looks like some wonderful
16 opportunities are emerging for Michigan City to
17 seize the initiative, have a window of
18 opportunity. So maybe the other guys bail out
19 of here but maybe we do find ourselves at the
20 right time and the right place and we may get
21 more than two years.

22 They have to go through a long and arduous
23 political process to get land, to get land and
24 trust, to get land approved, to get a whole
25 series of permits out of their way and to get

1 something up and running. By the way, Harrah's
2 is kind of distracted right now with some other
3 problems so they don't have themselves in the
4 best situation from that point of view either.
5 So I say in the end Michigan City has a chance
6 here to do this thing right.

7 You better remember with an off highway
8 location it's not going to be easy to get people
9 off the I-94 highway to come here. We are not
10 the only casino. When you have a monopoly, it's
11 easy, you can put a casino anywhere. But when
12 you don't have a monopoly, you better pay
13 attention to where the site is. We think the
14 decision factors come down to these three, who
15 are the operators you are dealing with and what
16 are their experience; where is the project
17 located and exactly what kind of scope is
18 reasonably sized for this market and, lastly,
19 who really has the ability to finance this
20 project, other than that your job is easy. It
21 seems to me those are the main points that we
22 would like to address.

23 You know us as Aztar, for the record I'll
24 go through this -- I won't spend much time on
25 it -- we're a New York Stock Exchange Company,

1 we have over 16 years in this business. We have
2 over a billion dollars of assets, over \$600
3 million of revenue a year, and we would clear
4 over 100 million in cash flow a year. We are
5 licensed in New Jersey, in Nevada in Missouri
6 and Indiana. We operate currently five casinos,
7 three land-based so we know what land based
8 casino are all about and two riverboats,
9 Atlantic City; Las Vegas; Flanigan; (phonetic)
10 Caruthersville, Missouri, which opened 10 months
11 ago and Evansville which opened two months ago.

12 This (indicating) is our big building in
13 Atlantic City, we're proud of it, it's got now
14 1000 rooms, but we currently have 600 rooms
15 under construction. This is the third time we
16 have added rooms to this place and when it opens
17 in May, we will have the largest hotel in
18 Atlantic City, it will be larger than Trump's
19 Taj Mahal. In Las Vegas we have a 2,000 room
20 resort destination hotel. In Flanigan, Nevada,
21 where nobody has ever heard of, we have a 1600
22 room resort hotel. These are big properties,
23 land-based, we know what that business is about.
24 We also have a tiny riverboat in Caruthersville,
25 this is only 600 passengers. It's been open 10

1 months and we have learned a lot about the
2 riverboat business, particularly the issues in
3 Missouri. And most currently, of course, we
4 opened the first riverboat in Indiana in the
5 city of Evansville, Casino Aztar's boat in
6 Indiana. And this (indicating) is a picture
7 showing in the upper left the pavilion that's
8 being used on a temporary. And in the corner on
9 the upper right part is the construction going
10 on, as we speak, to build the 40,000 square foot
11 pavilion and eventually the 250 room hotel and a
12 parking garage that will make a land-based
13 destination resort facility appear on the banks
14 of the Ohio River with a floating casino tied up
15 to it, we are real excited about it. You know
16 the results in December, they were very good for
17 us. We'll be releasing January in two days, I
18 guess it is, and we really like what we see down
19 there. It's been a great relationship, I think,
20 for this company, for the city and for the
21 state. In total there's over 9,000 employees
22 5,000 hotel rooms, over 200,000 square feet of
23 casino space, 180,000 square of convention
24 space, 40 restaurants and lounges and a lot of
25 big entertainment.

1 The biggest showroom in Atlantic City is a
2 1700 seat headliner showroom and a big showroom
3 in Las Vegas -- and we know what the
4 entertainment business is about and that's part
5 of the dimensions we hope to bring to our
6 developments in Indiana. We are bringing it to
7 Evansville and we'll bring the same commitment
8 here to Michigan City. We can even picture
9 headliner entertainment in Michigan City under
10 certain circumstances, meaning not the kind of
11 weather we have had to endure in the past few
12 days, but summertime, springtime entertainment
13 is going to be part of the proposal that we're
14 presenting to both the city and to this group.

15 People are important and we have been
16 committed to this notion that people are
17 important. And women have equal opportunities
18 in this company, and the numbers speak for
19 themselves. We truly believe this
20 population was made by God to be 50/50 and we
21 try to employ it that way. We have also had a
22 strong commitment to minority hiring. It was a
23 very proud record that we presented to you folks
24 before and you are seeing a little bit of an
25 update again today, and typically and in most

1 cases we have working for us a percent of
2 minorities equal to double the local population,
3 and those are the kinds of commitments that
4 create some very dedicated employees that work
5 very hard for this company.

6 I want to move on to a slide that's unique,
7 it's for the commitment we made in Evansville in
8 their selection process in early 1995 and the
9 commitments we made to this group also in
10 February of '95. And this is our first official
11 report since being open as to how we did against
12 those commitments in terms of minority hiring.
13 We committed to hiring 10 percent which is the
14 local population almost in Vanderburgh County.
15 As we speak, we have 18 percent minority on
16 board. We said we would have 45 to 55 percent
17 women, we actually have 52 percent women. We
18 said we would higher 90 percent of our employees
19 from Vanderburgh County, we already are at 85
20 percent, and when the hotel and pavilion opens
21 at the end of this year, we'll be over 90
22 percent, this is extraordinary.

23 We made a commitment to minority business
24 enterprise and women business enterprise, that
25 took a long time getting to because Indiana has

1 not as strong commitment in this area as some of
2 the other states, so we have to work with
3 ourselves and help the state agencies do some of
4 the things they are trying to do. We said we
5 would get 5 percent the first year, 10 percent
6 the second year and 15 percent the third year,
7 our people right now buy 35 percent from
8 minority business enterprises and women business
9 enterprises. It's a very proud record for this
10 industry or for the state of Indiana and we see
11 this continuing.

12 And, lastly, something we never really
13 promised in terms of fixed numbers, because we
14 didn't know how to do it, we said we would
15 concentrate on buying locally, it turns out 74
16 percent of our purchases are coming out of
17 Vanderburgh County. You folks don't have to be
18 embarrassed about your selection in Evansville,
19 that's our experience as Aztar.

20 Let's talk about this location and scope.
21 I heard a lot about the favored location. Let
22 me just say we wound up getting a survey
23 commission -- and I think the results were
24 presented to the staff last week and perhaps to
25 all of you commissioners, I'm not sure -- that

1 surveyed Michigan City, city of LaPorte and the
2 county and asked a bunch of questions to
3 qualified respondees which do you prefer and,
4 hey, it's pretty obvious people of this county
5 and people of LaPorte and the people of Michigan
6 City would rather see it on the harbor because
7 it's more logical to have it there is my belief
8 as to why the said that.

9 It turns out that there were 17 of the 21
10 members of the selection committee that
11 preferred Trail Creek, so I simply raised the
12 question with the selection committee, was that
13 representative of the population or was that
14 representative of the desires of the government.
15 But this we submit to you as some factual
16 evidence and, of course, anyone can dispute
17 surveys, and be my guest, but we think it's
18 better than having nothing. So there has been a
19 lot of controversy over this location, and it
20 was only back in 1993 when the previous mayor
21 assembled a group of companies to give the first
22 presentation. We know that Aztar was here then
23 as Aztar Corporation.

24 Bob Haddock came to Michigan City in
25 October of '93, gave a presentation before a

1 meeting Mayor Behler put together and several
2 other applicants were there and we all talked
3 about casino gaming. It was a prerferendum
4 presentation to help get it passed. At the time
5 even in the summer of '93 the designated site
6 was going to be Trail Creek, the reason why,
7 it's very simple, there had been a developer
8 there sometime before who had promised great
9 things. A lot of money had been lent, a bunch
10 of land had been cleared, some people had been
11 displaced and then he walked out. And so,
12 folks, there's a problem on our hands, ah ha,
13 let's use casinos to fix that urban renewal
14 problem and that's the background and it's still
15 with us in 1996 is my belief.

16 The problem is, as we see it, that Trail
17 Creek is basically an urban renewal area -- and
18 there is nothing wrong with urban renewal
19 areas -- but if you want to designate one,
20 recognize what it is that you have and why you
21 have it that way. But we think as a casino site
22 the Trail Creek site has some problems.

23 I would like to read you some notes I have
24 made on this. Number one, the access is very
25 poor there are no major streets in or out of the

1 site; number two, the visibility is very poor,
2 the site itself sits in a depression, it's very
3 hard to see it visually; three, the surrounding
4 area is not very attractive, it was previously
5 an industrial area and currently is an urban
6 renewal area, in fact, it's surrounded by a low
7 income residential area, that troubles me about
8 moving a casino into that kind of -- what should
9 be a family and people neighborhood.

10 There is some technical issues going
11 forward to confront including substantial
12 dredging, which is going to require corps
13 approval, and we've been there before with
14 environmental impacts, potential delays as a
15 result of these, and as well the inability to
16 cruise Lake Michigan has been the subject of a
17 lot of question. Most serious of all, however,
18 in my judgment the isolated nature of that site.
19 There is no foot traffic now, there's no logical
20 foot traffic in the future. There are no other
21 tourist hooks at this site on the east side of
22 the city to support the casino. In short, this
23 is not a fun site, and we are in the business of
24 marketing fun and that is not a fun site,
25 period.

1 Now, the harbor site by contrast has
2 excellent access following current traffic
3 patterns right down Route 35 on to Michigan
4 Boulevard, just like the city would like it to
5 work, with particularly good exiting flows which
6 would eliminate potential congestion. The site
7 is very visible, it sits on high ground with
8 fabulous views of the harbor, marina and
9 Washington Park. I'm really sorry that
10 yesterday morning when you guys were over there
11 that you had to do it in that inclement weather.
12 If you're here on a spring day or even a fall
13 day when there is a blue sky and the sun is
14 shining, that is a gorgeous harbor. And that
15 site there sitting up on the bluff overlooking
16 the harbor, the marina, Washington Park, the
17 beach area and whatnot, it's just simply
18 beautiful, it was not so beautiful at 8:30
19 yesterday morning. Third point about the harbor
20 site is, there is considerable potential for
21 foot traffic and a number of already existing
22 tourist hooks to tie in to support this casino
23 and, of course, that's the important point.
24 Most importantly it can be and it will be
25 integrated into Lighthouse Place and draw upon

1 its already existing 2.4 million visitors a year
2 and become a true destination, retail and
3 entertainment complex.

4 Now, if given the choice, I will ask the
5 rhetorical question which one succeeds. Under a
6 highly competitive environment that's going to
7 have the Indians arriving that faces the
8 business realities we have in the previous
9 spot -- there is one other city that tried to
10 use casino development as an urban redevelopment
11 tool and it was called New Orleans. And they
12 forced that operator to put a casino where they
13 didn't want to put the casino and you know the
14 outcome of that particular experiment. Now,
15 that's simply not what this company is prepared
16 to do in Michigan City. And I will tell you if
17 even offered the choice, we will not go to Trail
18 Creek even if you were to grant us the license,
19 and that's been decision of this partnership, so
20 it's either the harbor or we don't come to
21 Michigan City. Okay.

22 I'm not sure where I'm supposed to go next.
23 This (indicating) is the site, an aerial which
24 shows in red the encompassing area of the
25 harbor, and I have a -- these things are hard to

1 use from a distance. This (indicating) is all
2 the current Lighthouse Place development. This
3 (indicating) up here is our particular site,
4 MCCL. We have 12 acres of land under option
5 right now. This (indicating) is the harbor, of
6 course. I want to point to a couple of
7 landmarks because I think it's good reference.
8 This (indicating) is the Washington Park area.
9 This (indicating) is the zoo. Of course, this
10 (indicating) is the beach. This (indicating) is
11 the marina. This (indicating) is the harbor
12 coming out. This (indicating) is a breakwater.
13 I want you to keep that in your mind because
14 this (indicating) area in here (indicating) we
15 believe under certain circumstances, weather
16 conditions and whatnot, that working with the
17 Coast Guard that we ought to be able to get
18 permission to take our boat out and cruise
19 literally on Lake Michigan without having to
20 play any word games about what constitutes Lake
21 Michigan.

22 After that you will see later our plans to
23 basically cruise in the harbor out of the
24 channel and away from pleasure craft. It's an
25 exciting concept because in that red area is

1 over 50 acres that we intend to integrate into
2 one integrated development in partnership
3 with -- I will show you the details of that in a
4 moment but I wanted to cover the essence with
5 you.

6 Now, yesterday I think it was the mayor who
7 said, well, the public has been opposed to any
8 development on the shore, and there was an
9 incident a couple of years that was -- there was
10 an attempt to development on the shore -- that
11 the public would have an outcry. Well, what she
12 was referring to, I believe, is this marina.
13 They tried to expand going this (indicating) way
14 and was going to take like 1400 feet of beach
15 out, which was truly on the shore, and the
16 public did do an uproar about that. We are
17 talking about developing now what's already a
18 bulkhead area in the harbor and we simple don't
19 agree -- and, of course, we presented to you
20 that survey that suggests that the people of
21 Michigan City, at least 48 percent of them,
22 prefer the harbor as a location.

23 The concept is an integration of existing
24 tourist attractions, and I wanted to just kind
25 of diagrammatically summarize it for you. With

1 the riverboat as an anchor, this city can take
2 advantage of an already existing hook and tie it
3 altogether in one big destination entertainment
4 complex, the harbor and marina we talked about,
5 the beaches, Washington Park and zoo, the civic
6 center, downtown area, Lighthouse Place, which
7 we'll come back to, the Dunes to the west. And
8 Amtrak has a railroad station right on the front
9 edge of our property that we would intend to
10 integrate for our development so that literally
11 we would have a shot at maybe marketing some
12 package deals out of Chicago, particularly in
13 concert with Lighthouse Place, and let that
14 train stop right there, right there where the
15 casino pavilion will be and tie it into the
16 Lighthouse Place so Amtrak is an important part
17 of our thinking too.

18 The point is this hooks it altogether so
19 that it gets critical mass and it will function
20 as an integrated entertainment complex, all of
21 it walkable. You cannot walk from Lighthouse
22 Place to Trail Creek, you just can't. I don't
23 know if you are familiar enough with the area
24 but that's unrealistic. This, of course, is
25 right next to each other, all these points, and

1 so the thing works together so we are excited
2 about the idea.

3 We're not just going to build a casino and
4 a parking lot, but we'll serve as a catalyst for
5 a large integrated development that just might
6 bring people off the highway to Michigan City.
7 Our project will consist of in total 230,000,
8 square feet of retail, 200,000 built by Horizon,
9 30,000 built by us. To give you a feel, the
10 current light Lighthouse Place has 433,000
11 square feet in it, so we are talking about a 50
12 percent addition to that complex integrating the
13 casino, the pavilion and our hotel as part of
14 it.

15 Our casino boat will have 1350 positions,
16 it's a big boat currently rated for 2,000
17 passengers, it depends on what we do with the
18 Coast Guard about going into Lake Michigan, we
19 hope we can keep it around 2,000 passengers plus
20 a crew of 250. We will have a hotel of 100 to
21 120 rooms, lots and lots of parking and the
22 important part is it's integrated with
23 Lighthouse Place. Schematically that same
24 photograph that I showed you that was the real
25 world is now replaced by the diagram. Here's

1 (indicating) in gray the existing Lighthouse
2 Place buildings. Everything up here
3 (indicating) would be brand new. Orange
4 buildings are the retail space including two
5 down here (indicating), these Horizon would
6 build; these (indicating) we would build but all
7 of it goes into one integrated site.

8 Here's (indicating) the situation of the
9 hotel located facing the harbor up on the bluff
10 with beautiful views. It's just a great
11 location for the hotel. Amtrak comes right
12 through here (indicating). Where the railroad
13 station is we would integrate into our facility.
14 See, this plan said originally we were going to
15 put our boat here (indicating) as an affirmative
16 docking spot. It's recessed so it's out of the
17 way of the harbor, out of the way of the
18 traffic. The reason we felt comfortable
19 presenting this to the commission when we did
20 earlier and expecting to present to you today is
21 in the December 6th meeting representatives from
22 NIPSCO made representations that they would not
23 take a position on casino gaming or any
24 applicant until after you have finished your
25 process issuing a certificate of suitability,

1 yesterday that changed. In effect, they did
2 take a position because on the surface they
3 excluded this applicant by simply saying we'll
4 give you a year at our site but you can't have
5 it any longer, that's a change of rules.

6 I don't know what that means about amending
7 or clarify submissions to you but it requires a
8 plan as to how we are going to intend to deal
9 with this. We have had our set of problems over
10 the past 24 hours, too, so I want to talk a bit
11 about that. I think I have talked enough about
12 this.

13 Let me move on to where we were going to
14 move our boat and what we were going to do with
15 it. What we were going to do is have that boat
16 located in a recess. The current shore line is
17 right here (indicating), dig into it, simple
18 slip. And this boat would cruise up and down
19 here (indicating) similar to what we do at the
20 plaza in Evansville staying this side of the
21 Kentucky line staying out of the channels where
22 the barges are running, the masters and captains
23 having full discretion over that vessel to do
24 what they do so well. And that boat works just
25 fine in a much more difficult situation than

1 this placid harbor presents to us.

2 This (indicating) is the main channel for
3 pleasure boating. In other words, this boat can
4 stay out of the channel, it does not have to
5 interfere with pleasure boating. Under certain
6 circumstance, as I said earlier, we would like
7 to work with the Coast Guard to see if we can't
8 get approval to take that boat out actually
9 under the main body of the lake staying this
10 side of the breakwater. I can't tell you we'll
11 get approval, I don't know if we'll get
12 approval. I suspect the Coast Guard themselves
13 couldn't answer that today because they all want
14 to look at the vessels, our plan, they want to
15 look at our emergency response plans. They want
16 to understand how we intend to run the vessel,
17 what its capabilities are, whether we believe
18 there is reason to believe that we can get
19 ourselves approved to do that.

20 We have accomplished far more on the Ohio
21 River in terms of what we needed to get approved
22 and we think this thing can be done too.
23 Emergency response plans -- I heard Chairman
24 Klineman ask the question yesterday -- we are
25 real good at that and we are very proud of it.

1 I don't know if you know this or not but the
2 drill that was held in the city of Evansville
3 before it opened was unique in the riverboat
4 casino business. In the Midwest no other
5 operator, no other state required, frankly, that
6 an operator conduct the kinds of emergency
7 response, not only planning but actual drilling,
8 that has gone on in Evansville. And we will do
9 the same thing here in Michigan City, that's the
10 cruising plan we had, and we are going to get
11 back to it if we can still do it.

12 And this (indicating) is the boat that we
13 are going to use. This (indicating) is the boat
14 that Kehl Riverboats already has built, it
15 already exists, it's waiting to be delivered up
16 here, it's theirs to contribute to the
17 partnership. This (indicating) is site we are
18 going to use because there were three sites
19 available on that harbor, one was NIPSCO, the
20 second was DNR and third was a place called
21 George Marina.

22 Last fall we really liked this DNR site and
23 that's, frankly, where we would rather put the
24 both. And things came up and DNR took a
25 position and we really, frankly, understand the

1 position they took and that site appears to be
2 nonviable. Well, let me leave it at that. This
3 (indicating) site here, NIPSCO, was going to be
4 the temporary site for all the applicants which
5 was going to be our permanent site. NIPSCO
6 changed the rules for whatever reason and so
7 this can still be a temporary site. And by the
8 way, we will intend to use this as our temporary
9 site.

10 This (indicating) is George Marina and we
11 have that property under option with a signed
12 agreement so it's ours to control. Our
13 engineers, working yesterday and last night,
14 have a plan that shows the slip going here
15 (indicating) that now is pulling the boat out of
16 the channel in which instance we are not
17 blocking the harbor and we're not blocking Trail
18 Creek, this boat could work. It does have to
19 come in and out. Let me put it this way, if we
20 deal with barge traffic on the Ohio River, we
21 can deal with some crafts coming under the
22 bridge off of Trail Creek. This boat can work
23 in the harbor.

24 Then we would continue to cruise, as we
25 showed you previously, and you can get out on

1 Lake Michigan and we're back on track again. We
2 almost had to withdraw this application last
3 night if we couldn't resolve this problem. So
4 we are on the harbor we have a site and we think
5 the site works and we control the site more
6 importantly. It's going to require some
7 shifting of our design on the buildings but
8 that's no problem, what we'll do is we'll bring
9 the terminal over here (indicating) and flip it
10 on the other side of the hotel. We'll put the
11 terminal here (indicating) and we'll go across
12 to the George Marine site. So we're just going
13 to move some of these dots.

14 The point I'm making is I would rather
15 focus again on the master development of 50
16 acres and say the boat can go here, it can go on
17 DNR, it can go on George Marina, whatever works
18 out the best. When this process is finished and
19 the politics gets removed, we will work out the
20 best solution and we will have that boat either
21 way operating continuous to our property. This
22 (indicating) is the remaining development that
23 we are so excited about. The orange buildings
24 again are the new buildings going in. The white
25 buildings are the existing Lighthouse Place. We

1 have a traffic plan that comes in with the red
2 line coming in on Michigan Boulevard from Route
3 35 to a new main entrance and exiting going down
4 the blue straight out and off to I-94 much
5 paralleling some of the traffic flow out of
6 Lighthouse Place but providing a much preferred
7 entrance to the city.

8 More importantly from my point of view in
9 terms of creating fun this yellow -- we call it
10 the yellow brick road -- ties this whole complex
11 together into a very, very, very user friendly
12 mall, pedestrian mall, that for most of the
13 year, except for the bitter winter when there's
14 wind, you are going to be able to walk around
15 this place in one integrated environment. This
16 is looking to the south to the new Lighthouse
17 Place area and to their existing area in the
18 background where they are showing their
19 additional buildings. And from the same spot
20 looking to the north toward the harbor where
21 that building with the Lighthouse on top would
22 be our pavilion. Under the original plan the
23 white building is our hotel overlooking the
24 harbor. But the important thing to bring to
25 your attention is it's linked with this very

1 user friendly pedestrian mall, it's a fun place
2 kind of like San Antonio's Riverwalk or some of
3 the urban development areas that have been
4 successful in transforming inner cities into
5 pedestrian friendly places like Harbor Place or
6 Ghiradelli Square down there in San Francisco.
7 All of this is possible if we have the
8 application of that site, if we have a partner
9 that we have. And it's my pleasure at this
10 point to introduce to you Jeff Kerr,
11 co-chairman, president and CEO of Horizon who's
12 going to tell you some of the exciting things
13 they are planning to do as part of their
14 involvement with us.

15 MR. KERR: Thank you, Paul. And thank
16 you, commissioners, for giving us this
17 opportunity to visit with you. I was prepared
18 to say good morning, now I have to say good
19 afternoon. It feels like early evening for me.
20 Paul, as you can tell, has a passion for this
21 project as do we. And in listening to the
22 presentations earlier today and some of the
23 concerns the commission and staff have over the
24 Indians, I hope we aren't building Custer's last
25 stand in Michigan City.

1 As you know, we have been an important part
2 of that community for several years. One of the
3 things I wanted to do with you this afternoon is
4 share with you some history on Horizon Group,
5 what the company is, what we represent, share
6 with you some -- strictly some information on
7 some of the premier projects that we have
8 developed in the country because that will give
9 you a sense for the integration elements and
10 what our location based entertainment people do
11 and then more importantly echo really Paul's
12 feelings about how important the harbor location
13 is.

14 We are a permanent fixture in Michigan
15 City, we intend to be one whether the Indians
16 show up in southwestern Michigan or not. It's
17 our view that when you are faced with these
18 kinds of decisions that timing and the
19 credibility of the folks that are talking about
20 the development come into play. I think we have
21 aligned ourselves with Paul's groups and the
22 folks that are delivering the boat. And I have
23 a tremendous amount of respect for Glenn and Rod
24 Lubeznik and their commitment to Michigan City.

25 I think you will find, as we move through

1 the presentation very quickly, that all of the
2 ingredients are there for a very successful
3 execution. Horizon is a publicly traded
4 company, New York Stock Exchange listed traded
5 under the symbol HGI. We currently have 34
6 projects nationwide in 19 different states, just
7 under nine million feet of GLA. Here's a
8 portfolio map that will give you a sense for the
9 depth and brunt of our locations. You will find
10 that we have deployed as far south as Viro Beach
11 and really as far west as Honolulu, Hawaii.

12 We are involved in recreating an urban
13 landscape which is really the conversion of the
14 dull factory facilities a very exciting project
15 for us. Although the company has been
16 recognized as being a leader in the outlet
17 center business I, like Paul, think we are in
18 the delivering fun business. Retail, in our
19 view historically, has become pretty boring,
20 pretty vanilla box. And we attracted to our
21 portfolio nationwide last year more customers
22 than ever and the reason is our consumer looks
23 at the value experience as fun, as
24 entertainment.

25 Here's a photograph of a project we did in

1 Birch Run, Michigan, which we opened in 1986
2 with just 13 stores and 60,000 feet. Today we
3 have over 750,000 feet of retail mass. 15
4 phases have been completed and that really
5 becomes important in this discussion, more
6 particularly in the city of Michigan -- from
7 Michigan City's point of view because it's
8 our belief that the harbor site -- and our
9 project is the beachhead or the launching pad
10 that can stimulate a whole bunch of other
11 economic activity.

12 You can see we have aligned ourselves with
13 some of the most powerful brands in the country,
14 Polo, Ralph Lauren, Espirit, Spiegel, Lennox,
15 Anne Taylor. In Birch Run, like in Michigan
16 City, we will bring alive new recreational
17 formats that will attract families so it won't
18 be just gaming. You are going to see an
19 introduction of new recreational concepts that
20 may include ice arenas, we're working on golfing
21 concepts, so we are real excited about the
22 overall merchandising approaching that our
23 retail development group wants to execute.

24 We have talked about Indiana and our
25 contribution to the state. We have projects in

1 Edinburgh, in Fremont, Indiana, we are good
2 corporate citizens. We employ, I think Jonathan
3 was telling me, just under 2400 people in the
4 state notwithstanding our contribution to the
5 state profits relative to sales generation.
6 Again Michigan City, Indiana, we have been here,
7 it's a beachhead for us. We are prepared to
8 make substantive investment. As you can see on
9 the job creation issue alone 1850, that's a very
10 real number. Our 1995 gross sales in Michigan
11 City were just under 100 million. The center
12 represents one of the top 10 in the entire
13 country, our project and our commitment, \$20
14 million, 200,000 feet of retail space
15 integration, recreational in its format. And
16 you can see, as I have discussed before, what
17 some of the potential uses are.

18 Synergies are real and verifiable and
19 Michigan City, as Paul shared with you, at our
20 location last year we had more customers than
21 ever enjoying it, over two million, so it has
22 become a recognizable location. I was kidding
23 Jonathan this morning, obviously I have been to
24 the site several times, like most customers --
25 it is inconvenient -- I still get lost finding

1 my way from Michigan. So we are interested as a
2 developer and owner of this project in
3 increasing the mass, creating more of a
4 beachhead so it doesn't become Custer's last
5 stand.

6 We have met with Aztar marketing people.
7 We have created a terrific joint marketing plan.
8 You may already know the marketing staff in the
9 project, we are spending pretty close to
10 \$800,000 a year in Michigan City promoting not
11 just Michigan City but the project. We have
12 ample parking, shared parking. And our site
13 development people have created a plan that will
14 make it convenient for the consumer to move from
15 the retail use to the entertainment component of
16 our development.

17 Shaping the future on an investment in
18 Michigan City is real. We are prepared to
19 expand it. We think it's absolutely incumbent
20 upon the commission and the staff folks to
21 recognize that the development should start with
22 the harbor site. We are prepared, as we are
23 demonstrated in other locations, to expand the
24 scope of our other development activities well
25 beyond the harbor site but it's a necessary and

1 essential first step. Thank you very much. And
2 I would like to introduce Bob.

3 MR. HADDOCK: I'm Bob Haddock, executive
4 vice president and chief financial officer of
5 Aztar. It's nice to see some of you again. I
6 would like to come back to the three points that
7 Paul pointed out that we think are the key
8 decision points. And I would like to dwell on
9 the last one which is the ability to finance the
10 project or I would like to say more directly who
11 will it get done. Just to review briefly,
12 230,00 square feet of retail space and riverboat
13 casino. By the way, riverboat -- this
14 particular riverboat, I think, is 74 feet wide
15 and would be the same vessel used both in the
16 temporary and permanent operation.

