

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 commission. 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 Pally 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 Pallyay
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 to 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
23 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
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