17 The hotel, lots of parking and integration
18 with Lighthouse, place as Paul and Jeff
19 mentioned. It is true there can be no doubt
20 that what you are seeing today is enhanced from
21 the perspective of what was presented to the
22 city of Michigan City in the evaluation process,
23 I think it is probably one of the reasons that
24 MCLL did not fare so well in that evaluation.
25 But having said that nonetheless, the total

1 project budget \$81 and a half million is the
2 same although the components have shifted, and I
3 can answer how that came to pass in question and
4 answers.

5 I think the important point from our point
6 of view is the analysis that's been done by
7 Indiana University and Purdue University and
8 Indiana applies I submit in terms of economic
9 impact because, in fact, the project scope and
10 dollar amounts are the same although the
11 project, in my view at least, has been enhanced.
12 The components of the project, as you can see
13 here generally speaking, 17 million for the
14 vessel, 9 million for the gaming equipment, 24
15 million of retail including the \$20 million
16 project that Horizon will do and the 4 million
17 that MCLL will do, the hotel, \$11 million of
18 real estate and other costs including the
19 working capital, various other costs,
20 capitalized interest and a \$4 million
21 contingency adding up to \$81 and a half million.

22 The -- I think this is a realistic budget.
23 We have built a lot of projects over the years.
24 What you see here can be built for these
25 dollars. I think when you look at the pretty

1 pictures that have been shown by some of the
2 competition and to compare what we are doing in
3 Evansville, the costs, which you know in
4 Evansville, I think one needs to be concerned
5 about whether some of those projects can be
6 built, frankly, at the dollars talked about.

7 The sources of funds for this particular
8 project are as explained here. MCCL equity of
9 the \$19 million, which comes from Mr. Kehl in
10 his business as well as Aztar's contribution and
11 the contribution of Rod and Glenn Lubeznik,
12 equipment leases for the vessel and for the
13 gaming equipment and other equipment, that's
14 roughly \$21 million. We anticipate a bank
15 financing or similar financing of 15 million.
16 Horizon will commit \$20 million to the project
17 and, of course, hotel development is 6 and a
18 half million or a total of \$81 and a half
19 million. I would be happy to go into more
20 detail if you would like in questions and
21 answers. I would like to point out that the
22 equity of 19 million, which I think there's
23 actually more equity in the project than that
24 because, in fact, the Horizon piece will have
25 equity in it of a substantial amount. So the

1 equity component of this project, I think, is
2 perhaps more significant than what we might
3 think with regard to the projection.

4 With regard to the projections, Paul has
5 spent some time talking about the market and how
6 we see it in the window of opportunity that we
7 do see before competition with the Pokagons. We
8 are looking at gaming revenue in excess of \$100
9 million, and then assume to be three years of
10 operation when we see a competitive facility
11 with the Pokagons assumed here to be in the
12 Kalamazoo area, the revenues drop down to the
13 \$70 million level. And I will remind you that,
14 in fact, with a casino located in new Buffalo
15 you are probably looking at a casino revenue of
16 around \$50 million.

17 I think that just to summarize on the
18 finance side we had a highly competitive
19 situation, as a result I think it's important
20 that the project be well located and that it be
21 the right size and that it be capitalized so
22 that it can survive tough times. And I think
23 the capitalization and the scope of this
24 project, I think both will work well for us and
25 for Michigan City and the state of Indiana as

1 well, not just in the short-term but in the
2 long-term as well. With that I will turn it
3 back over to Paul.

4 MR. RUBELI: The decision factors we've
5 covered, I think in terms of operators and
6 experience, we are in a unique position because
7 we are an operator in Indiana and we have stood
8 before you. Our operations are there everyday
9 for you to evaluate and we'll simply stand
10 behind our record that we have been a good
11 operator. We have done a good job for Indiana
12 We have done a good job for Evansville and we
13 have lots and lots of experience elsewhere in
14 the country.

15 We have been through hard times and we have
16 been through some good times I think that a
17 company that's here 16 years later -- what you
18 see is what you get. We say what we mean and we
19 mean what we say. We may not always be right
20 but we do always say what we mean and we mean
21 what we say. You have an operator before you on
22 the casino side that has a wealth of experience
23 that was brought to solve the problems we
24 outlined in the earlier part of our
25 presentation.

1 We also have Horizon, an operator that's
2 experienced and its record submission speaks for
3 itself. And you can see everyday, Lighthouse
4 Place is surviving in, frankly, an area that
5 does great in the summertime and spring but this
6 is a tough area in the winter. Michigan City is
7 a beautiful city when the sun is shining, this
8 is a tough area to run a business when it's not.
9 You have to take your hats off to the Lighthouse
10 Place people because somehow they get those
11 Chicagoans to drive an hour and a half to get
12 over here so that's an impressive operator
13 experience.

14 You've got the Kehl organization that have
15 built 10 riverboats, sold most them to others,
16 been contracted by others to have those boats
17 built. Their boats are operating right now in
18 Iowa, in Lake Charles, Louisiana; St. Charles,
19 Missouri. These are people are who understand
20 the boat business. They have a vessel that was
21 built on spec that now has a home, this
22 partnership.

23 You have local businessmen, Rod and Glenn
24 Lubeznik, that already employ hundreds of people
25 in this area that understand what northern

1 Indiana is looking for in terms of business
2 presence in a business community. So I would
3 submit so to you that insofar as operator's
4 experience is concerned, I just simply don't
5 believe you have a better applicant before you
6 than this group.

7 Project location and scope we, spent a lot
8 of time on that because it's been an essential
9 dilemma that separates the applicants before
10 you. They are willing to go to Trail Creek, we
11 are not; we have given you the reasons why,
12 we'll let those stand before you, you make
13 judgment as to whose right. Lastly, the ability
14 to fund the project, frankly, we think that has
15 a lot to do with what's presented in 1 and 2.
16 We simply think we have the best opportunity to
17 get this project financed.

18 As Bob said, the ultimate issue is will it
19 happen. We said it would happen in Evansville,
20 it did happen in, frankly, basically the time
21 lines we said it would happen. Insofar as key
22 decision factors are concerned, we present these
23 before you. I think that in summing it all up
24 the thoughts that had come to my mind and
25 saying, why us instead of them and what's this

1 all about, first point -- I want to go all the
2 way back to the beginning of my presentation.
3 Do not underestimate the Michigan City market.
4 And I think you have to look at the data and
5 stuff we showed that says the market is here.
6 It's a bigger market in terms of primary
7 customer base than Evansville, Indiana, which
8 you already know is a successful market. And
9 for some reason Michigan City got downgraded in
10 the perception of the industry followers, the
11 movers and shapers. Maybe there was more fun
12 things to follow but maybe there was a lot of
13 misunderstanding about this market. You are
14 talking about 12 million people, and Jack is
15 right and we are not going to get them out of
16 Chicago unless Lighthouse Place gets them over
17 here, and that's why Michigan City will never
18 get them because you have got four casinos over
19 there in Lake County. You put the Indian casino
20 on the other side of them they are really dead,
21 they are dead twice now. We showed you
22 carefully and painstakingly the counties, they
23 are there.

24 The bottom line is you have a team that
25 has two billion dollar public companies involved

1 in it, the largest riverboat developer part of
2 it and the two largest you McDonald's
3 franchisees in northern Indiana. We also
4 understand the city's need for urban
5 redevelopment in Trail Creek just as we worked
6 with city of Evansville to accomplish what they
7 wanted to accomplish. We made a commitment to
8 the mayor of the city of Michigan City, we will
9 work with her and her administration, too, but
10 please let the casino survive as an economic
11 engine to fuel that growth and don't try to use
12 it in a place that it doesn't belong. Thank you
13 for your patience with us.

14 MS. BOCHNOWSKI: Thank you very much.
15 Okay. We have an hour and 15 minutes scheduled
16 for lunch.

17 (A lunch recess was taken.)

18 MS. BOCHNOWSKI: Jack had to -- he will be
19 with us in just a little bit so we can go ahead
20 and move on without him. All right. We'll go
21 ahead and get started so we are not here all
22 night. Would somebody like to start the
23 questioning.

24 MR. VOWELS: I have got one to start off
25 with here, I guess. Mr. Rubeli, you are there

1 at the podium. The basic question that I would
2 have and, whoever can address it or however you
3 want to address it, the way I look at this, I
4 need to know whether you understand that I don't
5 know that we can license an application as
6 proposed today because neither Horizon nor Kehl
7 has been investigated. Do you have anything you
8 would like to respond in that regard?

9 MR. RUBELI: Well --

10 MR. VOWELS: You've been through this
11 process before.

12 MR. RUBELI: Right. My view on Horizon is
13 they are not an owner in this property, they are
14 not an equity holder. And I don't think that
15 they are required to be licensed. We simply
16 have a proposal for a joint development, they
17 are going to do their thing, we are going to do
18 ours, they happen to be next to each other. So
19 in view on Horizon, I don't think they are an
20 entity that we can -- I don't think -- I'm not
21 the lawyer but I'm giving the answer with
22 respect to --

23 MR. VOWELS: We got this letter from, I
24 believe, from Mr. Maddox on January 31st --

25 MR. RUBELI: Right.

1 MR. VOWELS: -- which refers that --
2 advised us of the Kehl ownership interest and in
3 here is referenced Horizon.

4 MR. RUBELI: Well, let me say this, in the
5 very original application we spoke about the
6 proximity to Lighthouse Place, the intent to do
7 joint marketing, the synergy, the destination
8 entertainment complex concept, we had all that.
9 We are simply presenting to you -- and it's
10 been -- is that they are willing to actually
11 step forward, stand at the same podium, and say
12 if we do this, they are going to do that.

13 MR. VOWELS: They being Horizon you are
14 talking about?

15 MR. RUBELI: Right, Horizon. In other
16 words, that \$20 million is their \$20 million
17 project, it's theirs to finance, theirs to
18 build, theirs to operate. What I think you need
19 to address is not their licensability but rather
20 how do you obligate this team such that if you
21 approve us, that you get \$81 million dollars
22 worth of development which means Horizon has to
23 agree to be obligated to sign a development
24 agreement. For example, we at some point would
25 sign a development agreement with the city of

1 Michigan City and they are prepared to do that.

2 I simply am saying, Mr. Vowels, that I
3 don't think they are required and licensed. I
4 don't think their stepping forward today is a
5 change in the sense of what our proposal was
6 which was to cooperate with Lighthouse Place and
7 make it happen. We are now saying to you that
8 -- and I'll tell you what they're going to do --

9 MR. VOWELS; They are not going to have an
10 ownership interest so --

11 MR. RUBELI: Right. Now, the Kehl
12 ownership interest --

13 MR. VOWELS -- it's a whole different
14 ballgame.

15 MR. RUBELI: You're absolutely right. And
16 the only thing we can give you comfort on is
17 that they have, in fact, been licensed by three
18 other states. But as of today, this afternoon,
19 I would presume you are in no position to
20 license us or license them, however, that's not
21 the decision you need to make today.

22 MR. VOWELS: In Mr. Maddox' letter of
23 January 31st, it makes mention of reciprocity,
24 exchange of background and suitability
25 information. My understanding in talking with

1 the staff is that's not true. There is no such
2 thing as reciprocity, they do give us
3 information. I guess in my mind it needs to be
4 understood at least from where I'm coming from
5 that I don't see how a license for this
6 application is as it's proposed can be
7 considered until Kehl is adequately investigated
8 and --

9 MR. RUBELI: We have a procedure in other
10 jurisdictions, I don't know if it's permitted
11 under the regulations in this jurisdiction,
12 either an applicant identified otherwise files
13 the application, gets the paperwork in and then
14 stands aside pending completion, meanwhile the
15 rest is approved and licensed.

16 There is provisions in -- well,
17 particularly jurisdictions of New Jersey where
18 we have encountered this and dealt with it in
19 that regard. People who join an operation, a
20 development, a project, that are subject to
21 licensing requirements in the state of new
22 Jersey that they will waive it. They don't
23 ignore it, they simply stand aside, force them
24 to stand aside.

25 Under the assumption that the state

1 themselves have perfected the means and ways to
2 say that they will conduct that licensing
3 process in whatever, the 60 or 90 or 120 days
4 appropriated to the individual that's being
5 looked at. My hope in this instance is we are
6 dealing with a gentleman that -- it's a family
7 business, it's not a complicated partnership.

8 MR. VOWELS: You know, I have read through
9 this and on its face it looks all right. In the
10 applications that we have had in the past in
11 other jurisdictions where we brought the
12 information to the attention of co-investors,
13 that has opened a lot of eyes, and a lot of
14 heads were spinning.

15 I remember in Evansville, if you recall,
16 when it came out that Elvis Park had an
17 agreement to pursue gambling casinos in state of
18 Kentucky, Commonwealth of Kentucky, and the
19 other reinvestors were craning their necks at
20 that information.

21 MR. RUBELI: I think what you are saying is
22 one of the benefits of having a highly regulated
23 industry, sometimes some of us can sleep better
24 at night, too, but you are right, it's an issue.
25 It goes to the start of what I started my

1 comments about, we are dealing with some very
2 unique circumstances here in Michigan City.

3 Again I will submit, I do believe it's all
4 traceable in the Pokagen Indians, the
5 announcements, the repercussions it indicated,
6 the changing events, companies leaving the area,
7 others coming in, scrambling to get projects
8 downsized, scrambling to find participants and
9 investors, all with where there's a will,
10 there's a way, let's get Michigan City done. At
11 this juncture we have this issue but before you
12 is the proposal. Now, the answer is how to do
13 we figure out how to make it work that would be,
14 of course, my desire.

15 MR. VOWELS: Now that we have figured that
16 Horizon is not an owner or is not going to have
17 an ownership interest, can you explain to me or
18 lay out just exactly what the cooperate
19 structure will be as to what you proposed today.

20 MR. RUBELI: Yeah. I'm going to ask Bob.
21 The reason I hesitated is unless you want to
22 call upon Bob.

23 MS. BOCHNOWSKI: Please state your name.

24 MR. HADDOCK: Robert Haddock.

25 MR. VOWELS: Mr. Haddock, I'm going to be

1 taking notes so if you can do it at a deliberate
2 pace, please.

3 MR. HADDOCK: The ownership structure
4 actually will be, at least from a practical
5 point of view, the legal entities, the limited
6 partnerships and so forth. I guess I would ask
7 Mark Maddox to talk about that if we need to
8 have that described.

9 As the entities are now constituted, as a
10 practical matter, Aztar will have an 8.68
11 percent ownership interest. In equal shares Rod
12 and Glenn Lubeznik will each have half of 16.18
13 or I guess it's better to say each of them will
14 have 8.09 percent. Mr. Kehl or whatever
15 entities he chooses to have involved will have
16 65.14 percent.

17 MS. BOCHNOWSKI: So there may be other
18 entities besides Mr. Kehl in that 65 percent?

19 MR. HADDOCK: No. I'm not implying that,
20 but I mean whether it's a trust -- or the Kehl
21 family I would describe it as. And then the
22 local group, being the group of individual
23 investors who first had the obligation, would
24 have a 10 percent interest. Having said that,
25 let me also say that in the local groups hard

1 equity contributions today have been limited,
2 and so the bulk of the funds that they might
3 ultimately receive from this project will be
4 received back into the project after the hard
5 equity dollar contributions by the investors
6 that I just described recently have received a
7 return and our return -- and the local investors
8 will help them to receive a piece of the cash
9 flow. But in terms of the then ownership
10 interest there will be, as I said, 10 percent to
11 the local investors and the others and in the
12 percentages I described.

13 MS. BOCHNOWSKI: The other problem we have,
14 though, even if the Kehls were found suitable
15 for licensure, we don't know what their
16 financing plan would be for this. Are they
17 going to come up -- do they have that much cash?

18 MR. HADDOCK: Well, the situation
19 specifically is that they own a vessel --

20 MS. BOCHNOWSKI: Right.

21 MR. HADDOCK: -- which is the vessel that
22 you saw. And they will be contributing that
23 vessel to this partnership, which is a \$17
24 million vessel, valued at \$17 million to the
25 partnership and it will be -- \$15 million of

1 that \$17 million will be contributed by Mr. Kehl
2 and family as equity on the project. So if
3 there is financing that needs to be raised for
4 that purpose, the equity will come with the
5 vessel.

6 MS. BOCHNOWSKI: So the boat constitutes
7 the 65 percent?

8 MR. HADDOCK: That's correct.

9 MS. BOCHNOWSKI: How are you going to build
10 the hotel, where is that money coming from?

11 MR. HADDOCK: The vessel will, in turn, be
12 used -- will be involved in a sale lease back
13 situation, it will become the collateral in an
14 equipment lease. So we estimate that at \$10
15 million, possibly more of the value of that
16 vessel, will be provided to the partnership, it
17 will then lease it. It was part of the
18 equipment lease I described as part of my
19 presentation.

20 The gambling equipment, the electronic
21 gaming devices and other equipment, computers
22 and certain pieces of furniture, fixtures,
23 equipment as well would be leased. But the
24 vessel itself would constitute a source of funds
25 as what I described. The bank financing would

1 be a source of funds to build the rest of the
2 project.

3 The hotel will be financed separate and
4 apart from that. We continue to be very eager
5 to try to find a hotel developer who has a
6 network of hotels in the Indiana Community. We
7 think there will be too much synergy if we can
8 find the right project, so our hope continues to
9 be that that project will come in and be
10 financed by a third party developer or perhaps a
11 third party developer in conjunction with us.
12 If that's not the case, the partnership will do
13 the hotel.

14 The hotel financing is thought of by us as
15 being separate. Horizon financing is thought of
16 by us to be separate. And the rest of the MCCL
17 financing would be provided by, as I said, the
18 bank facility, the equity and the other
19 financing.

20 DR. ROSS: Is that boat -- that boat looks
21 like a riverboat -- is that boat going to be
22 okay for the Coast Guard?

23 MR. HADDOCK: Yes, it is.

24 DR. ROSS: They have looked at it?

25 MR. HADDOCK: Yes. And I would like to ask

1 John Wagner (phonetic), who you may recognize as
2 the fellow who runs Aztar's riverboat
3 operations, who is responsible for our
4 Evansville operation, to address that.

5 MR. WAGNER: Yes, sir. It is designed as a
6 riverboat. We have had several discussions with
7 the Coast Guard, with also the design
8 engineering firm. It will meet the criteria for
9 partially protected waters to cruise on Lake
10 Michigan. We also have a document stating so
11 from the designer which we would be glad to
12 submit to the staff if you so desire that.

13 MR. THAR: The present -- the present
14 proposed rule requires the boat to be able to
15 sail partially protected Lake Michigan waters 12
16 months a year, does that boat meet that
17 certification today?

18 MR. WAGNER: You would have to define that
19 just a little bit. If you sail on Lake Michigan
20 12 months out of the year and it's required to
21 go through ice and have double a bottom and
22 everything else, no, it would not. It does not
23 have a Great Lakes load line. Our discussion
24 with the Coast Guard is if you stay one mile
25 from shore, the Coast Guard does grant you that

1 exemption or given weather conditions or
2 anything else.

3 MR. THAR: Is that boat today capable of
4 sailing in open waters -- certifiable for
5 sailing in open waters in Lake Michigan?

6 MR. WAGNER: Today it's not capable only
7 because it does not have a COI.

8 MR. THAR: If today was July 12.

9 MR. WAGNER: If today was July 12, giving
10 all the parameters of whatever we discussed in
11 our safety plan and everything else, to set the
12 guidelines, could it cruise on Lake Michigan
13 under certain circumstances, yes, it could.

14 MS. BOCHNOWSKI: What kind of circumstances
15 would those be?

16 MR. WAGNER: The circumstances that I mean,
17 Commissioner, is basically that the state of
18 Indiana requires that we develop a very
19 comprehensive risk analysis where you look at
20 the weather conditions and everything else.
21 Then in our cruise route we have to define given
22 operating criteria, those criteria would be,
23 wind speed, wave height, restricted visibility.
24 Whatever we decided and proposed to the Gaming
25 Commission, you would have to say, yes, that

1 meets them. But the conditions we're talking
2 about is wave height and wind speed.

3 MR. THAR: John, I take it you are familiar
4 with our proposed rule.

5 MR. WAGNER: Yes, sir.

6 MR. THAR: It sets for the Coast Guard
7 standards and our standards, does that boat meet
8 our standards or does it need to have work done
9 on it?

10 MR. WAGNER: Good question. It looks
11 like -- I can't definitively answer that only
12 because the engineers haven't looked at
13 everything. There might be some slight
14 modifications for partially protected waters
15 versus protected waters, it all has to do with
16 damaged stability which is how much roll it will
17 take before it will take on water, et cetera,
18 how many passengers you can put on each of the
19 three decks. You might have to raise some tank
20 vents a little bit. We believe that the
21 modifications it would have to undergo would be
22 minor.

23 MR. HADDOCK: Could I just follow up on
24 that. Bob Haddock from Aztar. We believe the
25 boat is certifiable with modest modification,

1 that it can cruise on the lake within the
2 definitions within the proposed regulations as
3 well as Coast Guard regulations with minor
4 modifications.

5 MR. THAR: Bob, before you sit down, can I
6 ask a follow-up since you cover the financing.

7 MS. BOCHNOWSKI: No, please.

8 MR. THAR: During the course of your
9 portion of the presentation I believe that you
10 thought the financing would be Michigan City
11 Casino and Lodge equity, 19 million?

12 MR. HADDOCK: Right.

13 MR. THAR: Equipment lease, 21 million?

14 MR. HADDOCK: Right.

15 MR. THAR: Bank, 15 million; Horizon, 20
16 million; hotel, 6.5 million. We now know that
17 Horizon is not MCCL, is it?

18 MR. HADDOCK: Horizon is not MCCL, that's
19 correct.

20 MR. THAR: So we can take that 20 million
21 out of your project?

22 MR. HADDOCK: It's not an MCCL component,
23 that's correct.

24 MR. THAR: Are you representing now that it
25 is questionable whether or not the hotel will be

1 an MCCL component, it could be a third party
2 component or later on down the road it can be an
3 MCCL component?

4 MR. HADDOCK: It could be a third party
5 component but MCCL is prepared to commit to
6 build the hotel, so it will be either a third
7 party component or joint venture with MCCL or it
8 could conceivably be an MCCL project.

9 MR. THAR: I have a very difficult time
10 evaluating the project at 81.5 million when
11 Horizon is going to do an expansion with \$20
12 million which has no nothing to do with MCCL?

13 MR. HADDOCK: Our view of this, Mr. Thar,
14 was that the economic impact of this project by
15 virtue, especially in its integration, is an \$81
16 and a half million project, \$21 and a half
17 million of which is being provided -- \$20
18 million which is being provided by Horizon.
19 There will be co-management agreements as
20 between Horizon and MCCL. Horizon will be
21 managing our retail space and so forth so we
22 really view it as a --

23 (Discussion held between Mr. Rubeli and
24 Mr. Haddock off the record.)

25 MR. HADDOCK: That's right. I mean as a

1 second point, Paul says to me that if you are
2 asking, will Horizon do the \$20 million project
3 without us -- I can let Jeff Kerr speak for
4 himself but I think the answer to that is no.

5 MR. THAR: That's true. I might not put a
6 gas station in either if they're not going to --
7 and I might not put McDonalds in there.

8 MR. HADDOCK: That's -- what you are saying
9 is not disputable.

10 MR. THAR: That \$20 million is not coming
11 from MCCL?

12 MR. HADDOCK: That's correct.

13 MR. SUNDWICK: Who wants to answer the part
14 about the management fee?

15 MR. RUBELI: I will. What's your question?

16 MR. SUNDWICK: You say alluded to -- that
17 you would be participating as the -- as the, I
18 guess, manager, and you have a fee. What
19 particular fee would be charging the
20 organization, what percentage?

21 MR. RUBELI: The fee is very straight
22 forward, it's 4 percent of AGR plus an
23 additional 1 percent subordinated to the cash
24 flow returns to the equity holders. So I view
25 it as a 4 percent fee with a 1 percent

1 incentive.

2 MR. SUNDWICK: In the business would that
3 be high, low, medium?

4 MR. RUBELI: Well, there really isn't a lot
5 of record in the business, Bob, to answer that.
6 The fact is there are deals, a very limited
7 number of which exists in the casino business.
8 In the hotel business more typically you might
9 see 5 percent of revenues and 10 percent of cash
10 flows as an incentive. Sometimes 4 percent are
11 revenues, 5 percent are cash flows, that's kind
12 of in the range. If you got in the city of
13 Windsor and you had any idea of the Ontario
14 government, you start at 4 percent and they beat
15 you down at 2.75 percent which is what Hilton,
16 Caesar and Circus Circus negotiated. But they
17 have got a \$350 million monopoly there for 2.75
18 percent, that's their fee. And then they have
19 an incentive portion that's quite complicated
20 tied to cash flow.

21 I don't know of any other example that
22 exists in the riverboat business that I can
23 indicate to you is a clear example. So, in
24 other words, what I'm saying in our industry
25 normally, management fees, management contracts,

1 are not typical. We are in business where there
2 is a lot of egos involved and the owner wants to
3 operate it and they don't want a manager and you
4 don't have lots of partnerships around or if the
5 partnerships exist, the fee structure might be a
6 much more complicated one.

7 My bottom line is I think the best example
8 within our hotel industry where you have
9 thousand of rooms under financial contracts
10 require a lot of similar things and it's a
11 reasonable bargain. Put it into money terms, if
12 this thing does 100 million in the first year,
13 we'll get 4 million. We're looking at the third
14 year dropping to a \$70 million revenue times 4
15 percent, that is 2.8 million.

16 When all is said and done, out of a \$600
17 million company for it to be worth while for us
18 to do something, 2.8 million is not a lot of
19 money, and there is other reasons that create
20 incentives for us to want to do this project,
21 it's not the fee. So I think it's a very
22 reasonable fee considering what Aztar is
23 bringing to the table, frankly what we have done
24 already in Michigan City. And it will be a very
25 reasonable fee going forward to what we think we

1 can do in help building the Indiana casino
2 industry.

3 MR. SUNDWICK: If, in fact, it was legal
4 under Indiana law that you could own this casino
5 on your own, would you?

6 MR. RUBELI: There is no question we would
7 prefer to own 100 percent and operate our own
8 assets, we do in every other jurisdiction. We
9 are 100 percent owners, we have no exceptions.
10 We are 100 percent owners of any operated
11 company we are in for obviously reasons, we like
12 the business, we would like to be in the
13 business, but we can't do that under Indiana
14 law. Let me give you the clue to that, I'd also
15 hate to give up all of the hard effort that we
16 have placed into building the Indiana market and
17 not try to capitalize on it. So if you only
18 give us 10 percent, well take it, we wish we
19 could have more.

20 MS. BOCHNOWSKI: How will operating this
21 boat impact on your operations in Evansville?

22 MR. RUBELI: Well, you know that's the
23 beauty of this commission, Ms. Bochnowski,
24 because we see it all positive. There is
25 absolutely no direct competition in any

1 overlapping market that we can think of. I mean
2 we are Casino Aztar in southern Indiana, and we
3 are going to be Casino Aztar in northern
4 Indiana, and the two don't meet in terms of
5 specific bodies that we are completing for
6 everyday.

7 However, in terms of the more broad based
8 and very important consumer franchizing,
9 consumer awareness building, word of mouth,
10 whatnot, to be able to advertise heavily in the
11 northern markets and advertise heavily in the
12 southern markets under the umbrella Casino
13 Aztar, we believe it to be powerful and positive
14 for both casinos. No financial analyst can put
15 that on a piece of paper and put a number to it
16 but it's there and I believe it and that's one
17 of the reasons -- I said there is several
18 reasons to Commissioner Sundwick's question, do
19 we want to do this, that's one.

20 The other reason, frankly -- I'll say it
21 publicly, I don't mind it -- we would like to
22 shape this industry going forward. It's in our
23 interest protect that \$110 million investment we
24 are making in southern Indiana, to be able to
25 also be a voice that counts in Indiana beyond

1 just one location to make sure we're all still
2 around 10 years from now, not just as -- but
3 that the rules don't change in Indianapolis
4 either. So there is a reason for us to enhance
5 our position by simply being able to participate
6 in a more full way in both markets. I feel very
7 positive with very few negatives that there all
8 kinds of employee synergies that make sense and
9 whatnot.

10 MS. BOCHNOWSKI: That was my next question
11 on the employees, do you have employees
12 currently who would manage this operation or do
13 you have to --

14 MR. RUBELI: Chomping at the bit, you bet
15 we do. We employ 9,500 people and they all want
16 to be general managers some day. I don't mean
17 that shrewdly at all, I mean that's the beauty
18 of it. In Evansville we have --

19 MS. BOCHNOWSKI: Do you have some --

20 MR. RUBELI: -- a thousand people on board,
21 today we'll have 1800 by December, and we have
22 people who want to move up in the ranks. And
23 this is a great opportunity to take the skills
24 they have learned and the mistakes we have made,
25 we have a couple. You never asked us to talk

1 about those but someday we will. You learn from
2 those and you hope you don't make them in the
3 next jurisdiction, in this case the market.

4 But we do have employees who have people
5 ready to go. This is not a huge operation, you
6 have to keep the context here, but it's a big
7 operation. I mean I'm not trying to -- it's not
8 a huge one but it's a big one. This is not a
9 small boat and a parking lot, and this is not a
10 small market. Any \$100 million target
11 opportunity is not small.

12 We believe we've grated away and are
13 exposing \$55 million of our investments as MCCL,
14 to go to Mr. Thar's point, to create a joint
15 development -- let's use that term -- a joint
16 development that creates \$81 million of economic
17 development, spread the risk to enhance the
18 opportunity to go take a shot at the reward.

19 And what if the Indians never happen and
20 then we will have been right. And if they do
21 happen, we'll still have a success. We won't
22 make a lot of money at 4 percent but we'll have
23 other benefits as well. So the employees are
24 one of the considerations and we do have people
25 who we would love to move up into the

1 opportunities to serve up here as well.

2 MR. SUNDWICK: You weren't the selected
3 candidate by the city for probably a number of
4 reasons that I think you expounded on, but yet
5 you have to make a commitment to the city equal
6 to the one that the -- I guess you could say the
7 selected or preferred organization or equal to
8 what your company would make to the city of
9 Evansville, you are prepared to do that?

10 MR. RUBELI: While I want to make sure I
11 understand the question, you say are we prepared
12 to make the commitments here financially and
13 contract-wise in the terms and conditions in
14 Michigan City, Indiana, the answer would be no
15 in that the financial requirements placed upon
16 all of the applicants in the city of Evansville,
17 I think, recognized that from their point of
18 view there was less long-term than we clearly
19 see here in Michigan City, so we were willing to
20 spread those public sector incentives over the
21 20 year or 15 year life of the contract
22 believing, and still believing, that market will
23 even after Crawford or -- I have to be careful
24 here -- Lawrenceburg or Rising Sun or whatever
25 other licenses are given there, michigan City,

1 because of economic realities and the risks
2 associated, we may only be looking at 50
3 million, that is not a lot to pass on to the
4 city.

5 MR. SUNDWICK: Let's talk proportionately,
6 you are prepared to do the same types of things
7 proportionately that you would do in Evansville?

8 MR. RUBELI: I want to show you an answer
9 to that, if I may. That's what we -- excuse
10 me -- that's what we had proposed as community
11 incentives in October when we were asked by the
12 city to present to them what it was that we
13 would contribute.

14 At the 11th hour, after each applicant kind
15 of enumerated for lots of good reasons, these
16 programs made sense to us to kind of forget all
17 those, you get 4 percent of revenue, and we need
18 a contract negotiated within 24 hours and we say
19 we are just not going to do that. So we entered
20 into an agreement with them that basically
21 codified and crystalized, we agreed to agree on
22 that, which we said we would do.

23 Beyond that, if we're the selected
24 operator, we'll sit down and negotiate with you,
25 the city, but if not, all obligations are off.

1 In other words, we couldn't deal with the
2 changing requirements. The top item, for
3 example, is one half of 1 percent is the amount
4 of AGR we were going to pledge to help redevelop
5 Trail Creek even if we wound up on the harbor.

6 There is various numbers associated with
7 the rest, you add it all up, that's about 1
8 percent of revenue, rough numbers. That's
9 reasonable for this market because we are all
10 going to get a share of the admissions tax, we
11 are all going to get a share of the Indiana
12 gaming tax and to go much beyond that, that
13 doesn't fit the Michigan City market.

14 MR. RUBELI: I would just like to add one
15 comment to that. Mr. Sundwick, you may remember
16 that in Evansville the city owned the site and
17 that a large part of the new revenue you may be
18 thinking constitutes at least paying the city
19 for control of the site, whereas here the site
20 that we are looking at is being proposed is
21 completely a private site, in fact, the cost of
22 it is \$11 million and you need to consider those
23 tradeoffs as well.

24 MS. BOCHNOWSKI: I want point out that
25 those sites are in an enterprise zone apparently

1 so there may be some tax abatement.

2 MR. RUBELI: I think the enterprise zone
3 was that may have been referenced was referenced
4 in Trail Creek. I think these properties are
5 owned -- I don't believe -- locally you can
6 confirm that.

7 MR. SUNDWICK: My point is -- I'm not
8 trying to put you on the spot, what I'm trying
9 to do is to try you to understand your
10 commitment to the community based on you weren't
11 the preferential --

12 MR. RUBELI: Let's go back to the essence
13 of the question. Since we weren't the selected
14 operator, would we willing to sit down with the
15 city and move forward and work something out.
16 Let me say real clearly, you do not have to tell
17 this applicant how important it is to have the
18 cooperation of the city. I mean when we all
19 start doing these projects, there is 101 things
20 that come up that nobody foresees.

21 You have to work together, you've got to
22 make it happen. There is all kinds of
23 regulatory agency approvals required. There's
24 all kinds of -- city departments have to get
25 involved. So my view would be this, hey, the

1 selection process, I understood where that group
2 was coming from, I just don't happen to agree
3 with it from my business point of view. I
4 understand this city has a problem in Trail
5 Creek they want resolved, it goes back to way
6 before 1993.

7 We understand our obligation as a sole
8 licensee of a community to be a part of a
9 partnership to the community. We are prepared
10 right now to sit down with Mayor Bergerson and
11 any other person in the city staff and negotiate
12 the development agreement that's required
13 whenever you do any commercial development.

14 We are certainly prepared to put right
15 back on the table that which we had on the table
16 in October, or if they would like to propose
17 other alternatives to that, I think the
18 principal is there, the question is the amount.
19 And, hey, the other cities were in a stronger
20 position when they did what they did and this
21 area, because all of us aren't sure of exactly
22 what will happen.

23 We have done a good job outlining, I
24 think, all of us, what could happen, what should
25 happen, but also a lot of risk that it could be

1 100 million, in our case 113 million in the
2 first year, it could be 50 million after the
3 Indians are in New Buffalo. So the city's share
4 is going to have to be mitigated at, frankly, 4
5 percent, which was the 11th hour, which we will
6 not do, there is just not enough money in it.
7 We pay 20 percent to the state, a \$3 win on a
8 \$45 admission is another 8 percent, seven and a
9 half, that's 27 and a half percent off the top
10 before you have paid one bill. And you start
11 adding more on for the city, folks, this is a
12 business and there aren't too many that can take
13 a tax of 27 and a half percent right off the top
14 when you have all this competition. Now, see,
15 Evansville doesn't have this kind of
16 competition.

17 Lawrenceburg has got the monopoly of
18 Cincinnati. What Michigan City has is what I
19 showed you on that map, no more, no less, two
20 and a half million people in the eastern
21 counties that are going to be cut down to 1.2
22 million in the primary markets that we are all
23 going to fight for. So I think the reality
24 is Indiana starts with a high rate, this city
25 will get a good share of that revenue, their

1 proportion of the 20 percent. They will get the
2 admissions tax, their proportion of that. We
3 are willing to give them what we offered to give
4 them because it's a reasonable economic offer.
5 If you want to sort it out and restructure it
6 within reason, we are willing to do that, but we
7 are not willing to go to 4 percent.

8 MR. SUNDWICK: You are willing to be a good
9 corporate citizen?

10 MR. RUBELI: We are willing to be a good
11 corporate citizen. We are also willing to be a
12 business that's in business and survive to be in
13 business. No one knows the exact answers, but I
14 hope I conveyed to you where I think we stand on
15 it.

16 MS. BOCHNOWSKI: Now, you have talked --
17 and I can't exactly remember what was up
18 there -- what about the surrounding communities,
19 the county-wide -- because this is a county-wide
20 project, the county voted on it, and we have to
21 think about more than Michigan City.

22 MR. RUBELI: We had a third line there that
23 was exactly that. In addition to whatever the
24 city council voted on or didn't vote on or
25 whatever that interpretation was, that was the

1 subject of yesterday's discussion which we
2 have -- we as applicants, none of us have any
3 control over. We independently said out of our
4 revenues, because of the points being made in
5 the public, that we will have a revenue sharing
6 plan for the county government and other cities
7 and towns in LaPorte County.

8 MCCL will contribute one quarter of 1
9 percent of just the gaming revenue to the county
10 of LaPorte, city of LaPorte, towns of Westville,
11 Kingsford Heights, Wanatah, LaCrosse, Long
12 Beach, Michiana Shores, Pottawatomie Park, Trail
13 Creek and Kingsbury. Each entity will receive
14 an amount based on population percentage. So
15 the answer is yes to your question but that was
16 rejected.

17 MR. SWAN: May I ask a totally different
18 question. How are we dealing with the train
19 tracks in your proposal?

20 MR. RUBELI: Well, they stay where they
21 are. And we simply create the pedestrian
22 walkway over them, as we do in any of these boat
23 jurisdictions where you have got the high
24 pedestrian ramps that go across the boat. I
25 will tell you, to be quite accurate here, that

1 right now we do not have those air rights from
2 Amtrak, but we see no reason that they won't be
3 granted.

4 It's like any pedestrian overcross that
5 would exist on a right of way. The actual train
6 station, which is kind of a cute little thing --
7 it needs a paint job, it's got flower pots with
8 no flowers, that's kind of a disconcerting
9 thing -- will be incorporated because I mean --
10 it looks like a little Swiss railroad station,
11 and so we see incorporating that right at the
12 door of our pavilion so that that train could
13 stop there.

14 We are not going to interfere with the
15 tracks, Amtrak continues to go through. The
16 plan is to bridge the patrons accessing the boat
17 ramp over it through a pedestrian walkway
18 system, and we need permission from them to do
19 that and that's one of the items we have to deal
20 with.

21 MR. SWAN: I have forgotten my map on this,
22 will this incoming and outgoing traffic be
23 affected by train traffic and traffic in their
24 automobiles?

25 MR. RUBELI: We have a map too. There is

1 the tracks. Here's (indicating) the train track
2 that's the subject, and that's (indicating) the
3 Amtrak station, that's the border of our
4 property. Now, I think your question had to do
5 with does it interfere with the access route,
6 the answer is no, because the primary access
7 routes are Route 421 coming in, 35 from the I-94
8 interstate. And those tracks are simply
9 isolated and they -- what they do is they border
10 our property, that's another option. This board
11 shows the -- why don't -- why don't you walk up
12 and show them, Gary.

13 MR. KAHN: This board shows the route of
14 the Amtrak line as well and the primary access
15 to 35 is this (indicating) way and at this
16 intersection the train station would be right
17 here (indicating). My name is Gary Kahn
18 (phonetic).

19 MR. RUBELI: Gary is with our architectural
20 firm that did the design.

21 MR. MILCAREK: Is there enough room between
22 the railroad tracks and the harbor to get boat
23 in there without moving the train tracks?

24 MR. RUBELI: Gary, can you stay with that
25 question. The question is: Is there enough

1 room for the cutout without interfering with the
2 tracks?

3 MR. KAHN: Yes.

4 MR. THAR: Is that true with the new site
5 you had developed in last 24 hours?

6 MR. KAHN: Yes.

7 MR. THAR: Did you actually have time to go
8 out and measure it or are you just saying it is?

9

10 MR. KAHN: We have accurate information
11 regarding the existing marina facility and the
12 distance from the existing breakwater of the
13 railroad tracks.

14 MR. THAR: Where would your crossover be
15 then?

16 MR. KAHN: In the scenario where the boat
17 docks at the -- let me get to this side -- in
18 the scenario where the boat docks in the marina
19 location here, the buildings, as it would
20 suggest, would have to be adjusted to the east
21 with the pavilion and entry access point moving
22 east farther.

23 MR. THAR: Do you control all of the
24 property in gray?

25 MR. KAHN: In gray, yes.

1 MR. RUBERLI: Bob just held up one that
2 isolates that new site and we do control it,
3 correct.

4 UNIDENTIFIED SPEAKER: We do control what's
5 in gray. And we also control this (indicating)
6 parcel of ground pursuant to the option that was
7 executed last night for this site.

8 MS. BOCHNOWSKI: Is that to scale, that
9 really is the way the riverboat was would get in
10 there.

11 UNIDENTIFIED SPEAKER: Yes, it's to scale.

12 MR. THAR: And that white van is where the
13 tracks are, am I correct in saying that.

14 UNIDENTIFIED SPEAKER: In the arch?

15 MR. THAR: The northern boundary of the
16 arch.

17 UNIDENTIFIED SPEAKER: In the arch, that's
18 correct. Yes.

19 MR. MILCAREK: Given the fact that the city
20 is so strongly on the site of the creek, how do
21 you --

22 MR. RUBELI: It had to come out at least
23 once.

24 MR. MILCAREK: How do you feel is your
25 relationship with the city?

1 MR. RUBELI: I think it's going to be fine.
2 I think that there's a lot of history here but
3 most of it was associated with the prior
4 administration and, hey, again we understand
5 where they are coming from. We all have a new
6 beginning in January of 1996 and I mean I don't
7 know -- I haven't spoken with Mayor Bergerson
8 personally on the matter but I heard her closing
9 statements yesterday when directly asked could
10 she work with any applicant and she said -- and
11 I wrote it down -- I'm anxious to work as soon
12 as possible with whatever applicant you pick, I
13 will take that offer literally. We are anxious
14 to work with Ms. Bergerson and the group here,
15 just as we did in Evansville, to make this
16 happen. And I genuinely believe that's the wish
17 of the community. When this is all over with,
18 everyone does go back to work, let's go get on
19 it and make it happen.

20 MR. MILCAREK: You have a statement here in
21 order to support development of minority and
22 women owned businesses which you would purchase
23 up to \$250,000 of supplies and so forth as well.
24 There seems to be some confusion with the
25 statements here that we are going to help the

1 minority and the business owners, no one can
2 have a clear-cut picture of how.

3 I know the fact that everybody is going to
4 help and everyone is going to do something. The
5 question is: How are we going to do that? What
6 is available for them to go into business, what
7 supplies? How could we provide a list off
8 things saying, you want to get in on this, you
9 don't just want to work for the riverboat. If
10 you try to develop this business, this business
11 and this business, give us some guidelines on
12 that.

13 MR. RUBELI: We could answer that one with
14 a very long and -- at some point, Commissioner,
15 we will do this for you. We had brought during
16 the process in Evansville people out from our
17 East Coast operation, Lynn Keys, if you remember
18 that name, a young lady that's worked very hard
19 to develop MBE programs for us on the East
20 Coast. And she was assigned to understand
21 better what was available as resources in
22 Indiana at the state level, what the city had,
23 what was expected here, what do these words mean
24 when they asked if we could do this.

25 Well, let me make sure I understand what

1 you are asking first. And out of it came a
2 realization that I alluded to earlier, that as I
3 understand this, and I'm not an expert on it,
4 but that the state of Indiana is themselves only
5 beginning to develop the programs and the
6 resources and the methods of setting up minority
7 business enterprises and women owned business
8 enterprises.

9 What's interesting is the obligation is
10 we'll do business with certified -- there is
11 really two issues, Commissioner, one is what
12 kind of businesses and how do I get into them,
13 but even if you do that, you would be amazed at
14 how minority businesses and women businesses are
15 there but they haven't been certified.

16 One of the problems was Indiana themselves
17 did not have, as I understand it, a program
18 completely set up that had all of the
19 mechanisms. So our people were -- and I forget
20 who it was unless you remember, Bob -- one
21 agency of the state or one of the departments to
22 develop a program for beginning to develop the
23 forms and the procedures to educate the existing
24 community that already had some businesses as to
25 what they could do. And then as an offshoot we

1 recognize in southern Indiana, in particular in
2 the Vanderburg County area, we were going to
3 have to do a lot of primary work to actually get
4 them set up. So how did we do it, conducted
5 literally education seminars and we have some
6 people on staff whose job it was to put together
7 those seminars and the booklets, the forums and
8 brought people together and said -- as part of
9 that, I'm certain I have seen list of -- these
10 are the kinds of businesses, and it's wonderful
11 ones, printing businesses, some florist
12 activities, decorating activities.

13 There's a group of young guys I know that
14 do T-shirts and now they do lots of T-shirts for
15 promotion efforts for the casino. And there
16 were other kinds of services, carpentry
17 services -- sometimes we go to the outside
18 because we don't want to staff up the certain
19 things and we had to do at a lot of that primary
20 work. So I think what I would like to suggest
21 we do for you, because it doesn't apply here
22 necessarily, to put together a little package.
23 We'll get that package done and send it off to
24 you and from there it should be available to any
25 applicant or any jurisdiction, so this is a lot

1 of work. What we are very proud of -- to
2 refresh your memory when we put that slide up on
3 Evansville, we had committed to 5 percent, and
4 Jim Brown's group is generating 35 percent and I
5 will be happy to make them available in whatever
6 form is appropriate to show what can be done
7 here, frankly we are surprised ourselves.

8 MR. MILCAREK: I certainly think we need a
9 vehicle to explain this to the people because --

10 MR. RUBELI: If I may, Mr. Kerr is going to
11 have to be departing, he wanted to offer
12 something.

13 MR. KERR: In connection with the specific
14 question about what we can do for minority
15 interest, one of the things we have done as a
16 company -- we have a retail development group
17 last year alone besides really inducing and
18 incubating interest in our particular channel of
19 distribution with companies like Tommy Hill
20 Figure or The Gap, a portion of the company that
21 crosses over the marketing line does temporary
22 space uses and those come in the form of carts
23 or key offs that you may be familiar with if you
24 shop regional malls, which we'll forgive you for
25 shopping at this particular moment in time.

1 But the fun part about the retail
2 development site of the business is it's a low
3 cost entry and we have a lot of folks on the
4 minority side that end up purchasing the rights
5 to the cart for a weekend or special event or
6 we're even merchandising our parking lots. I
7 happen to think and our partners agree that we
8 need to bring the fun back to the retail
9 environment, that's why we characterize our
10 business as being entertaining. It's a little
11 like walking through the farmer's market, being
12 there is something very entertaining about
13 knowing every melon isn't going to look the same
14 way. So our retail is very aggressive and we
15 have even executed it in Michigan City if
16 shopped carts were made available to everybody.

17 MR. RUBELI: I wanted to complete an answer
18 that I was not listening, I guess. I was
19 advised your question, Commissioner Milcarek,
20 how do we make this 250,000 -- we have a
21 contribution to minority and women owned
22 business in our original community proposal of
23 250,000 per year of supplies and services on a
24 prefunded basis and that's the how.

25 In other words, we found most of these

1 smaller businesses don't have the cash flow or
2 the capital to be able to go buy the supplies
3 and the parts to put something together. So,
4 for example, we will contract for supplies from
5 a local minority business, a significant portion
6 of the order will be prepaid to assist the small
7 business owner with its cash flow, and that's
8 the way you get the program started, you upfront
9 the money to buy raw materials required to
10 provide the goods or the services.

11 MR. MILCAREK: Along those same lines do
12 you have a profit sharing program for the
13 regular employees, some type of an incentive?

14 MR. RUBELI: We have in Aztar Corporation a
15 401K program, which the company administers, and
16 we have an employee stock option program, an
17 ESOP program. We have a profit sharing but it
18 may not and has not in recent years been funded
19 each year. It's there structurally but it's
20 there to be used only from time to time
21 depending on particular results for a particular
22 year.

23 MR. SWAN: What about in this organization?

24 MR. RUBELI: Don't know the answer to that,
25 don't know because in this instance here the

1 MCCL partnership will first have to be sensitive
2 to what are the norms and practices of the local
3 area, that's usually a starting point for
4 determinable salaries, wages, benefit programs
5 and this falls under the guides in the benefit
6 program.

7 Initially I would doubt it but in longer
8 term when you get there, these will be MCCL
9 employees and it will be an MCCL benefit
10 program, it may or may not be identical to
11 Aztar, probably would not be, because the
12 starting premises is you look at your local area
13 and you don't want to throw a monkey wrench into
14 the local practice so we'll match whatever the
15 local practice is.

16 MR. MILCAREK: Could you gave me a
17 realistic date of when you might open your
18 temporary boat, if you will.

19 MR. RUBELI: I will. I can give you an
20 exact date, 90 to 120 days after the Corp of
21 Engineers decides when they give their approval,
22 I mean that is literally how to look at this.
23 We can open a boat in 90 to probably 120 days
24 after corp approval. The problem in every
25 jurisdiction has been, of course, being too

1 optimistic on people that have repeatedly come
2 to these podiums and said it's going to take six
3 to nine months to get corps approval. In
4 Evansville, frankly, they delivered it right in
5 the six month mark. Then we had 120 days to
6 build a fairly substantial docking mechanism, so
7 we opened it four months after corps approval.

8 We believe here two things, an advantage in
9 the actual docking mechanism can be a lot less
10 since you don't have the banks of the Ohio River
11 to deal with with huge flood changs.; two, if
12 the temporary site is still available at NIPSCO,
13 there are those who believe that doesn't require
14 corps approval, I just don't believe that. I
15 think this corps has made clear that when it
16 comes to casino boats, they will have some
17 reason to be involved in the process. And so if
18 they are involved, in six to nine months -- we
19 will be open 90 to 120 days later.

20 If for some reason there's no corps
21 approval required for that temporary site that
22 we are all proposing adjacent to NIPSCO, then,
23 you know, 120 days is not unreasonable. The
24 boat is ready, that's usually the biggest
25 problem. We know how to put a temporary

1 facility together, we have a very nice one
2 Evansville. But I can't tell you what the
3 corps' position is going to be on this because
4 they won't work with us until we get a
5 certificate of suitability so this is a round
6 robin. You guys are asking us when are we going
7 to be open, and we can't talk with the people
8 who control when we are going to be open.
9 Anyway I think that's good advice to say four
10 months after corps.

11 MS. BOCHNOWSKI: You indicated the city
12 wants the creek location, and you indicated that
13 you ran a poll that show that people generally
14 want the location to be in the harbor. Who ran
15 that poll? Were those questions
16 scientifically -- I understand that polls can
17 say a lot of things, but I know that the way
18 questions are worded can influence answers.

19 MR. RUBELI: Yeah. You're absolutely
20 right. Let me give you an answer to that. It
21 was an opinion run by this outfit called --

22 MS. BOCHNOWSKI: I can't see it.

23 MR. RUBELI: I'll read it to you -- it's
24 called community opinion -- I'm sorry. The
25 Center for Community Opinion, San Ramon,

1 California, February of '96. It's headed up by
2 a Ph.D. graduate of IU, which I suspect is how
3 it came to be.

4 MS. BOCHNOWSKI: If he is a Ph.D. --

5 MR. RUBELI: I would say this, we provided
6 Jack's staff 15 copies of this opinion poll. I
7 would be happy to allow the Xerox machines a
8 copy for anyone in this room. You go to your
9 experts and decide they have listed every
10 question they asked, how they asked it and why
11 they asked it that way. And, Ms. Bochnowski, if
12 you would, you form your own judgment. I can't
13 tell you -- it's scientifically accurate based
14 on how surveys claim they are scientifically
15 accurate. We all know what we are dealing with.
16 I think it's pretty good.

17 As a laymen reading it for the first time
18 only last Friday, I asked the same question, how
19 do they ask the question, it's pretty straight
20 forward. My suggestion would be you have got
21 it and -- unless I have overstepped my bounds,
22 do we have any problems making it publicly
23 available? It's been published anyway. Anyone
24 in room that wants a Xerox copy, they can use
25 mine if they want it. This is the report and I

1 think it looks pretty good.

2 MS. BOCHNOWSKI: Now, are you concerned in
3 that location one of the things that the city
4 said, and I know it for a fact because we do
5 live close to Michigan City, when you have a
6 north wind on Lake Michigan, it's very choppy.
7 Do you feel that's protected enough to keep
8 people from getting sick on your boat?

9 MR. RUBELI: The north wind on Lake
10 Michigan -- there is a beautiful breakwater
11 which we highlighted on the photo.

12 MS. BOCHNOWSKI: Right.

13 MR. RUBELI: Usually when there's a very
14 heavy north wind, there's solid ice in the
15 harbor, this boat is not going to go anywhere
16 anyway. Absent that, let me ask John Wagner's
17 opinion, are we going to get them sick in the
18 harbor? By the way, we talked about the issue
19 going out to the breakwater and beyond. I mean
20 one of the real problems with Lake Michigan,
21 whether it's certified or not, you are not going
22 to take customers to the open water, you get
23 sick. What about in the harbor, with the north
24 wind, do we get waves or is it ice conditions
25 that are the issue?

1 MR. WAGNER: You're right, Commissioner,
2 that is a very valid question, that is a
3 concern. The nice thing about George Marine is
4 you're tucked in there. I believe the statutes
5 do allow for severe weather conditions it's up
6 to the master to determine. That's one of our
7 decisions to stay within the breakwater to take
8 care of guests and give them a safe, comfortable
9 ride.

10 MS. BOCHNOWSKI: So you feel within
11 breakwater they would be comfortable?

12 MR. WAGNER: Yes, ma'am, I do. I believe
13 it's up to the master to make the decision.
14 Certainly if it's extremely rough, I doubt you
15 are going to get waves in the harbor that are
16 more than one or two feet so, yes, it will be
17 very comfortable.

18 MR. RUBELI: Also, importantly, he does
19 have a, quote, safe harbor within the harbor in
20 that that slip is clearly going to be protected.

21 MS. BOCHNOWSKI: Right. But you can't
22 abuse that, you know, where if it's not icy but
23 it just happens to be choppy, you can't stay in
24 there.

25 MR. RUBELI: This company cruises when it

1 can cruise. We paid a premium for a repair crew
2 to come in and so we can get something fixed so
3 it can cruise again. We will cruise. It's
4 actually a pretty cruise in the spring, you are
5 not going to go out in the winter. I don't
6 think this harbor -- it has waves that are one
7 or two feet, the Ohio River has more choppiness
8 than that.

9 MR. SWAN: Could I ask question. On your
10 projected win on this proposal, I think, is
11 somewhere around \$45?

12 MR. RUBELI: Yes.

13 MR. SWAN: You are experiencing 38 in
14 Evansville?

15 MR. RUBELI: Well, I heard you say that and
16 I hate to correct a commissioner of the Indiana
17 Gaming Commission but I have to. Actually in
18 December it was over \$43, it was 43 and change,
19 I think 43.50, something like that.

20 MR. SWAN: Okay.

21 MR. RUBELI: -- per passenger unless -- Mr.
22 Thar, you are not looking at me. Did I speak
23 wrong here?

24 MR. THAR: I would put you at 41, high 41s.

25 MR. RUBELI: One of the dilemmas, in

1 fairness to me, is we operate on a fiscal basis
2 on our company and we report to you on a
3 calendar basis, so by that we cut off -- every
4 Thursday we do four week months and five week
5 months and four week months, so we sometimes
6 have part of a December and a January and part
7 of a January and a February. And mentally we
8 are following our fiscal numbers everyday but we
9 have to report to you once a month on calendar.
10 It's not 38, can I say that, it's over 40.

11 MR. THAR: At least 41 and you could be as
12 high as 43 plus, yes.

13 MS. BOCHNOWSKI: Forty-five is still higher
14 than 41.

15 MR. RUBELI: Bob also reminded me we
16 reported calendar-wise 6.2 or 6.4. The
17 difference between 6.2 and 6.4 -- Mr. Thar and
18 his staff will resolve that one over the months
19 ahead. There is issues whether you count before
20 chip flow or after chip flow. It's a highly
21 technical issue, it doesn't matter, it's up to
22 the accountants and in the end we'll get used to
23 it. I wish I could give you a better answer
24 right now because on my feet I can't, it's chip
25 flow adjustments that create a slight difference

1 between which line on your report you want to
2 take. They are both there for the public to --
3 am I right -- yeah, they are both released
4 to the --

5 MR. THAR: The bottom line of the issue is
6 whether you collect tax now or later.

7 MR. RUBELI: Thank you. You eventually get
8 it.

9 MR. THAR: I'm just saying their win is
10 more than 41 but less than 45 is an accurate
11 statement.

12 MR. RUBELI: For example, though, when we
13 report fiscally as a corporation, we'll soon
14 report the month of December as part of the
15 normal reporting, but our month ended on
16 Thursday, December 28. So we'll be reporting
17 publicly and before everyone said, well, that's
18 not the number, it's not going to be 6.2 because
19 that was based on ending December 31, it will be
20 adjusted -- it will be whatever it was at the
21 end of December 28, that's another set of
22 numbers we deal with, however, the win per
23 passenger, 41 if Jack is right; 43 if I'm
24 right -- but the good news is I can't really
25 tell you. But January is going to be closer to

1 45 we're talking about so we feel real good
2 about that number, 45 is where it's going to
3 come in.

4 MR. SWAN: This market should be about the
5 same as that market?

6 MR. RUBELI: Yeah. I don't see any reason
7 -- one of the big reasons that number is what it
8 is, it depends on whether you have two hour
9 cruises or three hours cruises. I hate to blow
10 a bubble on anyone's theories on the value of
11 the player and high roller marketing versus --
12 but that's also a big difference, very simple,
13 we win so much per hour, you win more on a three
14 hour cruise than you do on a two hour cruise per
15 passenger. Now, when you try to compare
16 Illinois boats to Missouri boats, you've got to
17 make a distinction on how many hours Missouri is
18 counting and how many hours Illinois is counting
19 and it may not be the same range.

20 And then you have the ingredient of better
21 customers, more valued customers, and all that
22 on top. So there are two issues that affect win
23 per passenger, the caliber of the customer, but
24 also simple things like how long is your cruise
25 and what's your mix between two and three hours

1 cruises. And operators will choose different
2 mixes for different reasons. We may choose
3 different mixes at different times of the year,
4 come back to the commission staff and ask for a
5 revision of the schedule. Right now we are at
6 45, that's the projection we are using in
7 Michigan City, that's the internal projection we
8 have been using in our company for this year,
9 '96, and we seem to be right on that in
10 Evansville. I don't know calendar January, I
11 honestly don't.

12 MR. VOWELS: Are your cruises up here
13 going to be similar to what they are in
14 Evansville?

15 MR. RUBELI: Yeah, probably. We are
16 running two hour cruises in the morning and
17 early afternoon and then revert to a three hour
18 cruise in the late afternoon and the evening.

19 MR. VOWELS: Because it shows six here, is
20 that six a day or more, nine, eleven, one,
21 three --

22 MR. HADDOCK: Actually these assumptions
23 were all two hour cruises.

24 MR. RUBELI: Bob is telling me that here
25 they were eventually two hour cruises because

1 one of the considerations here is going to be
2 the interchange of Lighthouse Place. We may
3 want to stick with two hours, is that what it
4 is, ours are all two hour cruises?

5 MR. HADDOCK: I think so. I'm not sure.

6 MR. MILCAREK: What is the timing on this
7 hotel? If you would build a hotel, when would
8 you start the hotel, the first year or second
9 year?

10 MR. RUBELI: Bob, do you want to respond to
11 the question. Bob has been the one working with
12 some of these outside developers and some of the
13 other people.

14 MR. HADDOCK: It would be our intention so
15 start planning for the hotel immediately and
16 start construction as soon as the plans were
17 done. We really don't see this as a phase one,
18 phase two situation. If we were lucky and we
19 are able to get corps approval quickly, we could
20 begin the temporary site. It would be in
21 operation obviously well before the hotel would
22 be built but that will be the goal.

23 MR. MILCAREK: With the increase in
24 Lighthouse Place, how many new stores would that
25 create compared to what we have got?

1 MR. HADDOCK: I would like Jeff Kerr to
2 answer that.

3 MR. KERR: Jeff Kerr of Horizon again.
4 Back to your question about the hotel and one of
5 the -- I would like to make a quick clarifying
6 comment because I sense that both the city and
7 perhaps the commission isn't giving enough
8 credibility to the -- to the creation of this
9 joint development group and whether we are
10 investing heavily, which we are, and are
11 prepared to continue doing in Michigan City or
12 whether we are building a regional mall or for
13 that matter whether Mell Simon is building the
14 Mall of the Americas.

15 What happens and it is easy particularly
16 for governments and commissions to forget how
17 the underwriting actually gets done. We are
18 building an 800,000 feet regional mall up in
19 Muskegan. In order to make that work, we have
20 to give JC Penney the ground and induce
21 Nordstrom's, they literally become our
22 development partners. It's our view that the
23 \$81 million plus or minus in Michigan City is
24 very real. But I think what, perhaps, the
25 city -- and we haven't had a chance to share

1 with them what our vision of Michigan City
2 really is, they are a critical partner to us.
3 And we very fundamentally believe that because
4 of our commitment and our co-tenants that we are
5 going to go out with some leverage. The
6 development must start at the harbor.

7 So you have seen our site development
8 drawings. We believe that naturally it will
9 evolve and should evolve to the creek site
10 which, from our perspective today and in the
11 near future, simply is not developable. It has
12 to start here. Back to -- Forgive me to
13 diverting your attention for a second, back to
14 how many tenants, we are planning 200,000 feet.
15 A portion of use may go to a 10 screen cinema, a
16 portion of that use may go with two sheets of
17 ice and an indoor roller blade, that's 100,000
18 feet right there. The other uses within that
19 200,000 feet would be more classically defined
20 as small shops, 3500 to 5,000 foot users.

21 And then the merchandising strategy, back
22 to minority interest and economic incentive and
23 jobs which are clearly a fundamental goal that
24 we are all trying to get after. The retail
25 development group incubates and merchandises

1 space based on our investment to make that
2 environment become more festive, more fun, far
3 more exciting than what you have heard me
4 characterize as vanilla box retail.

5 MR. MILCAREK: What percentage of stores at
6 the Lighthouse Place would you say is occupied
7 right now, are there any vacant stores?

8 MR. RUBELI: Well, company-wide our
9 portfolio nationally is 95 percent occupied. I
10 would have to defer to perhaps Jonathan, my
11 measurement guy.

12 (Discussion held by Mr. Rubeli and
13 unidentified speaker off the record.)

14 MR. RUBELI: We are pretty close to -- we
15 have a huge amount of interest in these
16 redevelopment plans. I spent the last two weeks
17 out talking to some key tenants who were very,
18 very excited about bringing this concept alive.
19 One of the cautions I will volunteer, since I
20 have been asked, when we were in Evansville
21 before you controlled everything -- we are here
22 before you as a 10 percent owner and not
23 necessarily controlling everything. So in
24 fairness to the process we believe we have good
25 partners. We believe we have a working

1 environment that's great but it is going to be
2 more difficult for Aztar. I'm not in a position
3 to control everything. I don't know Jeff Kerr's
4 business anywhere near as well as Jeff Kerr
5 knows his business so I can't tell, for example,
6 how long it takes to build one of these
7 buildings.

8 I think we are going to work all these
9 things out. I think we have a working
10 environment with the city that's acknowledgedly
11 more difficult than it began for us in
12 Evansville, although I must say we had to get
13 there with these people, too, and so one of the
14 cautions is this is a more difficult process all
15 the way around and I just say to you as Aztar
16 Corporation we are proud of what we have done
17 for Indiana, and we are prepared to do here what
18 needs to be done to get this open. But it's
19 going to be harder for us to do that here than
20 it was in Evansville.

21 MR. MILCAREK: One more question about the
22 hotel for 6.5 million, what class of hotel do
23 you get, I mean 150 rooms?

24 MR. RUBELI: One hundred to 120,
25 Commissioner Milcarek, because I think the point

1 you are about to make -- we think you can get a
2 Mariott Courtyard, Residence Inn type quality at
3 100 rooms, that would be 65,000 a room. There
4 is no land cost for these folks, I guess I
5 already prenegotiated. As he said, he gives it
6 away to Nordstrom's, we'll give it away to a
7 developer, and there is still one we have in
8 mind that we almost hoped we were going to have
9 with us today that we may still get here at some
10 point. Think in terms of a basic 100, 120 rooms
11 nice limited facilities, some meeting space but
12 not a lot -- certainly not extensive food and
13 beverage, probably no food and beverage, at
14 65,000 a room in the hotel business without a
15 land cost, you could build a Mariott Courtyard
16 for that, and that might be a nice one to build
17 so --

18 MR. VOWELS: In honor of our missing
19 chairman I'll ask the following question about
20 the noncompete clause.

21 MR. RUBELI: Oh, I was hoping because,
22 unfortunately, he wasn't here that we weren't
23 going to have to deal with that.

24 MR. VOWELS: Would this applicant agree to
25 a noncompete clause and if so for what area?

1 MR. RUBELI: You're supposed to ask for
2 Chicago, isn't that what happened in Hammond and
3 East Chicago?

4 MR. VOWELS: We didn't get the answer we
5 wanted.

6 MR. RUBELI: I was all ready -- the answer
7 is, we have all agreed Chicago isn't in this
8 market so, no, I'm not going to give you a
9 noncompete with Chicago. The answer is no.

10 MR. VOWELS: I will let Alan know that.

11 MR. RUBELI: I would rather try to explain
12 it myself if you don't mind.

13 MR. THAR: I would just like to advise the
14 commission on a technical point. I don't have a
15 question. The technical point is whether or not
16 you can count Horizon's \$20 million in the
17 project. The point of the matter is we cannot.
18 Our only jurisdiction is over Michigan City
19 Casino and Lodge for which Horizon is not a
20 part. We cannot then put that \$20 million in
21 certificates, it's questionable as to whether or
22 not we can put the 6.5 million in for the hotel.
23 This commission can do nothing to the Horizon
24 Group. The Horizon Group -- the day after we
25 gave a license we looked at the market, we can't

1 do it. Certainly Aztar would use their best
2 efforts, MCCL would use their efforts.

3 The point of the matter is we have no
4 control over anything except the applicant,
5 that's why we can't look at that \$20 million,
6 there is no control over it, that's why we got
7 to count it that way, that's why we counted it
8 that way in Evansville. Every penny that went
9 to Evansville came out of Aztar.

10 MR. RUBELI: Well, frankly from one point
11 of view I don't mind that. So we're here with a
12 \$55 million technical project and a project
13 before you that you see and I'm not -- I think
14 that's an important point. My thought was you
15 were going to suggest otherwise that you would
16 bind us as the applicant to cause the
17 development of that \$20 million and that
18 troubled me because then the burden would have
19 been on us how to make that happen because even
20 though certainly Jeff Kerr is willing to make
21 that agreement so. The clout you would have is
22 you take away the applicant's certificate of
23 suitability, it doesn't happen. What's any
24 different between that and being bound to the
25 commitments we make to the whole community or

1 the city? As an intellectual man I'm curious
2 about it because that's the way I saw, Jack,
3 this thing coming together. You could find us
4 the applicant to cause Jeff Kerr and Horizon to
5 make it happen so, in fact, we could be held.

6 MR. THAR: Because I would not want to have
7 to defend the commission's position in court for
8 requiring something outside of our jurisdiction
9 on the part of the applicant if Horizon is not a
10 party, that's what the question was --

11 MR. RUBELI: I would volunteer this much --

12 MR. THAR: May I just finish. Thank you.
13 One of the questions brought up by Commissioner
14 Vowels immediately after the break is what is
15 Horizon's position with MCCL. Let me ask you
16 this: They are not an equity partner, that's
17 it. There's a lot of ways to count the beans.
18 From this commission's position we have
19 jurisdiction over you.

20 MR. KERR: I understand the technical
21 indication.

22 MR. THAR: That's a real interpretation.

23 MR. KERR: I hate to call it the tail
24 wagging the dog but let me explain this because
25 like Paul our company believes in big people's

1 portions. One of the problems my board and
2 finance committee have with the transaction is
3 we wanted to own it all. We would have owned as
4 much of it as we could.

5 Our dilemma became as a company we are
6 organized as a real estate investment trust.
7 And if you can believe this, some attorney
8 somewhere, and probably a couple of bean
9 counters, invented something called bad income,
10 and receipts from casinos and other operations
11 are bad income so we had to structure a very
12 creative underwriting. But again for the rules
13 to suggest that this is isn't real money and
14 that we really aren't binding ourselves in a
15 strategic alliance is simply unfair.

16 MR. RUBELI: That's a good point I forgot.
17 There was a time not too long ago that we were
18 hoping that Horizon stepped in as the primary
19 owner as the 65 percent equity now. To close
20 the loop on this issue, and very clearly I
21 understand that we'll stand before you with a
22 \$55 million application, we still think we'll
23 create more economic benefit for Michigan City
24 and Indiana with that than can be done by the
25 other two proposals in Trail Creek. And maybe

1 for all of our benefits we would be better off
2 going in with a \$55 million application and
3 commitment, particularly if the Indians wind up
4 in New Buffalo. In any case we are going to
5 build what we showed you.

6 MS. BOCHNOWSKI: Are there any other
7 questions? Thank you very much.

8 MR. RUBELI: Thank you for your patience.

9
10 (Proceedings concluded at or about 12:45
11 p.m.)

1 STATE OF INDIANA)
2) SS:
3 COUNTY OF LAPORTE)

4 COURT REPORTER'S CERTIFICATE

5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 13th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 11:30 a.m., I then and there reported the
10 proceedings had before the Indiana Gaming Committee;

11 I further certify that I reported said proceedings by
12 the means of machine shorthand and that I have transcribed
13 my original shorthand notes through the use of
14 computer-aided transcription into the typewritten form and
15 that the foregoing and attached pages or parts of pages
16 number inclusively two hundred sixty-nine through three
17 hundred eighty-four comprise a true, correct, complete and
18 accurate transcript of said proceedings;

19 IN WITNESS WHEREOF, I have hereunto set my hand and
20 official seal this 4th day of March, 1996.

21 *Natalie Bearickx*
22 Natalie Bearickx
23 Notary Public, State of Indiana
Laporte County
My Commission Expires 08/20/99

24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
25 HEREOF AND DOES NOT APPLY TO ANY XEROX COPIES MADE OF THIS
TRANSCRIPT.

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BEFORE THE
INDIANA GAMING COMMISSION

IN RE: THE POSSIBLE)
ISSUANCE OF A GAMING)
LICENSE FOR A RIVERBOAT)
IN MICHIGAN CITY, INDIANA)

ISLE OF CAPRI PRESENTATION AND QUESTIONS AND ANSWERS
VOLUME V pages 385 thru 490

The presentation and questions and answers of the Isle
Of Capri as had before the Indiana Gaming Commission,
Commencing on Tuesday, February 13, 1996, at or about 3:15
p.m. at the Pine Lake Hotel, 444 Pine Lake Avenue, LaPorte,
Indiana.

GAMING COMMISSION MEMBERS PRESENT:

DAVID E. ROSS, JR., M.D.
ROBERT W. SUNDWICK
ANN MARIE BOCHNOWSKI
DONALD RAYMOND VOWELS
ROBERT SWAN
THOMAS F. MILCAREK

Also Present:

JACK THAR
Executive Director, Indiana Gaming Commission
FLOYD HANNON
Deputy Director, Indiana Gaming Commission
KAY FLEMING
Chief Legal Counsel, Indiana Gaming Commission
JANINE HOOLEY
Director of External Affairs

Members of each Applicant's Staff
Members from the General Public

Reported by:
Natalie Bearickx, CSR, Associate Reporter

1 Tuesday, February 13, 1996 --

2 (At or about 3:15 p.m. Gaming Commission and
3 members of the public present at the Pine
4 Lake Hotel.)

5 MR. RUSTHOVEN: Thank you. Good afternoon,
6 Madam acting chairman, Ms. Bochnowski, members
7 of the commision. My name is Peter Rusthoven,
8 attorney with Barnes & Thornburg in
9 Indianapolis. And I'm very pleased today to be
10 introducing the presentation for the riverboat
11 corporation of Indiana partnership comprising
12 Casino of America Inc. with the gaming company.

13 We believe this is the most experienced
14 riverboat gaming company for you. Today we're
15 successful in four locations operating
16 riverboats for dock side gaming enterprises.
17 The other part of the partnership is Shore
18 Development. Our local partner and 10 percent
19 owner is headed by Michael Brennan. You have
20 heard a great deal and seen a great deal about
21 Lighthouse Place. Mr. Brennan is the gentleman
22 who built Lighthouse Place.

23 Mr. Mike Brennan is the man who believes it
24 is because of that project who is responsible in
25 very large part for all the visitors who come to

1 Michigan City and for the revitalization of that
2 part of the city. To give you a little idea of
3 how we're going to proceed here today, if it
4 meets your pleasure, we're going to start with a
5 video overview of the company and the project
6 followed by a detailed presentation.

7 You have the copies in front of you of the
8 slides that will accompany the presentation made
9 by Jack Galloway, who is president of Casino of
10 America. Before starting that, just a couple of
11 points in overview that we hope you will keep in
12 mind as you look at this presentation, consider
13 this application, and make this decision. There
14 are only two points that I would emphasize, we
15 think the critical part of this decision that
16 you will make has to do with the commitment of
17 the company to the community.

18 Of the mayor's presentation yesterday, the
19 mayor, her staff, and others have made some very
20 strong points about that. We believe and we
21 submit to you that we have shown that commitment
22 in a number of ways. First of all, we stand
23 before you and tell you that we do not intend to
24 become a corporate citizen of Michigan City. We
25 have become one long before this hearing for

1 over two and a half years.

2 Kim Merchant, who is part of the team that
3 I will introduce later, kim Merchant has lived
4 here for two and a half years. And I think you
5 will see as a part of the presentation that the
6 level of community involvement here is really
7 extraordinary. Second, we have a local partner
8 who is as committed to Michigan City and has
9 been as involved in its past development and is
10 as committed to its future development with a
11 track record proving that he can do it, as
12 anyone who has come before you, and that is Mr.
13 Brennan who will during Mr. Galloway's
14 presentation describe the Shore Development
15 aspect of this project. Third, has to do with
16 the Trail Creek site, you have heard a lot about
17 that.

18 I think it is abundantly clear when we
19 address this in Q & A as well, abundantly clear
20 that there is a very strong preference in
21 Michigan City that we have development of the
22 Trail Creek site, we have been committed to that
23 from the beginning. We believe the purpose of
24 this statute is not just to have a successful
25 gaming venture. Indeed, it's not just to

1 generate tax revenue for the state or for the
2 local community, it is right in the statute that
3 the purpose of this entire enterprise from the
4 standpoint of the State of Indiana and the
5 communities affected is economic development.
6 This community wants economic development where
7 it is needed, that's where we want to do it.

8 And the fourth aspect of our community
9 commitment is not so much to job creation, which
10 we will do, but involving the entire community
11 in that job creation including those portions
12 who have been disadvantaged in the past. And as
13 you will see, we are going to commit to 40
14 percent minority hiring and 40 percent female
15 hiring. And Robert Boone, who is our director
16 of human resources, will also be available for
17 questions, he is in charge of that. And it's
18 not just promises to show you, but we have a
19 record of accomplishment in other locations with
20 precisely those goals and in communities where
21 that exceeds the demographic percentages, the
22 other thing I'd ask you to keep in mind.

23 In addition to that, community commitment
24 has to do with experience. Experience goes
25 beyond the fact, I think, that we're talking

1 about a company -- and the only company before
2 you with four successful riverboat gaming type
3 operations -- it also has to do with experience
4 in dealing with another thing we've heard a lot
5 about in the last few days, which is a very
6 serious subject, which is part of the very
7 businesslike decision this commission has to
8 make and that is considering what this has to
9 consider, which is the prospect of native
10 American gaming.

11 We have looked at that and there is a
12 reason why we are one of the three applicants
13 still before you and not one of the 19 who have
14 left who were initially looking in Michigan
15 City. One of the reasons we are one of the
16 three applicants still before you is that we
17 know about competing in Native American gaming
18 even in the face of the competitive
19 disadvantages involved that we have described
20 for you earlier. We are doing that successfully
21 at two of our locations, both of which are
22 profitable, both of which are competing with
23 Native American gaming situations. That is a
24 critical factor in whether this becomes the
25 long-term development that we all want it to be,

1 in conclusion, before we go to the video
2 overview, these are why we believe that Michigan
3 City is the right market, that Trail Creek is
4 the right project and that the partnership of
5 Casino of America and Shore Development is the
6 right company. Now we'll view the video and
7 we'll come right back.

8 (A video was viewed by the Gaming
9 Commission and general public.)

10 MR. RUSTHOVEN: I'd like now to introduce
11 our president, Jack Galloway. Jack has a
12 bachelor's degree from Cornell and an MBA from
13 Columbia, and he combines two kinds of
14 experience that we think are very important.
15 First, he has 16 years high level management in
16 the hotel industry, particularly with Lowes and
17 other major corporations, also 16 years in the
18 gaming industry. This includes experience with
19 Caesars and with Tahoe, Vermont, Las Vegas,
20 Atlantic City as well as international
21 experience.

22 Jack also has a rather unique
23 qualification. He has been a professor at the
24 University of Houston in hotel marketing, and he
25 also established gaming education research at

1 that university. It is my pleasure to introduce
2 Jack Galloway who will give you a more detailed
3 description of the specifics of our project.

4 MR. GALLOWAY: Thank you Peter. Good
5 afternoon. It's been a long day and we'll try
6 to keep it moving as quickly as possible. It's
7 really a pleasure for me because I'm kind of the
8 new guy on board with Casino of America, and
9 it's a great pleasure for me to be in Indiana to
10 have a chance to tell you about this new company
11 I'm associated with. I don't know if you've met
12 our Chairman, Bernie Goldstein, right here who
13 really made this company happen and who, as you
14 get to know us better, you get a feel for the
15 culture he created in the company, it's really a
16 very exciting thing.

17 I want to talk again about how Michigan
18 City is the right market, Trail Creek is the
19 right project and Casino of America is the right
20 company. We looked at the market, the video
21 talked about that, Peter talked about that. We
22 saw what was happening to the west, the casino
23 development there, and we came to the conclusion
24 that that's not a major market area, we chatted
25 about that. That's not where most of our

1 customers come from. We have Native Americans
2 to the east, and they're going to affect us
3 also. Having said that, based on the previous
4 tourism experience that this market has already
5 experienced, we believe that there is a real
6 market here in Michigan City.

7 Let's face it, we have established tourism
8 with 400 people coming here already, that's
9 strong. We have Lighthouse Place which draws of
10 1.8 million people annually. We have a core
11 market of over 200,000 people, 107,000 of which
12 are located in LaPorte County, so we have feeder
13 markets of 750,000 to one million people coming
14 from Elkhart, South Bend, and Fort Wayne, so
15 that is really a strong market right there. But
16 there's a kicker there that is an interesting
17 one to talk about, all these people are going to
18 be coming from Chicago to the casinos to the
19 west of us. Those people are going to come here
20 occasionally, people like to gamble in more
21 than one location. And if they want to go
22 shopping or if they want to have a tourism
23 experience or a boat experience, they will come
24 here, not often.

25 Maybe if a customer comes 20 times a year

1 to a casino to the west of us, maybe they'll
2 come here two or three times. It's a real
3 potential market. It's one we did not include
4 in our numbers but it's one I know we'll have.
5 In conclusion, there is a market here in
6 Michigan City for a quality casino riverboat.
7 Now, let's talk about Trail Creek being the
8 right project as opposed to the harbor. Kim
9 Merchant, whom Peter mentioned to you, spent two
10 and a half years in this city. She worked with
11 residents, worked with consultants, talked to
12 people in the state, talked to people in this
13 city and she reaffirmed what we originally
14 believed.

15 We looked at the harbor sight and we
16 thought that it was wrong. It's not what the
17 community wanted. We even had an option on the
18 George Marine site, we dropped that option. We
19 didn't think that was right for us. We thought
20 the statutes, the gaming statutes, said we have
21 to reinvest in our community, we have to improve
22 some of these blighted areas, therefore, we
23 picked Trail Creek. It's convenient, close to
24 shopping, close to the highways coming to the
25 city, the 6th Street connection -- we'll talk

1 about that later -- it's close to downtown
2 which makes economic sense to turn distressed
3 property into an economic generator. It has
4 plenty of space for expansion. We've talked
5 about the harbor site and Trail Creek because
6 you all, like the city, have a very difficult
7 decision to make as to where you want to have
8 the casino located.

9 The harbor site with Lighthouse Place is a
10 point of pride for Michigan City. Trail Creek,
11 on the other hand, is a blighted area and in
12 need of redevelopment. So now there is a choice
13 here, do we do more development in an area that
14 doesn't need it and not develop a blighted area
15 that is going to create congestion at one end
16 and further blight at the other, or do we do a
17 balanced development as a city where both areas
18 are connected by the common 6th Street corridor
19 that's going to enhance both locations. We
20 believe very strongly that Trail Creek is the
21 only place to go. We will only go to Trail
22 Creek as a corporation.

23 My friends at Aztar will only go to the
24 harbor site, that's interesting. I worked for
25 Aztar for 10 years, I guess they have their

1 feelings, but we go the other way. We think
2 Trail Creek is right and we will only go to
3 Trail Creek. Let's talk a little bit about our
4 project. The reason we have these here is very
5 typical of what we do -- and you'll hear me
6 use the phrase "Isle Style" -- it's an ambience
7 of style. It's grand, big space, bright colors,
8 an ambience of fun and entertainment, that's
9 what we try to create in all of our casinos.

10 Here we have a rendering of the marina, you
11 saw that before. There's (indicating) where our
12 boat will be, and that's the pavilion we just
13 looked at. This (indicating) is the marina area
14 here, and the hotel here. This (indicating) is
15 future condos right here. This (indicating) is
16 a rendering of the retail mall and there will be
17 a theater. This (indicating) is the site plan.
18 The thing I want you to notice here is this
19 (indicating) is where the boat is, this
20 (indicating) is parking, this (indicating) is
21 the retail mall. This (indicating) is the
22 hotel, this (indicating) is the condos. Right
23 here (indicating) is the 6th Street bridge. It
24 is not working right now, we will spend 1.5
25 million dollars to make that bridge work.

1 That bridge will be the link between this
2 whole area here (indicating) and Lighthouse
3 Place through 6th Street corridor. So what
4 you're going to have developed there is a very
5 busy section connecting these two areas and a
6 full redevelopment, controlled redevelopment, of
7 the entire area. Let's talk about what is going
8 to be in our facility, 30,000 square foot
9 pavilion -- it is going to have the same look as
10 you saw in the video of all of our properties --
11 three restaurants, a player's club area and an
12 entertainment area.

13 We will be bringing in a riverboat, with a
14 classic riverboat appearance, it's called The
15 Emerald Lady which we have used before. We will
16 be cutting that boat in half and putting a 100
17 foot section into it, so the boat will be able
18 to take 876 slot machines and 25 table games.
19 It's really a delightfully charming boat, and
20 you saw a picture of one very similar to it in
21 the video. In addition to that, we're committed
22 to building a 225 room hotel. We have indicated
23 that either we will build it or we will cause it
24 to be built, mr. Goldstein has personally
25 guaranteed that. That hotel will be of resort

1 quality similar to our Crown Plaza Resort in
2 Biloxi. It will contain 5000 to 8000 square
3 feet of convention space, a pool, and other
4 normal resort amenities.

5 In addition in the future, and this is
6 committed, although it will not be done in the
7 first year, we will build an 800 space garage.
8 We will build 100 marina slips, and we will
9 build a daycare center for our employees'
10 children. Finally, and very importantly, we
11 will building with Mr. Brennan and Mr. Brennan a
12 226,00 square foot retail mall. I will now ask
13 Mr. Brennan to come up and explain that mall to
14 you.

15 MR. BRENNAN: My name is Mike Brennan. I
16 have lived in Michigan City all of my life. My
17 wife is a Michigan City native, and we have
18 raised our three children in LaPorte County. I
19 am president of the Shore Development
20 Corporation and a partner in the project. A
21 little background, I started practicing law in
22 Michigan City in 1967. I spent seven years with
23 the Prosecuting Attorney's office and the last
24 five years in the Deputy Prosecuting office in
25 LaPorte County.

1 In 1976 my law practice switched to one
2 that had an emphasis on corporate work and that
3 year I represented the imaginative group Tyler
4 Refrigeration Corporation in the acquisition of
5 that company from Clark Corporation. After that
6 acquisition I was made Secretary of General
7 Council of the corporation. Tyler is a major
8 manufacturer of commercial refrigeration
9 supplies equipment to the supermarket industry
10 worldwide.

11 In 1980 I became Chairman Chief Executive
12 Officer of Tyler and remained as such until 1984
13 when the company was purchased by Trane, the air
14 conditioning people in LaCrosse, Wisconsin. In
15 1985 I was introduced to several of the
16 executives of the Manufacturers Outlet Center
17 owned by J-Mar Ruby in Michigan City. I was
18 intrigued after learning of the concepts by the
19 special set of demographic circumstances which
20 seemed to make Michigan City the perfect fit
21 with the dictates of those manufacturers in the
22 location of the factory outlets.

23 In 1986 I embarked on the effort of raising
24 \$2.20 million of equity on the development of a
25 neighborhood adjacent to Michigan City's then

1 dying downtown area. The selection of the
2 location was announced as sure folly by everyone
3 who followed the philosophy of location,
4 location, location. But one of the main
5 concerns of the newly formed company in 1986 was
6 to try to give Michigan City a shot in the arm
7 and help the rejuvenation of its north end of
8 downtown as soon as possible. We believe the
9 unique nature of the outlet center business
10 would allow us to do just exactly that.

11 By 1993 Lighthouse Place had grown to over
12 220,000 square feet and was home to over 110
13 stores and many of the premier manufacturing
14 department store products in the country with
15 retail sales of over 75 million and visited by
16 over two million people annually, that's updated
17 by your numbers, Jack. Its impact on the
18 downtown area of Michigan City was gratifying,
19 but its impact on the people of our community
20 was even more gratifying.

21 It was a personal joy to watch store
22 managers move up corporate ladders with some of
23 these major corporations that have found homes
24 here, to watch high school and college students
25 find jobs in the summers and holiday periods.

1 Our company prospered and we became a money
2 contributor to as many civic and charitable
3 organizations. I have become a firm believer
4 that when economic development is taken on by a
5 person or a company that embraces a sense of
6 community, the quality of life will improve with
7 that development. By embracing a sense of
8 community, a company will temper its decisions
9 with a look as to what is best for a community,
10 what will motivate a community and ask itself
11 what will the community need. It becomes a good
12 corporate citizen and donates to the needs and
13 the needy of the community.

14 I'm here today because of my love for the
15 community and because Casino of America runs the
16 company with the philosophy of running the
17 company with the sense of the community. This
18 commission's ability to grant a exclusive gaming
19 franchise to Michigan City presents an
20 opportunity for significant economic development
21 on the north side of Michigan City. It presents
22 an opportunity to develop and enhance upstream
23 Trail Creek which needs development every bit as
24 much as the property on which Lighthouse Place
25 is built.

1 And making the decision to forgo the
2 presenting the gaming complex at the harbor,
3 even as an alternative, Casino of America
4 listened to its sense of community. In making
5 the costly decision to connect the east and west
6 banks of Trail Creek to the bridge at the 6th
7 Street crossing, it listened to its sense of
8 community because it knows the west bank has
9 little chance of revitalization if there is no
10 access cross the river at that location. If I
11 had not experienced the sense of community with
12 this company, I would not be here today.
13 However, I am here to assume responsibility for
14 the development component of this project.

15 That component of the project will enhance
16 the overall development in terms of critical
17 mass making it a true destination which will be
18 necessary to meet anticipated competition from
19 outside our city. My friend, Jeff Kerr,
20 confirmed for you earlier that Lighthouse Place
21 is one of the premier outlet centers in the
22 country. He confirmed the demand for additional
23 space in our community. The size of the project
24 we have proposed is virtually the same as he has
25 proposed today. We think it's critical that

1 such expansion in our community be an integral
2 part of the gaming complex.

3 Even more than the economics of shared
4 infrastructure, the gaming and shopping
5 complement each other and can and will be
6 marketed together.

7 In 1993 Lighthouse Place was sold. At the
8 time of closing, our company took \$500,000 from
9 sale proceeds and created a permanent endowment
10 in the Unity Foundation in LaPorte County. This
11 endowment was established to ensure that our
12 company would continue to be a contributor to
13 our community long after it ceased to exist.
14 There was no obligation for us to do that, only
15 a sense of doing it. My commitment to this
16 project is driven by that same sense of
17 community. No one can stand before you and
18 guarantee success, but opportunity creates
19 investment and thus a chance at success. The
20 Casino America project generates the greatest
21 opportunity for Michigan City to benefit from
22 the investment to be made. It alone provides
23 ease of access to a gaming complex to
24 neighborhoods in areas adjacent to downtown so
25 in need of investment and revitalization. It

1 alone creates the opportunity for others to
2 develop along the corridor of 6th Street leading
3 to downtown.

4 I have had the pleasure of watching others
5 develop and rehabilitate the neighborhood around
6 Lighthouse Place and look forward to the same
7 phenomenon again as others leverage on the
8 Casino America. My sense of community makes me
9 proud of the project and proud to be a part of
10 it.

11 MR. GALLOWAY: Thank you Mike. Now let's
12 talk a little about costs. This is a summary of
13 what will be spent on the project in the first
14 year. The total project is a little more than
15 that. I'll show you that later. We start with
16 our accelerated success action plan, our ASAP
17 plan, which is basically a plan designed to get
18 things going quickly, to get revenue coming
19 quickly and to start letting people know what
20 Michigan City is all about.

21 Our plan is similar to the other ones
22 in that we will have a boat in this site. We
23 will bring a barge to service that boat that
24 will have a restaurant and other amenities on
25 it. We understand that the dredging will be

1 minimal, if any, we don't think there is any at
2 all. And we talked about the Corps of Engineers
3 permit. We will only do harbor cruising unless
4 we are required to go out in deeper waters and
5 the boat is capable of doing that. We believe
6 this plan will generate \$7 million in taxes for
7 the city and \$11 million for the state.

8 The unique thing about Casino America is
9 that we've done this before. I believe in the
10 four other projects we did this type of plan in
11 three of them. We know how to get up and
12 running quickly and we will do it here. The
13 ASAP plan will cost \$16.9 million, and I wanted
14 to relate that to the overall \$88.5 million. I
15 am going to explain where the 35 million comes
16 from then we will discuss the hotel and retail.

17 This is the ASAP plan, \$16.9 million of
18 that \$4.5 million will be equity cash. We will
19 bring in a pavilion barge with a value of \$3
20 million and we will use financing for our gaming
21 equipment and shuttle buses. I would point out
22 that our Casino American equity is effective
23 equity of 45 percent and we can discuss this
24 during question and answer in a while. The
25 permanent Trail Creek project price is \$35.1

1 million of which \$7.5 million will be equity
2 cash, this is cash that would be generated from
3 our first year of operation.

4 No cash from this operation outside of
5 Indiana -- I should point out that our
6 performance for the first year shows a cash
7 generation of \$10 million. This basically shows
8 that we have a cash reserve of \$2.5 million that
9 will be staying in Indiana. In addition, we
10 will be bringing in our boat with a replacement
11 value of \$12 million and we will be renovating
12 that boat for \$9.6 million with \$2 million for
13 site improvements and building a \$4 million
14 pavilion. Of the total \$35.1 million, \$15.6
15 will be financed. Again we have Casino America
16 equity quite high, effective equity of 55
17 percent.

18 Looking at the total project again we have
19 the 45 percent is \$16.9 million of the \$35.1
20 million. So for the base project of \$52 million
21 we have 52 percent equity. The hotel, we will
22 also start construction on during the year, will
23 either be built by Casino America -- and Mr.
24 Goldstein has given a personal guarantee that he
25 will cause it to be built or he will build it

1 himself. Our goal is to have an outside
2 developer build it to our specifications, if
3 not, we have the to build it ourselves.

4 Mr. Brennan will be responsible as a
5 partner for a building that we're spending \$20
6 million on, the retail mall. In addition, we
7 are committed to spending \$4 million on a
8 parking garage, \$1 million on a daycare center
9 and \$2 million on the marina. This is not
10 planned to be done in the first year but we will
11 do it.

12 Let's talk about what this means for
13 Michigan City and Indiana. It means roughly \$21
14 million in state and local taxes. By the way, I
15 want to mention the video said \$15 million, that
16 is only gaming taxes. We are only estimating in
17 our revenue number, we estimate a revenue of \$70
18 million. For the first two years we estimate
19 \$21 million. We estimate 1.3 to 1.4 million new
20 visitors, a \$28 million payroll, complete
21 redevelopment of the area and something not too
22 many people talked about, there are a lot of
23 spin-offs that come from that, sales tax, new
24 jobs generated and more area investment. Those
25 area not direct things that we will be doing but

1 certainly those are things that will be
2 spun-off.

3 Let's talk about employment commitment. We
4 will create 1400 new jobs, 975 new casino jobs,
5 425 in hotel retail, 80 percent of those jobs
6 will be full-time. Our annual payroll will be
7 \$28 million plus \$7 million in fringe benefits.
8 We expect the jobs will be 90 percent filled
9 with local residents, that means almost all of
10 them from LaPorte County. We have a proven
11 track record on this and we deliver on these
12 types of commitments. We will have 40 percent
13 minorities at all levels and 40 percent females
14 at all levels. We will generate over 200
15 construction jobs.

16 Mr. Rusthoven introduced Robert Boone
17 earlier as the man who is responsible for that
18 in our company. He works almost full-time with
19 the managers making sure this kind of thing
20 happens and it does happen. I want to read you
21 a few statistics. In Bossier City we made a
22 commitment to a group like you that we would
23 have a goal of 90 percent local residents, we
24 now have 97.8 percent. We committed to 24.5
25 percent female, we have 58 percent. We

1 committed to 24.5 percent minority, we have 52
2 percent minorities. At Lake Charles we
3 committed to 90 percent local, we have 93
4 percent right now. Our minority commitment was
5 40 percent and we have 42 percent, our female
6 was 40 percent and we did 55 percent. I should
7 also point at the Lake Charles of the top 30
8 management positions, 11 of them are either
9 minority or female.

10 From our purchasing point of view, we
11 expect that 10 percent of our purchases of goods
12 and services will be from female and
13 minority-owned businesses and 75 percent of our
14 purchasing will be done locally. Again looking
15 at Bossier City we committed 10 percent to
16 minority purchases and we're at 12 percent. We
17 committed 10 percent female business purchases
18 and we're at 17 percent. In Lake Charles,
19 female and minority businesses combined, we
20 committed 25 percent so far, six months into the
21 operation we're already at 23 percent.

22 I would also point out that in Lake Charles
23 over \$2 million of our construction will be
24 given to minority-owned construction companies,
25 so far we're at \$2.34 million. We take this

1 kind of thing very seriously. We deliver on our
2 promises. We believe it is our obligation to
3 help minorities get ahead. We are very
4 successful at it. We're very good at it. And
5 Mr. Boone is the man who will lead us in that.

6 Let's talk about our company. I want you
7 to be comfortable that we are the right company
8 to do this project for you. First of all,
9 Casino America's economic incentive agreement is
10 the best for the city. Everybody gave a
11 commitment on a incentive agreement and the
12 city's gaming consultants stood in analysis of
13 it as it relates to the Trail Creek site
14 analysis. Assuming as our incentive changed
15 when the Native Americans open a casino, then
16 our incentive package goes down from what it
17 starts at taking into account of that our
18 incentive package's present value is \$4.1
19 million. The present value for the competitors
20 package was \$2.3 million. Basically what I'm
21 saying is the present value of our package is
22 \$1.3 million superior of the other Trail Creek
23 site proposal.

24 We talk of our experience. We have four
25 riverboats, every one of which is successful in

1 their markets. I've talked about it before, we
2 have the "Isle Style". We have a consistent
3 product. We have a product that people like to
4 come and experience. We have friendly
5 employees. We have bright colors. We have the
6 best video and gaming equipment available. We
7 give people a lot of fun, that's what we do.
8 Our customer service, in my opinion, is the best
9 of any casino in the United States. By the way,
10 everybody will tell you that.

11 I would also tell you that our people work
12 on it all the time, we are very aggressive in
13 our marketing. You saw the kinds of things we
14 do. We also have a great emphasis on database
15 marketing. Once we have a customer experience
16 our product, we spend a lot of time bringing him
17 back. We also spend a lot of time on direct
18 mail and those types of database marketing. We
19 have proven that we can get into business
20 quickly and successfully. And we will do that
21 here. When you tie our experience in with Shore
22 Development's experience, I think we have a team
23 that cannot be beat. Certainly Shore
24 Development knows how to build retail malls. We
25 are competitive. We do well in a competitive

1 environment.

2 We are comfortable -- of course, we don't
3 love having a Native American casino right next
4 to us but we know how to do that. We compete
5 against Native Americans in two other venues and
6 we do that successfully. Competition and
7 capitalism, that is what makes a good product,
8 we welcome that and we will do well there.
9 Casino America is a financially secure
10 corporation. We are the only public company
11 before you today. We have never had a losing
12 quarter. We manage assets between \$350 and \$400
13 million range. We manage revenues of \$350
14 million, 4900 employees, 3600 slot machines, and
15 200 table games. We're a pretty big company.
16 We make a profit, what we do we do well.

17 Last year we made a profit of \$18.1
18 million. We are committed to the community,
19 Peter mentioned that and the video mentioned
20 that. I want to talk to you about that, it is
21 very important to us. When I went to school, I
22 had a professor that told me the public
23 companies serve three constituents, it serves
24 shareholders, who must make a profit; they serve
25 customers, they must make a good product, and

1 they serve employees. Only by having satisfied
2 and well-paid employees will you be successful
3 and I agree with that. But the casino business
4 is different, especially when you are granted
5 only one license for a certain area.

6 A casino license here is a privilege, not a
7 right, because of that it changes the
8 definition. Casino America serves four
9 constituents, the fourth being the community, we
10 believe very strongly in that. Bernie Goldstein
11 believes very strongly in that.

12 To give you a feel for how Bernie does in
13 his own company, he does what he tells us to do.
14 Two weeks ago Bernie received the 1996
15 Distinguished Community Service Award from the
16 Simon Weisenthal (phonetic) Center in Boca
17 Raton. In 1994 Bernie received the South Palm
18 Beach County Jewish Federation Businessman of
19 the Year Award. I personally have been very
20 active in the community. When I was in Atlantic
21 City, I was the president of the United Way. I
22 was president of the volunteer center of
23 Atlantic County. I was a member of the board of
24 directors of the Miss America Pageant. It's not
25 only at the senior level that we have committed

1 people, it's at the general management level.

2 There are a lot of things there that Jim
3 Hinkley, our manager of Biloxi, does for the
4 community. But I want to make the point that he
5 doesn't just sit on the board of directors, it
6 shows that he is chairman of the South
7 Mississippi United Way. He is president of Gulf
8 Coast Chamber of Commerce. He is co-chairman of
9 Boys & Girls Club. He is the board president of
10 the Leadership Gulf Coast Alumni Group. He
11 makes things happen in the community. He makes
12 the community a better place to live. Roger
13 Derby (phonetic) in Pittsburgh is very similar,
14 he serves on a lot of boards also. However, he
15 is also the large firms campaign chairman for
16 the United Way. He is vice-president of the
17 Vicksburg-Warren Chamber of Commerce. He is the
18 board chairman of the American Heart
19 Association. He is chairman of the Mississippi
20 Gaming Commission.

21 Joe Peruggio (phonetic) in Bossier City, he
22 also serves on many boards. Joe is chairman of
23 the Bossier Parks & Recreation Board, and he is
24 president of Louisiana Riverboat Casino
25 Association. Our newest member is Bobby Little,

1 who has been with us only six months, and is
2 already a member on five boards already. He is
3 already very active in the community, that is
4 not easy to do because he is still finishing the
5 construction on his facility. He works very
6 hard to be part of the community, to be active
7 and contribute. I'm sure in a few weeks you'll
8 see him with the same vice-president, president
9 titles that our other managers have.

10 Two and a half years ago we brought Kim
11 Merchant on board. We asked Kim to give us an
12 overview of what she has done in the community,
13 she gave us seven pages. I said, Kim, I can't
14 put a slide up there with seven pages. Those
15 seven pages are in your book. But if you want
16 to summarize them, it shows that Kim sponsored
17 74 charity fund raisers, 51 community events,
18 and 19 civic presentations. That is Casino
19 America's philosophy, we believe that community
20 involvement is critical not only because we have
21 this privilege but we owe it to the community to
22 give it back, everyone in the corporation
23 practices that.

24 Casino America and Shore Development are
25 Michigan City's best bet. We have the

1 experience. We operate four successful boats.
2 We have a proven product "Isle Style" where
3 people come and have a good time. We have our
4 ASAP program which gets things operating right
5 away and starts generating revenues to the city
6 and state. We have a strong local partner who
7 will be a complement to our project and help
8 provide an exciting area. We have financial
9 strength. We make profits. We are a public
10 company, We are committed to the community.
11 Ladies and gentlemen, we are committed to this
12 project. We hope you will allow us to prove it.
13 Thank you.

14 MR. RUSTHOVEN: Ladies and gentlemen, that
15 concludes our presentation. We thank you for
16 your attention after a very long day. We will
17 take a break before question and answers.

18 (Recess taken.)

19 MS. BOCHNOWSKI: I think we are going to
20 be getting started here as soon as everybody has
21 a chance to sit down.

22 MR. RUSTHOVEN: I thought we'd -- I was
23 prepared to answer questions. I thought it
24 might be helpful for me to briefly introduce the
25 executives that we have here so we can have an

1 idea of who would be better capable of answering
2 particular questions.

3 Mr. Goldstein, our chairman of the board,
4 you've met; Mr. Galloway you have obviously met.
5 Our president -- our vice president of human
6 resources is Robert Boone. Ken Schultz is our
7 vice president in charge of construction
8 development. Rex Yeisley is our vice president
9 and chief financial officer. David Paltzik is
10 our vice president for marketing. Our executive
11 vice president and general counsel is Allen
12 Solomon. Kim Merchant is our director of
13 community development. Chris Rice is behind me,
14 he is our director of new development. Mike
15 Brennan you have met. And also part of our team
16 if Matt Raab of Crowe Chizek who has been a
17 consultant on evaluation, market and things like
18 that.

19 With that we are open to questions.

20 MS. BOCHNOWSKI: And I would ask that all
21 of you even though you have been introduced as
22 you come up and talk please state your name
23 again.

24 MR. RUSTHOVEN: My name is Peter Rusthoven.

25 MS. BOCHNOWSKI: Thank you.

1 MR. RUSTHOVEN: I'm sorry.

2 MS. BOCHNOWSKI: Would anybody like to
3 start the questioning.

4 MR. SUNDWICK: Yeah, I would.

5 MS. BOCHNOWSKI: Good.

6 MR. SUNDWICK: You know, I -- you had an
7 excellent presentation, very nice. At the end
8 of the day I didn't even go to sleep so it was a
9 great presentation.

10 MR. RUSTHOVEN: Thank you, sir.

11 MR. SUNDWICK: You know, with the
12 organization that you have had and the
13 presentation you have made and the commitment
14 you have made to the community, I'm certainly
15 assuming that the ladies that were up here
16 yesterday were talking somebody that had two or
17 three years commitment and judging by the amount
18 of activity this young lady put into the city
19 this is the company they are talking about.

20 Why is it that -- with the community
21 involvement why weren't you the preferred
22 supplier or vendor if you will to the city?

23 MR. RUSTHOVEN: I think that's a good
24 question. Let's talk a little bit about a
25 number of factors on the community process here.

1 You have 22 people on it. The total number of
2 votes and points that were awarded, if you look
3 at that, there were 16,000 points awarded. And
4 we were within, I think, 218 votes of the elder
5 developer proposing a Trail Creek site.

6 Essentially this was as close to a
7 statistical dead heat as you could get. In
8 terms of specific reasons why -- them having
9 -- we're engaging in speculation to some degree
10 here -- but we have looked at specific votes as
11 you might imagine.

12 And one of the things that I think
13 happened -- a very good example of this I can
14 give you is I believe our economic development
15 incentive package. Mr. Galloway described how
16 the city's consultants did a present valuation
17 of 10 years of revenue on the following
18 assumptions, \$60 million level of gaming revenue
19 which, as you have seen, is fairly conservative.
20 That assumption actually hurt us because we have
21 an increased percentage of adjusted gross gaming
22 revenues going to the city the higher we get, so
23 that was a conservative assumption.

24 Another conservative assumption was that we
25 would have Native American gaming on line within

1 two years, and our percentage goes down after
2 two years in terms of the economic dissent of
3 the city. Even with those kinds of assumptions
4 the present value of our package within your
5 basis was over 4.1 million. The present value
6 of the competitor of Trail Creek was in the
7 neighborhood of 2.3 million.

8 Why do I describe this, because if you look
9 at how particular people voted -- and I'm not in
10 the business of casting aspersions, I'm not
11 going to do that on anyone -- people make
12 decisions on these local communities, they
13 decide they like one developer for this reason
14 or another reason.

15 Some people's votes, I think if you would
16 look at them, you will find extremely high local
17 economic incentive packages ratings for our
18 competitor whom they preferred for any number --
19 for whatever reasons they may have preferred and
20 extremely low economic incentive ratings for us
21 even though their own consultants had said we're
22 at 4.1 million, the others are at 2.3.

23 In that kind of complicated voting system
24 if you have a strong preference for a particular
25 candidate, if you decide to rate your particular

1 candidate very, very high and then the
2 competition very, very low, that's one of the
3 ways you express that preference. That kind of
4 voting on a few instances explains almost the
5 entire difference here in terms of the 218 point
6 difference out of the 16,000 total points.

7 But let's -- so it's -- that's the only
8 kind of explanation I can offer you to look at
9 that kind of thing. But I think more important
10 is to look at what the purpose of the local
11 participation in the endorsement process is.
12 This is a decision that's within -- it's for the
13 commission to decide who gets the license but
14 it's more than that it's for the commission to
15 decide not to evaluate what the local
16 community's input is.

17 It is, as I see it from watching several of
18 these and being involved in the past,
19 commissioners looking to local communities to
20 find out what the preferences are in terms of
21 types of development, location of development.
22 On those I think it is clear where we stand with
23 this community.

24 The commission is looking to the community
25 to identify other matters of peculiarly local

1 concern and whether we have someone who is
2 unacceptable to the local community for whatever
3 reason. Mayor Bergerson was very straight
4 forward yesterday saying, no, these people --
5 the other competitors -- absolutely are
6 acceptable to me and we will work with them.

7 It is not, in my view, the job of the local
8 community to identify one company among two
9 acceptable companies that should get the
10 license, I believe that's the job of this
11 commission. Now if we lose by one point out of
12 however many points with this commission, then
13 the other person gets the license, that's this
14 commission's job.

15 In terms of a local evaluation process, I
16 don't think that's the role of the local
17 evaluation. I think we should say where do we
18 want the site, what kind of developer do we
19 want. I think you have a statistical dead heat
20 between the two competitors and that's the way
21 we stand before you.

22 MS. BOCHNOWSKI: Okay. I have a -- go
23 ahead.

24 MR. MILCAREK: I'm curious about the 6th
25 Street bridge and the marina. You said 1.5

1 million and 2 million respectively, would you
2 explain how that's going to be paid for. I'm
3 just curious at this --

4 MR. RUSTHOVEN: Jack, if you want to start
5 with that.

6 MR. GALLOWAY: We will pay for it
7 ourselves. We will construct that bridge at our
8 cost and then turn that bridge over to the City.

9 MR. MILCAREK: What is this -- is the city
10 going to buy it back for --

11 MR. GALLOWAY: Excuse me.

12 MR. MILCAREK: Is the city going to buy
13 this bridge back or what?

14 MR. GALLOWAY: No. We are going to give it
15 to them, we will do it for them. Whatever it
16 costs to make that bridge work and fix it, we
17 will pay for and the city will own the bridge.

18 MR. MILCAREK: It says in our report here
19 that it will be funded, however, the 3.5 million
20 will be reimbursed by the applicant by the 10
21 percent pretax contribution to the economic
22 development fund, what is that about?

23 MR. RUSTHOVEN: Mr. Milcarek, let me
24 explain. This is one of the very few areas of
25 change that we made in response to the city's

1 requests in dealing with the gaming consultants.
2 That has been some conversation about the city
3 wanting its economic incentive package
4 structured in a particular way.

5 Some people -- and people make their own
6 decisions about that -- some people will view
7 that as something that they thought was 11th
8 hour unfair. We had no problem with the city
9 saying we would prefer our economic incentive
10 package this way.

11 They wanted two things, they wanted a
12 percentage of gross gaming revenues without
13 restrictions in terms of how the funds would be
14 spent because they thought they were in the best
15 position to do so, our response was, fine.

16 The other reason we were told to do that
17 was because we were told the local evaluation
18 committee wanted to put everything on an apples
19 to apples basis. So they wanted everybody to
20 respond in terms of what you will do with gross
21 gaming revenues, that's why we were happy to do
22 it. Others did not do it but we didn't know
23 that was what the result was going to be.

24 Now, as part of the original incentive
25 package we were going to be a 10

1 percent partner. The city was going to be a 10
2 percent partner and would share in profits at a
3 10 percent level. One of the things that we
4 wanted to come out of that 10 percent was for
5 the city out of its 10 percent to pay for that
6 bridge which was going to belong to the city.

7 The city's gaming consultants advised us
8 that they would prefer that we pay for the
9 bridge ourselves and if they have just a
10 percentage of gross gaming revenues and we said
11 yes. So that's a change in terms of what was
12 described in that in terms of what we then
13 agreed to do with the city as part of its
14 evaluation process.

15 MR. MILCAREK: I just wanted to make sure
16 that the city wasn't going to end up paying for
17 the bridge if everything didn't work out as
18 expected.

19 MR. RUSTHOVEN: No, Mr. Milcarek. We are
20 paying for the bridge and we are giving it to
21 the city.

22 MR. SUNDWICK: You made the comment that
23 everybody is in favor of the creek location. We
24 have only seen one specific study that was done,
25 whether you agree or disagree with it, that says

1 that's not the case, how would you respond to
2 that?

3 MR. RUSTHOVEN: My name is Peter Rusthoven.
4 I could respond to that several ways. We asked
5 for copies of that. I haven't had a chance to
6 see it yet, the poll. We are producing the
7 copies.

8 It is perfectly apparent -- and Kim
9 Merchant can talk about this more, she's lived
10 here for two and a half years -- but from the
11 beginning everything I have heard since I became
12 involved in this project involved a strong
13 community commitment to redeveloping the Trail
14 Creek site. It was the first thing I heard from
15 former Mayor Behler, it was the first thing I
16 heard from Mayor-elect Bergerson.

17 It was the choice as you saw of this broad
18 based committee 17 out of 20, well, 21, people
19 who voted. Now, in terms of the poll -- I have
20 another life that involves looking at polls and
21 being involved in politics a little bit -- all I
22 know about this poll is where I read in the
23 gaming insight which said that it identified
24 site characteristics but did not identify the
25 actual sites.

1 I -- people can do those things and that's
2 fine and I'm not casting aspersions on anybody
3 doing that. I do know that I have seen polls
4 like that that would have all of you having been
5 appointed by Lily Pierson (phonetic) instead of
6 Evan Bayh because Lily Pierson was going to be
7 governor in 1984 based on polls identifying
8 candidate characteristics as opposed to
9 identifying actual candidates.

10 I think if you took a community poll that
11 said, do you want the harbor site or Trail
12 Creek, I don't have any doubt how that would
13 come out in this community.

14 MR. SUNDWICK: We really don't know that.
15 I mean you are making characterizations. You
16 understand the poll.

17 MR. RUSTHOVEN: Yes.

18 MR. SUNDWICK: You understand what two
19 mayors told you so, therefore, that's what the
20 city must think?

21 MR. RUSTHOVEN: No. I --

22 MR. SUNDWICK: That's what the city must
23 think?

24 MR. RUSTHOVEN: No, sir. I would not say
25 that. I said that's part of the evidence of

1 this.

2 MR. SUNDWICK: So we really don't know what
3 these people think?

4 MR. RUSTHOVEN: No. I think you know 17
5 out of a 21 member evaluation committee said --
6 said that this is where we want this to go and
7 that was a pretty broad based group, I think.
8 And Kim is happy to speak, she has lived here
9 for two and a half years as opposed to a poll
10 taken within a week or something.

11 MS. MERCHANT: Good afternoon. I'm Kim
12 Merchant. It is my pleasure to speak to you and
13 answer that question. I have been here almost
14 two and a half years, and I have made 19
15 presentations to this community. And every one
16 of our presentations has presented the Trail
17 Creek site. There has not been one question as
18 to would you do it in the harbor, would you do
19 it anyone else.

20 Ever since we have moved here right after
21 the referendum in November of 1993 this site was
22 presented as where the community wanted to have
23 redevelopment.

24 MR. SUNDWICK: I guess the definition of
25 community is what I'm looking for.

1 MR. RUSTHOVEN: Excuse me, Commissioner.
2 One other aspect -- and I believe Mayor
3 Bergerson addressed this yesterday -- in terms
4 of the community being the community that passed
5 the referendum everything I have ever heard and
6 I believe I heard it from the Mayor and other
7 city officials yesterday was this referendum was
8 discussed in terms location of the development
9 occurring to improve the upstream site, that's
10 been my consistent understanding.

11 DR. ROSS: Can you comment on what the
12 three labor people talked about yesterday that
13 there were no labor people at all on that
14 committee, Ms. Merchant.

15 MS. MERCHANT: I'm sorry. I had no -- no
16 -- nothing to do with the arrangement of the
17 committee people. It was made up of a steering
18 committee who decided what the committee would
19 be made up of and I cannot speak to that. I'm
20 sorry.

21 MR. SUNDWICK: So it cannot be
22 representative of the community then?

23 MS. MERCHANT: I'm sorry.

24 MR. SUNDWICK: It could not be
25 representative of the community, is that what

1 you are saying?

2 MS. MERCHANT: I can't say that. It was --
3 they were appointed by the city council,
4 appointed by the Mayor as well as city staff.
5 It seemed to be a well rounded committee. I
6 know that in regard to one of the comments
7 yesterday about union labor we also did commit
8 to union construction labor. So I feel that,
9 you know, we will have their representation in
10 our development.

11 MR. RUSTHOVEN: Mr. Brennan also can
12 comment on this as a resident of Michigan City.

13 MR. BRENNAN: Mike Brennan. Maybe I can
14 answer a couple questions. My understanding
15 was -- and this came from some conversations
16 earlier today and some knowledge of the makeup
17 of that committee -- but I understand that four
18 of the members of the committee were members of
19 organized labor, union members. In reference to
20 the comment earlier relative to --

21 MR. SUNDWICK: You mean all of the
22 gentlemen yesterday were wrong?

23 MR. BRENNAN: I mean that there were four
24 representatives. I think their comments
25 yesterday, sir, addressed the issue of whether

1 or not they could speak in public for or against
2 a proposal if I recall. Is that not correct?

3 MR. SUNDWICK: I just must have
4 misunderstood it all.

5 DR. ROSS: They said there was nobody in
6 the committee that represented --

7 MR. SUNDWICK: Could you name the four.

8 MR. BRENNAN: No, I cannot. I do not know
9 the names of the four. They were probably not
10 elected representatives. They were probably not
11 the chairmen of a labor council or a particular
12 union. I understand they were union members,
13 that was my comment.

14 Could I address for a moment the issue of
15 the community and its lakefront harbor
16 development versus upstream. Michigan City has
17 a very unique nature to it. I have lived here
18 and I will speak as a resident of the community
19 and having watched it develop over the years.

20 It has a very protective feeling and flavor
21 as far as its lakefront and its park is
22 concerned and part of that is the harbor area of
23 Michigan City.

24 There was a proposal several years ago in
25 the community to build a high-rise at the

1 Franklin Street bridge immediately adjacent to
2 the Old Light House Museum, which I think you
3 saw yesterday which is a small green type
4 building across Trail Creek near the yacht club.
5 And there was a loud human cry from a
6 significant portion of this population about
7 what kind of effect, a destructive effect, that
8 would have not only on the park and the entrance
9 to the park but the structure itself.

10 I believe when we say that the community
11 has voted -- what the community has voted as far
12 as that vote was concerned is, in fact,
13 representative and probably in those
14 proportions.

15 MR. SUNDWICK: Specifically since you were
16 up here -- I was going to ask it later -- you
17 were the original developer of the Light House
18 Mall, right, area?

19 MR. BRENNAN: Yes. That's correct.

20 MR. SUNDWICK: You sold that when?

21 MR. BRENNAN: Nineteen eighty-three.

22 UNIDENTIFIED SPEAKER: Nineteen
23 ninety-three.

24 MR. BRENNAN: Excuse me, '93.

25 MR. SUNDWICK: Nineteen ninety-three.

1 MR. BRENNAN: Right.

2 MR. SUNDWICK: As good businessmen the
3 people that probably bought that mall from you
4 probably had a noncompete clause in their
5 agreement, is that true?

6 MR. BRENNAN: That's correct, yes.

7 MR. SUNDWICK: How do you propose to
8 develop 250,000 square feet of space with a
9 noncompete clause?

10 MR. BRENNAN: I have kind of a peculiar
11 arrangement with Horizon Group, and I'd like to
12 spend a moment if I could to answer that
13 question.

14 Since -- in the first place I'm a
15 substantial shareholder in that corporation. My
16 offices are, and their office is, at the Light
17 House Place. I continue to work -- Jeff Kerr is
18 a good friend of mine.

19 At the time the gaming referendum was
20 originally proposed in Michigan City we were
21 going through the transactional basis of our
22 transaction. Jeff came down, we talked about --
23 we talked about the opportunities for future
24 expansion in the community, what a tremendous
25 opportunity this would be.

1 I don't know how many times over the last
2 couple of years we have discussed the progress
3 of Michigan City, what was the status of gaming,
4 when did this development potentially occur.
5 Jeff is aware of the presentation I made today.
6 We discussed his presentation in the hallway a
7 few minutes ago.

8 The fact of the matter is if a license --
9 as I indicated in my talk earlier, the important
10 part of the expansion of Light House Place or
11 outlet center in Michigan City is that it's got
12 to be integrated with a gaming complex as most
13 of these proposals have been.

14 It's my understanding with Jeff that if
15 they get the license, Horizon will build an
16 outlet center in that location. If Isle of
17 Capri gets the license, we will work together on
18 the development of the outlet component in the
19 area that I'm in. This is not an anti
20 competitive situation and that noncompete
21 covenant, sir, runs only to them.

22 MR. SUNDWICK: Yes, I understand. So
23 they -- you are not going to have a problem with
24 this. They're just going to -- it's all right
25 with them if you build -- if you get this

1 license and you have this noncompete clause,
2 there won't be a problem?

3 MR. BRENNAN: No, I don't believe there
4 will be. In fact, they could have the
5 noncompete clause run to the extent that they
6 could have precluded me from making this
7 presentation today which they knew about and
8 were there. I don't think it will be a problem.

9 MR. SWAN: Did you say you are a
10 shareholder in Horizon?

11 MR. BRENNAN: Pardon.

12 MR. SWAN: Did you say you are a
13 shareholder in Horizon?

14 MR. BRENNAN: Yes, I am.

15 MR. SWAN: What interest do you have in
16 that entity?

17 MR. BRENNAN: You mean in terms of total
18 percentages?

19 MR. SWAN: In Horizon.

20 MR. BRENNAN: It's a public company, it's
21 much less than 1 percent.

22 MS. BOCHNOWSKI: Do you believe that -- I
23 mean these are two separate locations now -- do
24 you think having been involved in this business
25 that this is going to work? Is one going to

1 suffer because the other one is there and you
2 have got a newer project, is the older project
3 going to suffer? Is this actually going to work
4 to the detriment of Michigan City?

5 MR. BRENNAN: No. I don't think it will at
6 all. It's an interesting question because in
7 many respects we went through the same process
8 as we added on to Light House Place. You keep
9 wondering whether or not you're going to have a
10 diluted effect by voting more tenants in simply
11 eating up the same amount of dollars. Now it's
12 a little bit different answer but that was never
13 a factor.

14 In fact, as I indicated in 1993 sales were
15 approximately 75 million. Mr. Kerr indicated
16 this morning the sales this past year were
17 approximately 100 million. It's a matter of a
18 critical mass in a community and I might point
19 out some other examples.

20 Boaz, Alabama, for instance, has about a
21 million square feet of outlet centers and yet
22 the facilities are located in different areas.
23 One did not destroy the other, what it did was
24 it fed more people into the community.

25 Pigeon Forge, Tennessee, was the same

1 reaction where the original Pigeon Forge Outlet
2 Center had competitors grow up, not within
3 walking distance necessarily of where the
4 original facility was and it continued to grow,
5 so it has not had a diluted effect in other
6 communities.

7 I think it will have the effect of creating
8 more of a critical mass providing more
9 opportunities to the outlet shopper, and there
10 is a large base out there. And that -- in the
11 efforts of cross marketing these projects along
12 with connecting them with trams or trolleys or
13 whatever it may be, we are really going to
14 enhance the whole experience as opposed to
15 dilute it.

16 MS. BOCHNOWSKI: So how complicated will it
17 be to get from one to the other?

18 MR. BRENNAN: Well, if -- I would argue
19 with somebody that you couldn't walk that
20 distance. However, prudence tells us just as we
21 did when we expanded the Light House Place
22 several years ago, you buy a trolley or series
23 of trolleys to move people back and forth. So
24 it's not difficult particularly if the 6th
25 Street Bridge is built, if not, it's extremely

1 difficult and I wouldn't be involved in the
2 project at all because it won't work.

3 MR. SUNDWICK: You understand the reason
4 that I'm concerned about this noncompete clause.

5 MR. BRENNAN: Of course. Absolutely.

6 MR. SUNDWICK: So I'm kind of hoping that
7 the next time we get together we will have
8 another kind of couple of questions and answers
9 in Indianapolis probably. I would like to have
10 the gentlemen from Horizon be prepared to say
11 that this is not a problem.

12 MR. BRENNAN: Okay.

13 MR. SUNDWICK: So we don't have any -- in
14 the final act of this play somebody says, well,
15 we have a problem here, your attorneys might
16 have a different outlook than yours. I have a
17 noncompete clause in mind because I wouldn't
18 want you backing my business and all of a
19 sudden, gee, it's okay. I'm trying to figure
20 that out, I don't -- why have the clause?

21 MR. BRENNAN: I'm not sure our relationship
22 was the same when we originally started back in
23 1993. Certainly this prospect was just barely
24 on the table at that point.

25 MR. SWAN: Mr. Brennan, I have a question

1 before you sit down, please, sir.

2 MR. BRENNAN: I'm almost sorry I stood up.

3 MR. SWAN: The land for the Trail Creek
4 site is currently held, a good portion of it, by
5 the bank?

6 MR. BRENNAN: Yes.

7 MR. SWAN: Is it LaPorte County Bank? I'm
8 not sure of the --

9 MR. BRENNAN: First Citizen's Bank.

10 MR. SWAN: First Citizen's. I'm sorry. Do
11 you have an interest in that bank personally?

12 MR. BRENNAN: No, I do not.

13 MR. SWAN: Will you be obtaining any
14 financing from that bank to do the development
15 work on that site?

16 MR. BRENNAN: No, I do not believe so. I
17 have never done that.

18 MR. SWAN: I was looking to see if we have
19 a conflict of interest kind of thing here and
20 apparently not?

21 MR. BRENNAN: No.

22 MR. SWAN: Thank you.

23 MS. BOCHNOWSKI: I would like a legal --
24 your legal opinion, and I know this is just
25 yours, on that Trail Creek site. This is a

1 dilemma that we are going to be facing as to
2 whether this is the legislative intent, it's
3 hard to read minds. I guess technically it's
4 okay to put a boat on that site but --

5 MR. RUSTHOVEN: I would respond to Mr.
6 Thar's comment not just technically, that's what
7 the statute says. The statute -- the statute is
8 not -- we are not talking about playing games.
9 I think the phrase was about what is or is not
10 Lake Michigan. The statute authorizes gaming in
11 counties adjoining Lake Michigan on navigable
12 waters. This is navigable water in a county
13 that adjoins Lake Michigan.

14 Now, I recognize that there was sensitivity
15 that arose in the southern part of the state
16 with respect to the Ohio boundary and cruising
17 issue which arose out of an entirely different
18 situation which had to do with the exercise of
19 the commission's then regulatory authority with
20 respect to when boats would not have to cruise.

21 And as I understand what the commission did
22 was that it passed a regulation that provides
23 that one of the reasons that a boat could decide
24 not to cruise was a decision by the master that
25 there was a serious risk of violating another

1 state's laws to which the legislature responded,
2 no, that's not something we want to happen, we
3 want our boats to leave docks and to cruise.
4 This boat will leave the dock and cruise.

5 The other aspect of this -- I know you are
6 getting ready to ask me a question,
7 Commissioner, and I will be right here for
8 you -- the other aspect is the purpose of the
9 cruising requirement. The purpose of the
10 cruising requirement is to make sure that we
11 don't have continuous egress -- again get in,
12 get out in time -- to have the equivalent of a
13 land based casino that happens to be sitting on
14 water, that's the purpose of the requirement.

15 You asked about legislative intent, that's
16 what I go to right away. What did the
17 legislature want to do, it wanted to prevent
18 that. This will not occur in our situation.
19 You will get on, you will cruise. There will be
20 set times complying with your rules and with the
21 statute.

22 So we have both the literal terms in the
23 statute and the intent of the statute. I don't
24 know what else goes into the legislative intent
25 analysis beyond those two things, and we are

1 very comfortable with that.

2 MR. SUNDWICK: Well, again I'm glad you are
3 because I'm certainly not. I'm from one of the
4 southern counties, and I'm trying to figure out
5 why they would say that Lake Michigan counties
6 and cruising, if they didn't intend this to be
7 Lake Michigan. They could have put it on any
8 lake they wanted to. As a matter of fact --
9 it's not very clear to me.

10 And, you know, I understand they also said
11 at one time you could have -- on the river we
12 could have X number of licenses and they said,
13 well, we really didn't mean that, we really
14 meant one license per county. So they are not
15 -- I don't know at the time that they thought
16 that we could put 150 yards and go back and
17 forth. If that would have been anybody's
18 intent, it would be fun to go back and have them
19 revote on that. Because I'll guaranty if you
20 put it back and ask if they can revote on 150
21 yards or whatever it is, I doubt if that's
22 probably -- that's just one of those -- you have
23 kind of been around town deals, you kind of ask
24 people, I don't think you get that intent.

25 MR. RUSTHOVEN: The other component of a

1 legislative intent is important for practical
2 consideration, has to do with the legislature
3 and how the legislators most affected feel. I
4 believe that it was a legislator in the
5 Evansville area that was most concerned about
6 the cruising decision with respect to the Ohio
7 River and Kentucky boundary controversy.

8 I believe Mayor Bergerson was asked this
9 question specifically yesterday about one of the
10 legislators in this area and their view of this
11 issue and they had no problem with Trail Creek
12 is what I thought I heard her say. So we want
13 to keep it at that practical consideration to
14 the two that I already mentioned, the language
15 and the statute purpose of the requirement.

16 And now we have legislators from LaPorte
17 County saying according to Mayor Bergerson and
18 that's certainly consistent with anything I have
19 ever heard. In this business do people raise
20 issues about everything my word, Commissioners,
21 you know that mercy as well as I do and better
22 but in terms of the best kind of assurance you
23 can get, what it says, what its purpose is, and
24 what the legislators here say, I don't know what
25 else I can respond.

1 MR. VOWELS: It shows in our materials that
2 there is a 45 minute boarding time that's been
3 considered, is that not contrary to the gaming
4 commission's rules?

5 MR. RUSTHOVEN: I think you are talking
6 about if it says 45 minutes, it should say 30,
7 is that your question?

8 MR. VOWELS: In the materials that we have
9 it specifically points out that what we
10 submitted was a 45 minimum boarding time and
11 that's contrary to the rules so I would assume
12 it's 30.

13 MR. RUSTHOVEN: Absolutely.

14 MR. VOWELS: What size is this boat?

15 MR. RUSTHOVEN: Ken, do you want to --
16 either Ken or Chris.

17 MR. VOWELS: How long is it and how wide is
18 it?

19 MR. RUSTHOVEN: Ken Schultz is our boat
20 guy.

21 MR. SCHULTZ: My name is Ken Schultz, vice
22 president of construction. The temporary boat
23 is 24,900 square feet.

24 MR. VOWELS: How long is it and how wide is
25 it?

1 MR. SCHULTZ: The temporary boat is 264
2 feet long, 74 feet wide.

3 MR. VOWELS: And the permit --

4 MR. SCHULTZ: The permit boat is 278 feet
5 long, 46 feet wide.

6 MR. VOWELS: And were you guys going to
7 build it on site, or how are you going to get it
8 there?

9 MR. SCHULTZ: The temporary boat is
10 still -- it will be brought up, it will in the
11 harbor. The permit boat will be stretched off
12 site and brought in. We'll widen the channel by
13 the railroad bridge.

14 MR. VOWELS: To get under the bridge is it
15 going to be low enough?

16 MR. SCHULTZ: We take off the pilot house
17 and the handrails.

18 MR. VOWELS: You have measured that and
19 that's going to work?

20 MR. SCHULTZ: Yes, sir.

21 MR. VOWELS: The materials I have here
22 question whether the boat meets coast guard
23 certification requirements.

24 MR. SCHULTZ: Are you talking about the
25 temporary boat or the permit boat?

1 MR. VOWELS: I don't know if they were
2 talking about the temporary boat or permanent
3 boat, can you address both.

4 MR. SCHULTZ: We have -- Service Marine has
5 looked at that. I cannot answer that on a
6 technical basis.

7 MR. VOWELS: Are you referring to the
8 temporary boat?

9 MR. SCHULTZ: Both of them. Excuse me, the
10 permit boat.

11 MR. VOWELS: What do you mean you can't
12 answer that?

13 MR. SCHULTZ: I'm not familiar with the
14 boat construction.

15 MR. GOLDSTEIN: I'm Bernie Goldstein. Both
16 boats have been certified by the Coast Guard for
17 protected waters.

18 MR. VOWELS: When was that?

19 MR. GOLDSTEIN: One boat was certified in
20 '91, and the other boat was certified in '94.

21 MR. SUNDWICK: You mean the boat that you
22 are going to cut in half has been certified?

23 MR. GOLDSTEIN: Yes.

24 MR. SUNDWICK: So if you cut it in half,
25 it's still certified? You put the 100 feet in

1 the middle, it will be certified?

2 MR. GOLDSTEIN: It will be recertified.
3 And the naval architects will work with the
4 Coast Guard to make sure that all of the
5 requirements are met, maybe it might be 97 feet
6 or something of that sort by the time you get
7 done with all those calculations.

8 MR. SUNDWICK: I don't think you have to
9 worry about it, do you, when you're just going
10 to go down, you know, 150 yards of creek?

11 MR. GOLDSTEIN: We have to worry about it
12 in Bossier City where it's in a bathtub and
13 doesn't even move at all. We still have Coast
14 Guard crew and Coast Guard requirements.

15 MR. RUSTHOVEN: We also understand that you
16 have regulatory requirements on what certain
17 cases are and we are going to meet those. It's
18 going to be --

19 MR. GOLDSTEIN: I'm Bernie Goldstein by the
20 way.

21 MR. VOWELS: Also dealing with boat, the
22 win average here you have got it at 55, much
23 smaller boat so, of course, that makes the rest
24 of the numbers go up. Why are the gamblers much
25 dumber on your boat than on the other one?

1 MR. RUSTHOVEN: They just enjoy it so much
2 better. I'm going to ask Matt Raab of Crowe
3 Chizek respond to that. He works with us in
4 terms of market analysis and other --

5 MR. RAAB: Matthew Raab with Crowe Chizek.
6 We did an analysis of the markets that we felt
7 were pertinent to Michigan City. In fact, if
8 you look at the Chicago boats and the Peoria
9 boat averages 12 months year to date, going back
10 12 months, the average is higher than that, it's
11 around \$57.

12 MR. VOWELS: Will you be taking from that
13 market?

14 MR. RAAB: No. We are not planning on
15 taking from that market, but we feel that those
16 markets reflect the demographics that we see
17 here.

18 MR. VOWELS: In Evansville we were talking
19 a \$41 average. Why would there be something
20 different than that because that seems to be an
21 average that keeps popping up from different
22 places?

23 MR. RAAB: I would suggest that Elgin,
24 Peoria, Aurora are also real places and that we
25 expect to see averages about that in our market

1 as well. They are also very similar to the
2 averages that have been used in some of the Lake
3 County projects as well.

4 MR. VOWELS: The Lake County projects, I
5 have here the Gary licensee average is a high of
6 73 but Hammond and East Chicago were, of course,
7 48 and 50 so that doesn't -- we'll just have to
8 wait and see. But it does pump up everything I
9 mean when you are talking about that, that
10 affects all these other numbers which throw you
11 in the ball game with the rest of the country.

12 MR. RAAB: However, also our projections on
13 persons attending is lower than some of the
14 other projections that you have in front of you.

15 MR. VOWELS: But you have a smaller boat?

16 MR. RAAB: No, we don't. In fact, our
17 temporary boat is nearly twice the size of the
18 -- of one the other boats that has been
19 proposed. We have 1300 positions on the
20 temporary boat and I believe one of the other
21 temporary boats is around 600 positions.

22 MR. VOWELS: That's what I'm looking at
23 here.

24 MR. RAAB: So looking at capacity --

25 MR. VOWELS: It shows gaming square feet of

1 43,000 square feet, Michigan City is at 25. You
2 guys are at 23, 24?

3 MR. RAAB: Are those temporary or
4 permanent? I don't have what you are looking at
5 so I can't --

6 MR. VOWELS: They are the permanent.

7 MS. BOCHNOWSKI: What did you say the
8 square footage was of your permanent boat? What
9 are your records showing?

10 MR. RAAB: Twenty-two thousand, 23,000.

11 MS. BOCHNOWSKI: So that's consistent.

12 MR. VOWELS; With what we have.

13 MS. BOCHNOWSKI: Correct. I have a
14 question on the financial condition of Casino
15 America. I know that you state that you are
16 very successful, however, you have got a
17 number -- my information shows that you have a
18 number of projects going right now which may
19 make it difficult to finance an additional
20 project.

21 And in addition you have a very unfavorable
22 ratio of debt to equity at this point so that
23 makes me concerned that the financing may not be
24 there or that you may have problems once you get
25 into another debt situation?

1 MR. GALLOWAY: Okay. Let me talk a little
2 bit then I'll get Mr. Yeisley up here. We have
3 one project going on now and that is the
4 completion of our Lake Charles project. That
5 pavilion is being financed out of cash generated
6 by the Bossier City project and that will be
7 done in April, and we will be opening that in
8 April. So our cash flows from those two
9 projects will start flowing.

10 I should also point out that those are not
11 wholly owned by Casino America. We have a 50
12 percent interest in the Bossier project and
13 basically 25 percent interest in Lake Charles
14 through our partnership arrangement and we have
15 management contracts on both of those. As it
16 relates to the financial ratios I will have Rex
17 talk to them.

18 Sometimes if you are going through our
19 annual report because of revenue that appears
20 depressed because of the partnership
21 arrangement, those can get somewhat confusing at
22 least to me and so maybe perhaps Rex can help
23 you a little bit there.

24 MR. YEISLEY: Hi, I'm Rex Yeisley. We are
25 currently exploring of all our opportunities

1 relative to financing and we are dealing with
2 our investment bankers to deal with that issue.
3 And we believe quite strongly that as soon as we
4 finish the project in Lake Charles that we'll be
5 able to go forward with that financing.

6 MS. BOCHNOWSKI: So you don't have any
7 financing in place right now, you are just on an
8 exploratory phase here for financing this
9 project?

10 MR. YEISLEY: We are on overall financing.
11 I think the questions you asked related to
12 Casino America.

13 MS. BOCHNOWSKI: That's true. That's true,
14 which then gets me to this particular project,
15 do you have the access to the -- to obtaining
16 debt at reasonable interest rates --

17 MR. YEISLEY: Yes, we do.

18 MS. BOCHNOWSKI: -- because of your high
19 debt to equity ratio?

20 MR. YEISLEY: Yes. I believe we do because
21 the financing required for this project is asset
22 based financing where the assets can be used as
23 collateral. We have a commitment for the \$5
24 million of equity and private placement for
25 equity to use in the ASAP portion of our project

1 and the remainder is asset based financing. F F
2 & E and gaming equipment can be financed at
3 typically prime plus 1 and that ranges through a
4 variety financing companies, PDS Financial, PIP.

5 MR. THAR: Excuse me. Before you sit down
6 is it the company's current plan to buy out
7 their partners in Bossier City and Lake Charles?

8 MR. YEISLEY: We have announced that we
9 have an agreement to be able to buy them out,
10 and that agreement -- well, maybe you want to
11 add to that.

12 MR. THAR: And then the follow-up question
13 is does that increase the debt?

14 MR. SOLOMON: I'm Allen Solomon. We do
15 have an agreement to buy out a partner in Lake
16 Charles, the Crown Corporation, that owns 50
17 percent of the interest there. That's a purely
18 equity issuance so there will be no additional
19 debt incurred in connection with that
20 acquisition.

21 We are acquiring another casino, another
22 boat, to bring down to Lake Charles, the Grand
23 Pallyay that we are buying out a bankruptcy in
24 New Orleans that does involve some equity as
25 well as some debt. But the ratios are such that

1 it is very comfortable in terms of the proposed
2 acquisition.

3 In terms of the DeBartelo who owned 50
4 percent of the interest in the Bossier City
5 project, we have an option to purchase their
6 interest. We have not exercised that interest.
7 We have a period of time to decide whether to do
8 so. We have not made that decision at this
9 time.

10 MR. THAR: Our information was that you
11 intended to exercise that option. You are
12 saying that our information then is a little
13 premature.

14 MR. SOLOMON: We would like to exercise the
15 option. We don't know whether or not the
16 financing is available. At the present time
17 Louisiana is undergoing a bit of a question from
18 a legislative standpoint as to whether or not
19 they are going to have a vote on gaming. And we
20 are waiting to see what the results of that will
21 be before we make the final decision.

22 MR. YEISLEY: If those transactions happen,
23 though, they would have a significant positive
24 effect on our earnings because we would then be
25 entitled to 100 percent of the earnings from the

1 Louisiana properties.

2 MS. BOCHNOWSKI: But, of course, then it
3 increases on the other side too.

4 MR. YEISLEY: Sure. Sure. I agree.

5 DR. ROSS: Just before you sit down let me
6 read you the Dunn Bradstreet and explain it to
7 me because it doesn't -- it says the net worth
8 represented 19.8 percent of the total
9 capitalization compared to the industry average
10 of 51 percent. Equity provided limited
11 protection from creditors as noted by an
12 unfavorable ratio of liabilities to equity.
13 Your company is 404.3 percent and the industry
14 is 56.8 percent.

15 MR. SOLOMON: Well, I can only address the
16 equity of the bonds that we have trading at the
17 present time. We are very well rated for a high
18 yield security in terms of both Standard and
19 Poor's and Moody's. If you will check at the
20 rate the price at which our -- our mortgage
21 notes trade, you will find they will be very
22 comparable to other riverboat companies in terms
23 of yields.

24 There is no question about the fact that we
25 could have that. From a leverage standpoint the

1 company is leverage. We are trying to acquire
2 our interest in Crown. The Crown interest
3 issues 2 million shares there. We have arranged
4 for private placement to raise an additional \$6
5 million. And as part of the Grand Pally
6 acquisition we'll be issuing additional equity
7 as well so we are looking to correct that
8 situation.

9 MS. BOCHNOWSKI: Does building a project
10 like this help you correct the debt situation?
11 I'm trying to --

12 MR. YEISLEY: Yes. Yes. Yes. Part of
13 that equity is using it for this project,
14 specifically for this project.

15 MR. RUSTHOVEN: Your license awards are
16 good things.

17 MS. BOCHNOWSKI: I know but, you know, I'm
18 still -- I said this to the Trump people -- I'm
19 still trying to figure out how this business
20 makes money. It seems like you owe so much you
21 can't -- I'm too conservative.

22 MR. RUSTHOVEN: Eighteen point one million
23 last year for this company .

24 MR. VOWELS: Mr. Rusthoven, while you're up
25 there --

1 MR. RUSTHOVEN: Yes.

2 MR. VOWELS: In reference to this letter
3 memorializing my understanding with Sheldon
4 Bleck, is there anything other -- any other
5 written agreement that you have or will have in
6 the near future about him investing his
7 interest?

8 MR. RUSTHOVEN: It is possible -- it is
9 possible that the agreement that you have
10 memorialized will be put in some more formal
11 fashion. We, you know, haven't addressed that.
12 But there is no question that that's the
13 agreement and that's the agreement that will be
14 followed.

15 MR. VOWELS: And you addressed it in your
16 letter --

17 MR. RUSTHOVEN: Yes, sir.

18 MR. VOWELS: -- about the term licensing,
19 can you be certain --

20 MR. RUSTHOVEN: I have no doubt about that,
21 I did that deliberately in my letter because of
22 the way people use licensing in a sort of a
23 casual sense as opposed to a term of art sense.

24 MR. VOWELS: So it referred to the
25 certificate of suitability --

1 MR. RUSTHOVEN: Correct.

2 MR. VOWELS: -- so there won't be any
3 misunderstanding?

4 MR. RUSTHOVEN: Correct.

5 MR. VOWELS: And do you in any way
6 represent him since he is a shareholder?

7 MR. RUSTHOVEN: I do not, sir. I
8 represented Riverboat Corporation of Indiana
9 which is a partnership in Casino America which
10 is the 90 percent shareholder.

11 MR. VOWELS: So there wouldn't be any
12 concern of conflict with them?

13 MR. RUSTHOVEN: No, sir. He is separately
14 represented.

15 MR. SUNDWICK: As far as giving 90 percent
16 to Casino America ownership and 10 percent local
17 investment, who found who? I mean did the
18 Casino America --

19 MR. RUSTHOVEN: Michael Brennan --
20 (Overlapping conversations.)

21 MR. SUNDWICK: -- or did local investors
22 look for or Casino America or did you just meet
23 downtown?

24 MR. SOLOMAN: Well, I guess I was one of
25 the -- I'm Allen Solomon. I was one of the

1 first people into Michigan City, and as part of
2 our project we always look for local investors,
3 people who know the community who can guide and
4 help us and also will participate with us in the
5 project.

6 Mr. Brennan was identified to us among
7 other people that was important and was a
8 business leader in the Michigan City community
9 and that's how we came to meet him.

10 MR. SUNDWICK: So all of the people that are
11 local investors have this contribution to make
12 locally?

13 MR. RUSTHOVEN: I think Mr. Brennan can
14 respond to his new partners in Shore
15 Development.

16 MR. BRENNAN: Mike Brennan. I'm not sure I
17 understand the question entirely.

18 MR. SUNDWICK: I'm just trying to figure
19 out who is on first and what's on second, that's
20 all. Did you find these people or did they find
21 you?

22 MR. BRENNAN: No, I -- they found me. I
23 talked to Allen Solomon early on in the game.
24 And quite frankly I talked to every potential
25 riverboat developer who came into Michigan City

1 and I think it was probably because of Light
2 House Place and what was involved there. In
3 my -- I want you to understand clearly what my
4 reason for being involved here.

5 As I told you earlier I love that
6 community, I have spent a lot of time in it. I
7 have taken a great deal of pleasure in watching
8 in it grow and improve and I think it has. And
9 I think it's a better place because we stuck our
10 necks out and spent some money in the most God
11 awful location years ago.

12 And I feel the same way about the opposite
13 side of downtown. In fact, I could sit -- the
14 day we started conceiving the idea of where we
15 might put this outlet center and how we might
16 help, I drew up a map that looked like a bell,
17 and it involved the concept of developing Trail
18 Creek on one side, anchoring the downtown with
19 that, Light House Place on the other side with
20 8th Street being the connector in-between and
21 then showed that to a number of people.

22 But the ultimate vision here really ought
23 to be this, this is what we need, this is how we
24 do it. This gaming legislation presented that
25 opportunity. I have talked to a number of

1 people. I had relationships with people earlier
2 on in this whole process who are not here.

3 I feel strong that Casino America has made
4 a commitment to do what I thought should be done
5 in the community. I think that's in answer to
6 your question.

7 MR. SUNDWICK: You -- the other people in
8 your development corporation, Shore Development,
9 they have always been partners with you?

10 MR. BRENNAN: Phil Sprague and Steve McGue,
11 I have a long history with both of them. Phil
12 Sprague and I go back many, many, many years in
13 a number of different ventures as I did with
14 Steve McGue. Steve was one of the executives at
15 J-Mar Ruby that introduced me to the outlet
16 business. And we are business partners as I
17 think the disclosures indicate in other
18 ventures, Mr. Sprague, Mr. McGue and I.

19 MR. SUNDWICK: The 22 people on the board,
20 you probably know most of them being local, the
21 selection board.

22 MR. BRENNAN: Right. I knew a significant
23 number of them, yes. I didn't know all of them.

24 MR. SUNDWICK: Thank you.

25 MR. VOWELS: Mr. Rusthoven, just quickly to

1 reflect at some particular time here in the
2 investigation there were certain problems that
3 arose. But was Casino America aware of that, of
4 those problems prior to the staff bringing it to
5 their attention?

6 MR. RUSTHOVEN: Maybe Mr. Solomon is more
7 familiar with the history of situation.

8 MR. SOLOMON: I'm Allen Solomon. We were
9 aware of several issues involving Mr. Bleck.
10 Mr. Bleck, as you know, is not a director or
11 officer or in any way is involved with Casino
12 America other than as a shareholder.
13 Nevertheless, he has had to be qualified in the
14 other jurisdictions where we have licensing,
15 Mississippi and Louisiana.

16 And I know that especially in Mississippi
17 he was closely examined on this issue because
18 Mr. Bleck himself was engaged in a separate
19 gaming venture and was licensed in Mississippi
20 at which -- I don't know whether all of the
21 issues were brought up because I wasn't
22 participating in that particular investigation.
23 But I do know that Mr. Bleck was licensed both
24 in Louisiana and in Mississippi.

25 MR. VOWELS: I guess the central part of my

1 question is, Mr. Rusthoven, you are probably
2 more familiar with the statute as anybody on
3 your team. Certain allegations here would
4 prohibit an Indiana license being granted. I
5 guess my question is: Who brought it to whose
6 attention, did staff bring it or did anyone
7 alert to you?

8 MR. RUSTHOVEN: My first call about it came
9 from staff but I assume it came as part of the
10 normal background investigation of anybody who
11 qualified who had share ownership as being
12 someone who was supposed to be investigated.
13 And I believe -- I confess fully that I do not
14 read every personal disclosure statement of
15 every shareholder. It's my business to make
16 sure they get in.

17 MR. VOWELS: I guess this is my question:
18 Should we worry about guilt by association? Is
19 this something people knew about but didn't care
20 about?

21 MR. RUSTHOVEN: In terms in fairness to the
22 individual we're talking about, whatever the
23 judgment people reach about this situation is
24 one that the different gaming regulators must
25 reach. And obviously the individual question --

1 Mr. Bleck has very strong views about whether
2 some jurisdictions have not found this as a
3 problem as I understand it, others have resolved
4 a conclusion, some of which is pending on
5 appeal. He has very strong views about it.

6 In terms of any guilt by association if
7 guilt there is, all of these allegations relate
8 to separate activities involving an entirely
9 different corporation in which we are not
10 involved in any way to my knowledge. His
11 relationship with us is simply that he is a
12 shareholder who picks over the substantial
13 ownership requirement and, therefore, is
14 someone, an investor.

15 But he has no position in management, he
16 has no position on the board. And I believe --
17 we have tried to work very -- when this was
18 raised, we have tried to work as cooperatively
19 as we know how with your staff that's
20 responsible for investigating things. We have
21 just been on a couple of meetings on this issue
22 and have the response that is before you which
23 we believe eliminates any conceivable concern.
24 If that's the judgment of the commission, we
25 will absolutely cooperate.

1 MR. VOWELS: Was this agreement that you
2 gave to us, was this instigated by the staff or
3 was this something you pursued?

4 MR. RUSTHOVEN: Something we pursued. The
5 staff was -- the staff was very careful to talk
6 with us in terms of this is a concern, this is
7 something you have to address and something you
8 have to present to the commission and to us what
9 you think is the appropriate thing to do. I
10 think the staff was crystal clear on that point
11 and this is what we proposed.

12 MR. SWAN: Mr. Goldstein, I have a question
13 or two, sir. I guess you were involved in the
14 first couple of boats in Iowa and that was in
15 early '91, '92, somewhere in that period?

16 MR. GOLDSTEIN: I personally before the
17 formation of Casino America.

18 MR. SWAN: Right. And you ended up closing
19 or shutting down those boats or selling them or
20 something, could you just give me a little
21 background there please, sir.

22 MR. GOLDSTEIN: I was involved in the
23 lobbying in Iowa to establish the first
24 riverboat gaming. Although we thought of it
25 really as excursions, not gaming. My background

1 is the metal business and in the tow boat barge,
2 freight business on the river.

3 We thought there was going to be excursions
4 on gaming on the Mississippi River since we had
5 the only barge line Iowa that
6 should participate, and I made a lot of
7 mistakes. We were cruising from Bettendorf to
8 Muscatine and had to go through two docks making
9 14 miles an hour in order to get the passengers
10 back. And I did a lot of things wrong.

11 Since this was the first boat, Mr. Kehl's
12 third -- I had to get that straightened out --
13 that there is a lot of things about this
14 business he knew and he didn't tell me. When --
15 I was very smart in predicting that Illinois,
16 too, would pass riverboat gaming. I said within
17 10 years they would have it and I didn't know
18 that within 10 months they would have it. And I
19 didn't know within 10 years they would have it
20 without the \$5 limit without \$200 maximum loss
21 and within only 30 percent of space that can be
22 used for a casino.

23 When that came in, and my best friend said,
24 Bernie, how about going over to the other side
25 over to Rock Island, it's a lot more fun than

1 yours, I knew we were in trouble. So this is
2 when we went to Mississippi. We organized -- a
3 new company was organized, new people were
4 brought in. Casino America got the license in
5 Biloxi, Mississippi.

6 They acquired the vessels that were in Iowa
7 and the vessels went there. About a third of
8 our people, you know, went with them, the other
9 people we got other jobs for.

10 MR. SWAN: So Illinois kind of squeezed you
11 out and Iowa squeezed out somebody else?

12 MR. GOLDSTEIN: Wait. Wait. Wait. No.
13 Illinois, we were instrumental in starting the
14 Paradise in Peoria, putting the investors
15 together, and it was a very successful operation
16 that we started, we sold that. Our management
17 contract we which we used to get the money that
18 did Vicksburg, so Illinois was a real success
19 story. By that time we figured out a little bit
20 about the business.

21 MR. SWAN: My concern is that --

22 MR. GOLDSTEIN: That was before Casino
23 America also.

24 MR. SWAN: My concern is that the boat we
25 have now proposed here is wide enough to get

1 into the harbor at 46 feet and if we do have
2 Native American gaming nearby, that the
3 competitive pressure might be such that we can
4 pull that boat up and ride back out of the creek
5 pretty easy. I'm just -- I want to see
6 something fly here that's going to stay here,
7 and I'm a little worried that the exit road is a
8 little wide right now.

9 MR. GOLDSTEIN: Let me talk about Casino
10 America. We struck out on the first two, I
11 admit it. Ever since then we have had nothing
12 but success. Casino America opened up in Biloxi
13 and brought in money after money after money
14 and brought its earnings back into the city. We
15 have there a 370 room -- the most beautiful
16 hotel in the state of Mississippi, it can't go
17 away.

18 We have an entertainment complex on land
19 which is like 20 some million dollars, it can't
20 go away. The same is true of our locations in
21 Vicksburg and Bossier City and what we are doing
22 on the land in Lake Charles. Even Iowa -- it
23 had nothing to do with Casino America -- my
24 family went back and got another partner so
25 there wouldn't be any conflict. My family

1 finished the first land based in Bettendorf,
2 Iowa, the first land based casino development in
3 the state of Iowa, which incidentally was a
4 factory outlet center, which was completed in
5 October of '95.

6 So, yes, we do believe in land based
7 development as a way of making sure that the
8 projects are going to stay.

9 MS. BOCHNOWSKI: As long as you are up and
10 we are on the subject, though, you know, you did
11 touch on the advent of Indian gaming and, of
12 course, there are going to be four boats in Lake
13 County. Do you really think that this is a
14 viable location for a Casino?

15 MR. GOLDSTEIN: After the first two
16 mistakes we have hit every one on the nose. We
17 are competing against the Native Americans in
18 Lake Charles. And when we first opened up, we
19 were below expectations but every month since
20 last July we have been moving up very steadily.
21 Even though the land based pavilion still needs
22 another couple months before we open it we have
23 already gone up 25 percent in revenues since
24 July despite the competition from the Native
25 Americans.

1 Native American operations are powerful,
2 strong, you have to respect them. But, yes, we
3 have found that we can successfully compete
4 against them.

5 MR. MILCAREK: This boat, the Emerald Lady,
6 what is the age of this vessel?

7 MR. GOLDSTEIN: It was built in '91.

8 MR. MILCAREK: Ninety-one and that's the
9 one you are going to make larger?

10 MR. GOLDSTEIN: Yes. That is the plan to
11 make it larger, it's too small the way it is.

12 MR. MILCAREK: That was one of the boats
13 you closed in Iowa. What is the history, has it
14 been used in any successful operation and where
15 is it used today?

16 MR. GOLDSTEIN: It was used in Biloxi where
17 it was very successful until we replaced it with
18 a much bigger one. It was used in Vicksburg
19 then where it was successful for a year until we
20 replaced it with a big one.

21 Here in this case our problem was to be
22 getting a boat that was narrow enough to go
23 through the bridge. Were we to go ahead and try
24 to build a vessel in place, it would be horribly
25 expensive. If it's horribly expensive, it's

1 harder to break even. This vessel, which is a
2 beautiful vessel by the way, will have 22,000,
3 23,000 square feet of Casino space after it's
4 modified and it will be an asset to the
5 community.

6 MR. MILCAREK: I don't know who is going to
7 answer this one. The temporary boat, where will
8 the parking lot -- where is the temporary
9 parking space?

10 MR. GOLDSTEIN: Most of the parking -- we
11 plan on using the parking lot at the factory
12 outlet center and other places in town. We are
13 going to be using trolleys to transport people
14 from the various parking lots to the power plant
15 site for about a year.

16 MR. MILCAREK: How many cars a day are at a
17 temporary site would you expect for each gaming
18 session 100 cars or 200 cars?

19 MR. GOLDSTEIN: No. We have a lot more,
20 probably 5, 6,000 people a day.

21 MR. MILCAREK: I mean in one cruise.

22 MR. GOLDSTEIN: Oh, in each cruise.

23 MR. MILCAREK: Yes.

24 MR. GOLDSTEIN: I can't answer that.

25 UNIDENTIFIED SPEAKER: Probably 1700.

1 MR. GOLDSTEIN: So we need about 800
2 parking places.

3 MR. MILCAREK: Is there room at Light House
4 Place? I know I go there a lot and in the
5 holiday season -- in the holiday season there is
6 many times you cannot find a place there, and
7 I'm wondering what happens in the peak shopping
8 season. What are you going to do with the these
9 cars?

10 MR. BRENNAN: Mike Brennan. If I may, I
11 don't know that -- I don't know that Light House
12 Place parking is going to -- and I don't mean to
13 contradict you -- but I don't know that Light
14 House Parking is going to be available.
15 Particularly it would not be available unless
16 Horizon agreed that it could be used. It would
17 have to be used in the evening hours when the
18 shopping center was not open because you are
19 exactly correct there is not adequate parking
20 there to handle it.

21 Now, there are a couple of other options,
22 one of them is kind of an interesting situation
23 that's been somewhat glossed over here today but
24 when NIPSCO came out and talked about the
25 temporary facility and indicated that they

1 would -- they would help the city at the city's
2 request by accommodating a temporary facility at
3 the NIPSCO site.

4 However, there were some conditions. One
5 of those conditions was that a launch ramp be
6 built as part of the infrastructure for -- and
7 this is something the city has wanted for a
8 number of years, in fact, I can believe all the
9 way through the term of Mayor Behler -- but the
10 casino operator would be responsible for
11 building the infrastructure of a launch ramp
12 which would be turned over ultimately to the
13 city.

14 Part of a launch ramp area is obviously
15 parking. As the city works through the issue of
16 how this infrastructure is going to be built,
17 what it's going to look like afterward with
18 NIPSCO. We fully anticipate that we are going
19 to be building a parking lot up there that will
20 ultimately serve that launch ramp and those
21 facilities.

22 In addition to that there are other areas
23 that can be serviced in that neighborhood. I,
24 for instance, have an interest in a piece of
25 property that has seven acres of ground

1 approximately two blocks from the entrance --
2 what would be the entrance for the temporary
3 facility and that certainly could be used --
4 that area could be used for either valet parking
5 or a shuttle bus.

6 There are a number of different ways that
7 this parking issue can be handled. Some of them
8 do deal with some proximity location problems.
9 And some of them deal with some time of day
10 problems. I hope that answers your question.

11 MS. BOCHNOWSKI: You know, I think we need
12 to take a five to 10 minute break for the court
13 reporter. Let's finish up this line of
14 questioning and then we'll take a five to 10
15 minute break.

16 MR. MILCAREK: The hotel, when will that
17 be built and what class hotel will it be? What
18 would the price per room be in the hotel?

19 MR. GALLOWAY: I'm not a hotel guy. I used
20 to be a hotel guy. It will be about a 225 room
21 hotel. It will be -- we'll start designing it
22 as soon as we get a certificate. We would hope
23 to get it built by the time the permanent boat
24 is in place. The quality of the hotel will be
25 in a similar vain to our Crown Plaza, it might

1 be a Hampton Inn Crown Plaza, somewhere in
2 there. It will have convention space, 5,000 to
3 8,000 feet of meeting space.

4 MR. MILCAREK: What is that like a two
5 star, three star hotel, what would it be?

6 MR. GALLOWAY: I don't know the star rating
7 system in the United States, I can talk to you
8 about them overseas. It will be -- it will be a
9 nice place to stay. The rooms will be, you
10 know, 12 feet wide and wide enough to put two
11 double beds in them and nicely finished.

12 MR. MILCAREK: The other question I have
13 -- the other question I have is the 1400 new
14 jobs that will be created, what percentage of
15 them will be minimum wage and what would you
16 project the average annual salary and wage to be
17 on those jobs?

18 MR. GALLOWAY: Let me ask Robert Boone to
19 answer that question.

20 MR. BOONE: Okay. I'm Robert Boone. In
21 terms of the Casino jobs in terms of the -- very
22 few in terms of pure wages are minimum wages but
23 the ones that are minimum wage are also tip
24 jobs. We have -- if we look at our system now,
25 our cocktail waitresses, our bartenders, they

1 are also tipped positions.

2 If we look at what our average cocktail
3 waitress earned -- I guess our top cocktail
4 waitress last year earned, you know, \$46,000,
5 that's what she declared in tips. So again --
6 I'm not saying she made more, that's what she
7 declared with tips.

8 But again the minimum wage jobs are also
9 accessed with tips and I would say if we look at
10 what we based on a \$28 million payroll, that
11 comes out to somewhere around 18 to \$20,000 a
12 year jobs in terms of average wages.

13 MS. BOCHNOWSKI: I think we do need to take
14 a break here.

15 (Recess taken.)

16 MS. BOCHNOWSKI: Okay. Bob, do you want to
17 go ahead.

18 MR. SWAN: Yeah, I do have a question. We
19 were talking about the numbers that we have as
20 far as annual attendance as being relatively low
21 compared to the other applicants at least from
22 the data that we have here.

23 And I just did some quick calculations and
24 it looked like you are projecting something in
25 the neighborhood of 400 people per cruise, that

1 seems really low to me.

2 MR. RAAB: I'm Matt Raab. I'm not
3 familiar -- I haven't broken it down on a per
4 cruise basis.

5 MR. SWAN: I don't know if my math is
6 wrong. Per day at 3300 is what I'm getting.

7 MR. RAAB: Is that 1.3 divided by 365 by --
8 is that what works out to?

9 MR. SWAN: Actually that's exactly what we
10 are shown here, right.

11 MR. RAAB: That seems like a low number to
12 me but we are projecting a likely market of 1.3
13 million visitors to \$2 million visitors and our
14 high case is near 1.8 I believe is our high
15 scenario.

16 MR. SWAN: Okay. Really, you know, we were
17 concerned with that \$55 figure a few minutes ago
18 on the win so maybe this kind of evens it out a
19 little bit.

20 MR. GALLOWAY: The gaming business is a
21 feast or famine business. You know, we have
22 what's called the Saturday night effect. There
23 would be a lot more than 400 on that boat on
24 Friday and Saturday. During the week, mid week,
25 in the morning less than 400 might be a low

1 number. The 400 average has been calculated but
2 I can understand how that might come about, but
3 there will be a lot of peak times.

4 MR. SWAN: Compared to the other applicants
5 it's about half of what they are projecting for
6 average per cruise.

7 MR. GALLOWAY: Again I haven't analyzed
8 them like you have. On a macro basis the \$70
9 million or the \$75 million which we think will
10 do, that boat has plenty of capacity for and I'm
11 comfortable with it. After this meeting I will
12 certainly go down and push all those numbers and
13 the next time we chat I will understand them as
14 well as you. But I can just tell there is a lot
15 of ups and downs in the business.

16 MR. SWAN: That's fine.

17 MS. BOCHNOWSKI: Anybody else?

18 MR. MILCAREK: You project that you will
19 open the temporary boat in about four months, is
20 that four months from the corps permit or four
21 months from the --

22 MR. GALLOWAY: Four months from the
23 certificate, sir. We are comfortable that we
24 will be able to get it open then and we will not
25 have the corps problem that was alluded to

1 before.

2 MR. MILCAREK: There is no corps permit
3 required for what you are doing?

4 MR. SCHULTZ: My name is Ken Schultz. I
5 have talked to the corps of engineers and sent
6 some architectural drawings on our temporary
7 proposal and did reviews with the Chicago corps
8 and have also taken sound readings. The depth
9 where our boat is is roughly 15 feet deep, the
10 shallowest point where a barge is 12 feet deep.
11 The barge requires four feet of draft, the boat
12 requires seven feet.

13 We plan no permanent warnings outside of
14 the river bank. The corps does not require any
15 permit to do anything we are doing. We have
16 encroached -- the channel goes along -- the boat
17 is actually about 10 feet into the turning
18 basin.

19 The corps tells me they will require a
20 letter of suitability from the coast guard and
21 that will take approximately 30 days, it is not
22 a permit. At the very corner the turning basin
23 goes right about 10 feet through there. The
24 corps has reviewed our proposals and a permit is
25 not required for it.

1 MR. MILCAREK: The other issue I wanted to
2 address has to do with once again the minority
3 jobs and women in business, 10 percent purchases
4 from women and minorities. How and what would
5 you suggest that they -- I know you have a good
6 record and that you have met certain quotas.

7 Here in this case what would you suggest to
8 some minority or woman that wanted to open a
9 business, how would they go about it? What
10 would they sell? How would you set them up?

11 MR. BOONE: In terms of our -- again I'm
12 Robert Boone. Again what we have done in the
13 past in terms our history of doing this is that
14 once we are issued a permit, I will contact all
15 of the local minority female special interest
16 groups. I then bring out our corporate
17 purchasing manager, our VP of construction.

18 And we have let people know what the type
19 of businesses are, what types of goods and
20 services that we purchase. We did this in Lake
21 Charles four months before opening, it was very
22 successful there. We have seminars with
23 minority owned businesses to let them know the
24 type of businesses, the types of goods and
25 services that we purchase.

1 We have also worked in programs where we
2 guaranty purchases in terms of we look at -- we
3 set up a uniformed distributor in Lake Charles
4 in terms of that with the manufacturer. We told
5 him that we would guaranty the purchases in
6 terms of who was able by them to get financing.
7 So those are the type of things that we have
8 experienced, the type of things that we have
9 done. And we would bring in minority and female
10 owned businesses to testify to that.

11 MR. MILCAREK: Thank you.

12 MR. VOWELS: In reference to -- I was
13 looking through here through at the Casino
14 management it showed Julie Watilda (phonetic)
15 who is chief financial officer. It said during
16 the investigation she submitted a letter of
17 resignation but she is going to serve in that
18 position until somebody else has been hired.
19 Has somebody else been hired for that position?

20 MR. BOONE: Yes. Yes, someone has been.

21 MR. VOWELS: In the Alan Klineman memorial
22 question not to compete, will there be any
23 agreement not to compete within a certain area
24 of this site?

25 MR. GOLDSTEIN: When we came to Michigan

1 City two years ago, two and a half years ago, we
2 committed to Michigan City that we would not get
3 involved in any other city in the state of
4 Indiana and that we would not get involved in
5 any area that might be competitive such as
6 Chicago. We plan on marketing Chicago, drawing
7 people out of Chicago, and it's inconsistent
8 with our being in Chicago. Does that --

9 MR. VOWELS: That answers the question.
10 Thank you.

11 MR. MILCAREK: I have one more with the --
12 with the advent of the new mall in that area
13 this morning's line of questioning about the
14 seeing all of the businesses related to the
15 operation of that vessel are now are closed and
16 there is no business or anything like that. If
17 for some reason the boat wasn't successful, how
18 do you feel that would affect the operation of
19 the Light House -- not Light House -- but the
20 new mall, would that --

21 MR. BRENNAN: Mike Brennan. It would
22 probably have a devastating effect on it. You
23 just build a complex wherein you feature gaming
24 and shopping as an integral part of each other,
25 you take one of them away, it's not going to

1 work.

2 MR. THAR: I have one question. You are
3 talking about making this large investment --
4 large investment on this operation land-side to
5 put in \$20 million worth of increased retail
6 space yet your permanent boat is going to be
7 smaller than your temporary boat it's also --
8 excuse me -- yeah, the permanent boat is smaller
9 than your temporary boat based possibly it the
10 way we see it. It's got 1,051 gaming positions,
11 the temporary has 1222 according to our
12 statistics. The temporary has 36 Black Jack
13 tables, permanent has 18. The temporary has six
14 crap tables, the permanent has one. The
15 permanent boat also has the capability of
16 getting in through the railroad bridge and
17 exiting through the railroad bridge which
18 indicates somewhat of a lack to a commitment to
19 a permanent gaming quality site at this venture.
20 What's your response to that?

21 MR. GALLOWAY: That's true. The permanent
22 boat is smaller than the temporary boat and it's
23 because given the boat that we have we could not
24 make it any larger stretch. There are
25 limitations to how large you can make it, it has

1 to do with engineering girths and widths and
2 things which I fully don't understand and Bernie
3 alluded to that.

4 But we believe we can stretch it 100 feet
5 or very close to that. The fact is we would
6 love to have more machines, more gaming
7 positions. We are comfortable that the
8 positions that we will have on that boat is more
9 than enough to generate the revenues.

10 A lot of people here were talking about
11 \$100 million a year. I don't think the market
12 right now would generate that, more power to
13 them who believe it. I do believe the market is
14 fairly okay at 70 to 90 and we use 70 as a most
15 likely figure. And based on the normal
16 distribution of people coming there we are very
17 comfortable that those positions are adequate.

18 MR. THAR: It just seems backwards from
19 every other project we have seen not only here
20 but throughout the state that you would from a
21 temporary facility that's not going to be much
22 on the harbor to a permanent facility that you
23 want to have retail space, condominiums, slip
24 development, marina development and a boat
25 that's less than dynamic or not significantly

1 more dynamic than the temporary boat. What does
2 that do for the gaming operation? I have a hard
3 time seeing how it enhances the permanent
4 facility.

5 MR. GALLOWAY: I really believe that they
6 are different issues. There are not a lot of
7 temporary boats available that you can put into
8 service right away, and the one we are going to
9 use is available right away and we can put the
10 machines and the tables on it that we are going
11 to buy and then transfer them.

12 MR. THAR: I'm not criticizing the
13 temporary boat, I'm criticizing the permanent
14 boat.

15 MR. GALLOWAY: The permanent boat is what
16 we have. We have -- it was financially a good
17 decision for us to take a boat we already have
18 in inventory. It allowed us to eliminate the
19 investment required to buy that boat. We don't
20 have to incur the debt that would be needed to
21 pay the money to replace that boat even if we
22 are to buy a larger boat.

23 And, therefore, we just thought it was a
24 better investment decision to take the smaller
25 boat because you may not get quite as much at

1 the top although I might dispute that. But we
2 certainly in the middle we don't have to pay the
3 type of interests on a loan to buy that boat
4 that we have to otherwise.

5 MR. GOLDSTEIN: Can I add something. We
6 must remember that probably in year number 3 we
7 are going to have Native Americans competing
8 against us, our requirements are going to be
9 reduced some. At the moment we think the
10 capacity that we have of 23,000 square feet is
11 going to be more than ample, you know, at that
12 time.

13 MR. RUSTHOVEN: That's part of an issue
14 that's been discussed from the beginning of
15 these hearings is how do you make the right
16 economic decisions to make this project work
17 long time, and all of these are part --

18 MR. THAR: I understand that. And I just
19 want to point out that if you're going to go up
20 against a land based casino that can have
21 certain more amenities than boats can, it's
22 going to have unfair advantage in term of
23 operation to put in a smaller boat that's an
24 older generation gaming boats seems to make it
25 appear as if it would not compete with the land

1 based as well as larger boat with more modern
2 day or state of the art type of amenities on it.
3 Now, I understand the financial reasons for not
4 wanting to do it. The point of the matter is
5 from a patron drawing card it doesn't seem to be
6 a plus.

7 MR. GALLOWAY: Jack Galloway. I can't
8 dispute everything you say. We would love to
9 have a bigger boat there. However, we think the
10 draw that will bring the people there is not
11 only the boat itself but it is the pavilion
12 which is very exciting we believe, the retail
13 mall that will be there, the hotel.

14 There is a lot of other things that will
15 bring people to that destination besides the
16 boat itself. The boat will be an effective boat
17 and will be a draw. In a perfect world I would
18 love to go out and put a bigger boat in there.
19 The investment decision we believe just doesn't
20 warrant it at this time based on the anticipated
21 market.

22 MR. THAR: This will be my last question.
23 In terms of the overall setup with regard to the
24 retail space that's built, will Casino America
25 share in the profits generated by the retail

1 sales?

2 MR. GALLOWAY: No.

3 MR. THAR: No?

4 MR. GALLOWAY: No. But Shore Development
5 will participate in the profits from the casino
6 as a 10 percent owner.

7 MR. THAR: The retail component is part of
8 the overall riverboat?

9 MR. GALLOWAY: Yes.

10 MR. RUSTHOVEN: This is Peter Rusthoven.
11 In terms of some of the questions that were
12 asked about the relationship of the last
13 applicants. Shore Development is a 10 percent
14 holder of Casino America, it is a substantial
15 owner. It will be certificated. It can be and
16 will be a condition of our certificate that the
17 Shore Development project be built and take
18 place as representative to that so that issue
19 doesn't arise as a conflict because Shore
20 Development is a 10 percent partner.

21 MR. THAR: I understand than part. The
22 problem I guess I'm having if the Casino aspect
23 is struggling, you are promoting this as an
24 integrated project between retail space, an
25 exciting pavilion, and boat if boat is just

1 short of short of breaking even and the retail
2 space is doing very well, there is no cash flow
3 to develop from the retail space?

4 MR. RUSTHOVEN: Well, I think that's
5 correct. I don't think that's the question and
6 answer before. I think what Mr. Galloway was
7 expressing was that the retail is part of the
8 component that brings people to the boat that's
9 part of the whole destination -- with the hotel
10 -- part of whole destination resort concept that
11 we feel very strongly about.

12 MR. THAR: I'm saying what if the retail
13 space does well but the Casino does not, there
14 is no cash flow from the retail space to the
15 Casino.

16 MR. RUSTHOVEN: That is correct. But the
17 better they do, the better we do, that's the
18 only response I'll --

19 MR. THAR: In theory.

20 MR. RUSTHOVEN: In people.

21 MR. GALLOWAY: Yes, we can -- I believe we
22 can accommodate them on the boat. I would also
23 add that our perspective on a retail mall as
24 casino operators is that it's a marketing tool
25 to bring people. To the extent the retail mall

1 brings people we can save on marketing costs,
2 that's one of the great advantages of having
3 that next to us. We're not the only one who
4 came to that conclusion.

5 I would also say that because the boat is
6 smaller and because our investment is smaller we
7 are also fortunate that if revenues do drop more
8 than we anticipate, we have a lower break even
9 than we would have had if we had a bigger boat
10 and that's of comfort to us and another one of
11 the reasons. We don't want to look at a doom
12 and boom approach here. It will do well it's
13 also our obligation to look at both sides.

14 MR. MILCAREK: Forgive me for repeating
15 myself, I don't remember the answer. When would
16 the construction of this hotel begin, what year?

17 MR. RUSTHOVEN: Peter Rusthoven. First
18 year.

19 MS. BOCHNOWSKI: Any other questions?
20 Thank you very much.

21 MR. RUSTHOVEN: We thank you very much.

22

23 (Proceedings concluded at or about 5:45 p.m.)

24

25

1 STATE OF INDIANA)

2) SS:

3 COUNTY OF LAPORTE)

4 COURT REPORTER'S CERTIFICATE

5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 13th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 3:15 p.m., I then and there reported the
10 excerpt proceedings had before the Indiana Gaming
11 Commission;

12 I further certify that I reported said proceedings by
13 the means of machine shorthand and that I have transcribed
14 my original shorthand notes through the use of
15 computer-aided transcription into the typewritten form and
16 that the foregoing and attached pages or parts of pages
17 number inclusively three hundred eighty-five through four
18 hundred ninety comprise a true, correct, complete and
19 accurate transcript of said proceedings;

20 IN WITNESS WHEREOF, I have hereunto set my hand and
21 official seal this 4th day of February, 1996.

22 Natalie Bearickx
Notary Public, State of Indiana
Laporte County Natalie Bearickx
My Commission Expires 08/20/99

24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
25 HEREOF AND DOES NOT APPLY TO ANY XEROX COPIES MADE OF THIS
TRANSCRIPT.

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BEFORE THE
INDIANA GAMING COMMISSION

IN RE: THE POSSIBLE)
ISSUANCE OF A GAMING)
LICENSE FOR A RIVERBOAT)
IN MICHIGAN CITY, INDIANA)

THE MAYOR'S CLOSING COMMENTS
VOLUME VI Pages 491 thru 511

The Mayor's closing comments as had before the Indiana Gaming Commission, commencing on Tuesday, February 13, 1996, At or about 6:00 p.m. at the Pine Lake Hotel, 444 Pine Lake Avenue, LaPorte, Indiana.

GAMING COMMISSION MEMBERS PRESENT:

DAVID E. ROSS, JR., M.D.
ROBERT W. SUNDWICK
ANN MARIE BOCHNOWSKI
DONALD RAYMOND VOWELS
ROBERT SWAN
THOMAS F. MILCAREK

Also Present:

JACK THAR
Executive Director, Indiana Gaming Commission
FLOYD HANNON
Deputy Director, Indiana Gaming Commission
KAY FLEMING
Chief Legal Counsel, Indiana Gaming Commission
JANINE HOOLEY
Director of External Affairs

Members of each Applicant's Staff
Members from the General Public

Reported by:
Natalie Bearickx, CSR, Associate Reporter

1 Tuesday, February 13, 1996 --

2 (At or about 6:00 p.m. Gaming Commission and
3 members of the public present at the Pine
4 Lake Hotel.)

5 MS. BOCHNOWSKI: We will have the Mayor
6 come up and she's just going to -- a few
7 questions have arisen during these hearings and
8 she would just like to clarify a few things for
9 us and entertain any questions.

10 MAYOR BERGERSON: I guess it's evening, so
11 good evening, Commissioners. I know it's been a
12 long day for you and some of you have to face a
13 drive back to the southern part of the state so
14 I will try to be brief. There were a few issues
15 raised over the last few days that I felt
16 deserved to be answered in person rather than by
17 letter.

18 At this time I want to address initially
19 the openness of the process in Michigan City.
20 As you can imagine, I have only been in office
21 for 40 days so my integrity is on the line here.
22 I have been a part of the process as a council
23 member. I was head of the Council Riverboat
24 Development Committee, so there are a few things
25 I would like to explain to you about the process

1 that may not have been clear from the
2 explanations that have come forth at this time.

3 As a council member we were committed to
4 appoint four community members to the 22 member
5 committee. In August and again in September I
6 issued a call to the community that if there
7 were any community members who wanted to be part
8 of the community committee, that they should
9 submit their names to me or to one of the
10 council committee members. One community
11 member, to my knowledge, came forth at that time
12 and he was placed on the committee.

13 There have been statements made that there
14 were people excluded from the committee and I
15 take offense to that. Quite frankly, the
16 process was open from my point of view. If
17 anyone had come forth at that point and wanted
18 representation, there were spots open. We
19 actually had to go out and approach people and
20 ask them if they would like to serve. The
21 council committee was -- every council member
22 was included, that was nine members. They
23 represented various areas of the city, six
24 different wards and three at large council
25 members, so I feel that there was a broad based

1 committee in place. The former administration
2 placed four people and the council also placed
3 four people, so quite frankly I think the
4 committee did represent the community and did
5 represent it well.

6 In addition there have been statements made
7 that there was no union representation. While
8 no union representative came to me or to the
9 council committee and asked for representation,
10 I do know for a fact that there were members of
11 the committee who are members of the unions.
12 Denzil Wilson and is a union -- I believe an
13 officer in his union. Paul Przybylinski is a
14 steel worker and a member of a union. Virginia
15 Martin is a bus driver and is a member of a
16 union. And there are two mentioned former
17 police officers who were members of the
18 policemen's union. So I think that that point
19 needs to be made that although union
20 representatives did not come forth and ask to
21 serve, there were members of organized labor who
22 served on the committee and who had those
23 interests in mind.

24 In addition regarding the openness of the
25 process at the beginning of the process we

1 stated -- and, in fact, the former mayor was in
2 was chairing the meetings -- he asked that any
3 community members who had questions would submit
4 those to the committee and we would forward them
5 to the developer. In fact, there were questions
6 that came forth in the committee, we passed
7 those along to the developers and we got answers
8 in the mail to the -- to the committee and we
9 reported on those at the following meeting.

10 The report that I presented to the Gaming
11 Commission, you should have received that on
12 Friday, was the report that was the conglomerate
13 of all 22 members of the committee, it is not my
14 personal opinion and it is not any one person's
15 opinion. But I was here as the mayor of
16 Michigan City to present the conglomerate
17 opinion from the evaluation that we did on the
18 December 6th. I want it to be known that as
19 mayor of Michigan City I'm considered a friend
20 of organized labor. And I have asked each of
21 the developers that I have talked to that they
22 though use local, that they use our local
23 tradesmen and women and certainly use local good
24 and services and I would stand by that today.

25 The issue also came up about the 25 percent

1 of the local share being shared with other
2 communities in LaPorte County. There was no
3 formal agreement put forth at anytime on that.
4 There was a resolution that presented the intent
5 of the last city council. Some of those members
6 have been replaced by -- via electric. There
7 was a resolution, I have a copy of it if you
8 would like to see that which did present a lot
9 of the issues of gaming and also presented
10 Michigan City's council opinion that we would
11 share 25 percent of the -- I think it was the
12 local wager tax to the rest of the communities
13 in the county, and I stand by that. We will
14 have to sit down and hammer out an agreement.

15 Yesterday the city controller spoke to you
16 about that 25 percent and spoke to you about the
17 overriding health concerns that have come forth
18 on our sanitary system, on the county landfill,
19 there are some tainted wells that need to be
20 addressed. So we had hoped that we could work
21 with the rest of the county and put that 25
22 percent in an infrastructure that would benefit
23 the entire county and absolutely address the
24 health concerns that have been cited by the
25 state.

1 Number three, the point about beach front
2 versus upstream development, I know you are
3 probably sick of hearing about this but the
4 question came forth about why we are so
5 protective of our beach, our waterfront, our
6 harbor and whether this poll, which I have not
7 seen and don't know anything about, whether that
8 really reflects the community's sentiments. I'm
9 only one voice and I have lived here for 20
10 years and I'm considered a relative newcomer. I
11 was not born and raised in Michigan City but I
12 can tell you from everybody that I have spoken
13 to -- I spoke to the city team today and asked
14 them for their opinion, the 22 member committee,
15 17 of those members who represent the community
16 spoke out and said that they felt that the
17 development would be in the best interest at the
18 upstream site. Now you can say that that is
19 subjective and obviously it is.

20 What I would say to you is that Michigan
21 City has a long history over one century of
22 trying to protect the waterfront for public use.
23 I mentioned yesterday two issues where private
24 development was suggested on or next to public
25 land. One of those projects was an expansion of

1 the marina, 6,000 people stepped forward and
2 said no. The second was a condominium project
3 right across from the George property that was
4 mentioned by one of the developers as a site.
5 It's owned by Frank McNowski (phonetic), the old
6 Smith Brothers property. Three thousand people
7 spoke out at that time and said no condos on our
8 lakefront.

9 The city of Michigan City has taken a
10 position that that one parcel next to the old
11 Lighthouse museum is a parcel we would like to
12 secure for public use and we are working on
13 that, working with the state to try to get some
14 relief to help us. What I guess I'm trying to
15 say to you is that a represent the public trust.
16 The 22 members of the committee spoke up very
17 strongly -- I don't have a poll to prove my
18 point -- but if you can talk with the people of
19 Michigan City particularly, there is a strong
20 feeling that the lakefront is for everyone's
21 use, they would like that remain. We have tried
22 to preserve it for over a century, and we would
23 like to continue to preservation.

24 The economic development that would
25 hopefully be spurred by the development

1 opportunities is the reason that the city of
2 Michigan City has promoted that site. At one
3 point a developer did come to us, and a very
4 sizable developer, who wanted to build on our
5 lakefront in Washington Park and we emphatically
6 said, no, we would be run out of town on a rail
7 if we brought that to the public. They receded
8 and came back to us, the developer came to us
9 with the upstream site and said this land
10 provides us with the greatest amount of space.
11 We don't want to be cramped, we want to be able
12 to expand as our development prospers to have
13 the ability to grow.

14 The upstream site obviously has a --
15 fulfills a lot of the development needs of
16 Michigan City. We have an area in Michigan City
17 that does not prosper, it is not bringing in any
18 tax revenue and obviously would benefit greatly
19 by a project of this size. Even if this project
20 was a scaled down project at the upstream site,
21 it would provide local incentive for businesses
22 to put their projects next to and add to that
23 attraction using the people who are coming to
24 Michigan City to use the riverboat development.
25 In the redevelopment area of Michigan City that

1 I showed you yesterday on the tour, the city of
2 Michigan City has over the last decade spent \$10
3 million of public funds trying to spur growth at
4 that Franklin Street area.

5 We have done what we think is our homework
6 in that middle section. Lighthouse Place is a
7 private development that has spurred the west
8 side of Michigan City, and now we are looking to
9 fill in that triangle that we talked about
10 yesterday and the upstream site would accomplish
11 that for us.

12 Last point I would like to make is the
13 development agreement. You have in your packet
14 a copy of each of the three development
15 agreements that we tried to hammer out with the
16 companies. We discussed a development agreement
17 with the companies two years ago when we had 22
18 companies in Michigan City. And, of course, at
19 this time we thought we had the world by the
20 string and we would could ask them for anything.
21 We did tell them at that time we would ask for a
22 development agreement to be signed before we got
23 in front of the Gaming Commission. Obviously I
24 didn't take negotiation 101 in college but I'm
25 sure that you would agree with me that the time

1 to negotiate is before you come to the
2 commission, not after.

3 My job is to protect the community. That
4 was the feeling of the 22 member committee, that
5 we would negotiate with the developers before we
6 got to this process because obviously after the
7 process we don't hold all of the cards anymore.
8 If there are any questions, I would be happy to
9 address them at this time. I do have city
10 representatives that can answer specific things.

11 MR. SWAN: I would like to ask one
12 question and we will have a chance to do this
13 later, too, I suppose but while you're here,
14 what are the circumstances involved surrounding
15 the NIPSCO letter that appeared yesterday, you
16 provided to us yesterday morning, why was that
17 suddenly prepared and put in our hands that day?

18 MAYOR BERGERSON: It wasn't suddenly
19 prepared. I will tell you that for the last
20 decade in Michigan City we have talked to
21 NIPSCO, the port authority has talked to NIPSCO.
22 And in the packet that you received, you should
23 have noted that there -- in the port authority
24 master plan that property is mentioned, in port
25 authority minutes that property is mentioned.

1 NIPSCO came to me a few weeks back and discussed
2 the public launch ramp and how their role would
3 be played with a temporary gaming facility. I,
4 of course, sat down with NIPSCO and discussed it
5 with them and didn't intend on moving anything
6 forward other than the temporary gaming site.
7 However, one of the groups came to me about a
8 week ago and informed me that they had plans to
9 buy NIPSCO property. I was a little built
10 alarmed because NIPSCO had not informed me about
11 any purchases or long-term leases of their
12 property.

13 I called NIPSCO to get a clarification and,
14 quite frankly, there seemed to be a little
15 internal, I guess you would say, disagreement in
16 NIPSCO between their economic development
17 department and their real estate department as
18 to what was exactly was going to happen to their
19 property. At that time NIPSCO decided they were
20 going to take a position which they had not
21 taken in the past and ask me if I would like a
22 letter to the effect that they were not selling
23 their property but would, in fact, be willing to
24 negotiate with the developers at no cost to the
25 city to harbor a temporary facility.

1 My bottom line was it would foster and
2 complete the negotiations we have had with
3 NIPSCO over a decade procurring public access to
4 the lakefront. That land that would be a
5 temporary cite would then be donated back to the
6 city. And I could tell the public, who wants to
7 use the lakefront that we have a public access
8 spot for them right on our beautiful harbor.
9 Any other questions.

10 MR. SUNDWICK: I have one or two since I
11 missed you yesterday. You said there was only
12 one person from -- you put out a -- you wanted
13 some more people to be involved, only one person
14 from the community on the 22 came forward?

15 MAYOR BERGERSON: One person submitted a
16 letter to me, I'm speaking to me, I got one
17 letter, that person did get a spot. We had --
18 the way the former mayor had set it up, the
19 committee was responsible for finding four
20 individuals. We did put four individuals on
21 there. I got one letter myself and the former
22 mayor also found four community members. So the
23 committee was made up of the nine council
24 members.

25 MR. SUNDWICK: Four from the old mayor?

1 MAYOR BERGERSON: Four of his
2 appointments, four of the counsel's appointments
3 and some city administrators from the former
4 mayor's staff.

5 MR. SUNDWICK: Okay. So really we got one
6 from the outside, everybody else knew somebody,
7 that's how they got involved?

8 MAYOR BERGERSON: No. No. He had members
9 of his administrative team. He had the city
10 attorney and the planner and the controller, but
11 then he also had four community members and then
12 the council also had four community members.

13 MR. SUNDWICK: These are people they knew,
14 obviously you had the 22 other people that wrote
15 to you and they must have known them and they
16 didn't drag them off the street?

17 MAYOR BERGERSON: We did put out a call,
18 the council did, for our four spots. We did put
19 out a call to the community and ask for people.
20 I will ask the former council president and
21 current council president if there were any
22 other things if you would like.

23 MR. SUNDWICK: Do me a favor, give me a
24 list of the 21 people.

25 MAYOR BERGERSON: Actually you should have

1 that in your packet.

2 MR. SUNDWICK: Do I have what they do?

3 MAYOR BERGERSON: Yes. You should have
4 their professions, their businesses, yes.

5 MR. SUNDWICK: I think the union
6 leadership yesterday was a union leadership
7 issue, I don't think it was necessarily union --
8 you said there was four people union people on
9 it and I think their complaint was not
10 leadership not necessarily --

11 MAYOR BERGERSON: May I interject. I
12 think the committee would have been more than
13 interested in having union leadership on there
14 if we had known of that interest. Quite
15 frankly, I did not hear of that complaint until
16 after December 6th when we decided. They felt
17 that they had not been included and I think
18 that's very unfortunate.

19 MR. SUNDWICK: Also let me characterize
20 one of the organizations -- characterize the
21 time frame from October to December was the
22 meeting time frame for the 22 people, how many
23 meetings did they hold?

24 MAYOR BERGERSON: We held four meetings.
25 I was not the mayor at that time so it was not a

1 schedule that I presented. But quite frankly,
2 Michigan City had been preparing for the
3 hearings for quite a long time for our local
4 evaluation. We wanted our hearings to be held
5 in a timely fashion so it wouldn't be too far
6 away from the committee hearings because our
7 data would be dated so to speak. So we did hold
8 four hearings, they were lengthy, they were open
9 to the public and to the press.

10 MR. SUNDWICK: I understand it was a
11 county vote that brings the license availability
12 to this Michigan City, am I right?

13 MAYOR BERGERSON: That's right.

14 MR. SUNDWICK: And you plan on taking 25
15 percent and redistributing that back to the
16 counties cities, is that --

17 MAYOR BERGERSON: Right. We have a
18 resolution which is obviously nonbinding that
19 the former council passed saying that we
20 intended to sit down with the rest of the county
21 and talk to them about that 25 percent, and I
22 would commit to today that it was a county
23 referendum although Michigan City particularly
24 will be impacted by the development. Our safety
25 and our police will be impacted obviously more

1 strongly than the rest of the county, but I
2 certainly would move forward on that agreement.

3 MR. SUNDWICK: So you are going to make a
4 commitment of a minimum of 25 percent to the
5 rest of the county?

6 MAYOR BERGERSON: Hold on just a second,
7 please.

8 (Mayor Bergerson held a discussion off the
9 record.)

10 MAYOR BERGERSON: It's 25 percent of the
11 wagering tax and that should be in your
12 document. I can get that to you as well.

13 MR. SUNDWICK: So it's going to happen
14 though?

15 MAYOR BERGERSON: My commitment to you is
16 that it's going to happen. Obviously the city
17 council, I can't imagine they would choose not
18 to support their last resolution.

19 MS. BOCHNOWSKI: But the view -- in some
20 ways you are trying to direct where that money
21 is spent even though it's going to be for the
22 county's benefit you are -- the city of Michigan
23 City is determining to a certain degree how it
24 is to be spent.

25 MAYOR BERGERSON: We discussed that

1 yesterday with you about of the safety issues --

2 MS. BOCHNOWSKI: Right.

3 MAYOR BERGERSON: -- dealing with the
4 sanitary sewers and the needs. Obviously if we
5 sit down with the county and they don't want
6 that, I'm sure we can renegotiate that idea.
7 That was an idea that I put forth for because it
8 would really be in the best interest in terms
9 of the entire county, not just one group of
10 people.

11 MR. SUNDWICK: We went through this in
12 Lawrenceburg, Indiana. It became that
13 Lawrenceburg really ended up running the county.
14 They ended up with all the money and the county
15 was kind of hanging around Lawrenceburg trying
16 to get -- we want to make sure that doesn't
17 happen. I think it's a fairness issue and it
18 needs a resolution and what's going to happen.
19 I think that you ought to be as fair as you can,
20 tell them what you are going to do with the
21 money.

22 MAYOR BERGERSON: Your point is well
23 taken.

24 MR. SUNDWICK: The last thing, what year
25 was the power plant built that's on your marina?

1 MAYOR BERGERSON: The nuclear plant.

2 MR. SUNDWICK: Yes.

3 MAYOR BERGERSON: I really don't know the
4 date.

5 MR. SUNDWICK: Within the last 100 years?

6 MAYOR BERGERSON: Nineteen seventy-two is
7 what I'm being told, I came in '73 so 21 years.

8 MR. SUNDWICK: So we didn't have the same
9 outcry of protecting our beaches to the same
10 extent that we have today in this gaming board
11 that we have in the power plant?

12 MAYOR BERGERSON: I'm sorry.

13 MR. SUNDWICK: I said we didn't have the
14 same outcry of protecting our beaches to the
15 same extent that we have today in this gaming
16 board that we have in the power plant.

17 MAYOR BERGERSON: The cooling tower was
18 built then, I think that the plant was there and
19 that land was in NIPSCO's control for longer
20 than that. Does anyone have the facts on that?

21 MR. SUNDWICK: I'm just trying to figure
22 out when everybody got really concerned about
23 the beach. I came from Cleveland one time and
24 nobody was concerned, until lately they are
25 concerned.

1 MAYOR BERGERSON: Actually I'm from
2 Cleveland, too, and I was there when the river
3 burned.

4 MR. SUNDWICK: You said 100 years
5 everybody was concerned I, was just trying to --
6 as I sat here, I thought when did that become --
7 it was okay one time to build the facility.
8 That's all the questions I have. I told you I
9 would make it reasonably short.

10 MR. MILCAREK: I believe the NIPSCO plant
11 has been there for a very long time. They
12 actually hauled away one of the burned down
13 buildings on the hoosier site which is very
14 familiar to us. It's really an interesting
15 story which I'm not going to get into.

16 What I would like to ask is given the
17 strong feeling that you and the other 17 members
18 who selected the upstream site and your view of
19 how the people of Michigan City are so
20 protective of the harbor site, are you adopting
21 the attitude that it's the upstream site or no
22 site or how would you address that?

23 MAYOR BERGERSON: You know, I had a feel
24 that was going to come. As you can imagine,
25 that is a very politically difficult question

1 for me to address straight up so I would dodge
2 it a bit and tell you that if it came down to
3 that question, I would have to go back to my
4 community and discuss it. I don't know how we
5 would assess that but certainly it would lead me
6 into a very difficult situation. We want
7 development, we want the economic rewards that
8 this development would bring and that is to be
9 balanced with preserving the lakefront for our
10 public to use.

11 MS. BOCHNOWSKI: Any questions beyond
12 that? Thank you very much. I guess that is
13 concludes it. Now, before everybody leaves I
14 know the big question is when will we get
15 together in Indianapolis to discuss this further
16 and possibly make a decision. We are looking at
17 sometime around or on March 20th. We have to
18 secure a place to meet and make sure that that
19 would be okay with Chairman Klineman. It's very
20 important for all of us to be in attendance at
21 all of these discussions. So once we know that,
22 it will be published and made public. I want to
23 thank everybody for sitting patiently through
24 all of this and coming and keeping us informed.

25 (Proceedings concluded at or about 6:20
p.m.)

1 STATE OF INDIANA)
2) SS:
3 COUNTY OF LAPORTE)

4 COURT REPORTER'S CERTIFICATE

5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 13th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 6:00 p.m., I then and there reported the
10 proceedings had before the Indiana Gaming Commission;

11 I further certify that I reported said proceedings by
12 the means of machine shorthand and that I have transcribed
13 my original shorthand notes through the use of
14 computer-aided transcription into the typewritten form and
15 that the foregoing and attached pages or parts of pages
16 number inclusively four hundred ninety-one through five
17 hundred eleven comprise a true, correct, complete and
18 accurate transcript of said proceedings;

19 IN WITNESS WHEREOF, I have hereunto set my hand and
20 official seal this 4th day of March, 1996.

21 ~~~~~
22 Natalie Bearickx Natalie Bearickx
23 Notary Public, State of Indiana
Laporte County
My Commission Expires 08/20/99
~~~~~

24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT  
25 HEREOF AND DOES NOT APPLY TO ANY XEROX COPIES MADE OF THIS  
TRANSCRIPT.