

ORIGINAL

BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: April 17, 1996

PLACE: ISTA Building  
150 West Market Street  
2nd Floor Conference Center  
Indianapolis, Indiana

REPORTED BY: Kathleen L. Cast, Notary Public

MEMBERS OF THE COMMISSION

Alan I. Klineman, Chairman  
Thomas F. Milcarek  
David E. Ross, Jr., M.D.  
Donald R. Vowels  
Ann Marie Bochnowski  
Robert W. Sundwick  
Robert Swan

ALSO PRESENT

John J. Thar, Executive Director,  
and Members of the Staff

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INDIANA GAMING COMMISSION

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9 1 MR. KLINEMAN: Representative  
2 Alevizos is here, and he says that he's  
3 really here basically to answer any questions  
4 that the Commission might have concerning  
5 what we'll call the Trail Creek Site. So,  
6 Representative, if you have anything you'd  
7 like to say before we see if there are any  
8 questions.

9 REPRESENTATIVE ALEVIZOS: Well, only  
10 that I had indicated that if people were  
11 going to be discussing whether that's an  
12 allowable site under the statutes or what any  
13 kind of legislative intent would be, that I  
14 would be willing to comment on that.

15 And I'm assuming from what you told  
16 me, Mr. Chairman, that there are questions  
17 along those lines. And I would simply state  
18 that I don't think legislative intent even  
19 needs to enter into the question, because I  
20 think the statutes are clear in that they do  
21 not -- they do not require a boat to sail on  
22 the waters of Lake Michigan. They don't now,  
23 and they never have.

24 And, in fact, there is specific  
25 language that, quite frankly, if they did,

10 1 there would have been a considerable effort,  
2 I think, by several legislators in Northwest  
3 Indiana to change the language. In fact, we  
4 never had to reach that point, because it  
5 simply states navigable waters as declared by  
6 this Commission, and specifically cites the  
7 Army Corps of Engineers as kind of the  
8 guidelines to go by.

9 And in the city of Michigan City,  
10 it's been common knowledge for years and  
11 years and years that Trail Creek has been  
12 declared by the Army Corps of Engineers as  
13 navigable waters up to the E Street Bridge,  
14 which is clearly past any of the three sites  
15 that have been proposed.

16 And I guess that's the only comment I  
17 have up-front. If there's any questions,  
18 feel free to answer them.

19 DR. ROSS: Is there some -- is there  
20 some document that indicates that? Because  
21 the Corps of Engineers says nobody has talked  
22 to them about it.

23 REPRESENTATIVE ALEVIZOS: Well, let  
24 me tell you that prior to my service in the  
25 legislature, I served in the -- as a member

1 of the Common -- and as president of the  
2 Common Council of the city of Michigan City.

3 And an issue that we have always had  
4 is keeping -- is the dredging of our harbor.  
5 And we've always had to deal with the Army  
6 Corps of Engineers. And through that process  
7 and the Port Authority, we were always told  
8 that and it was our knowledge that the Army  
9 Corps of Engineers had jurisdiction up to the  
10 E Street Bridge, because that's where they  
11 had declared Trail Creek to be navigable.

12 And throughout the process, Michigan  
13 City, the city government, has focused on the  
14 development of the Trail Creek Site and was  
15 never told that that wasn't an allowable  
16 site. In fact, I believe members of this  
17 Commission's staff have indicated in the past  
18 that they didn't believe that there was a  
19 problem with that site as well.

20 DR. ROSS: But is there a document?

21 REPRESENTATIVE ALEVIZOS: I don't  
22 think a document is necessary. If a  
23 document -- if you feel it's necessary, I'm  
24 sure one can be obtained simply by asking.

25 MR. KLINEMAN: The question I think

1 Dr. Ross is asking is we start off by  
2 assuming that Trail Creek is a navigable body  
3 of water as declared by the Corps of  
4 Engineers. But I guess this Commission has  
5 never seen that document --

6 REPRESENTATIVE ALEVIZOS: Okay.

7 MR. KLINEMAN: -- that says up to the  
8 E Street Bridge.

9 REPRESENTATIVE ALEVIZOS: I can just  
10 tell you from my years of work on the city  
11 counsel that is what we have always been told  
12 by the city attorneys, by Port Authority  
13 attorneys, etcetera in the past when the  
14 issue of dredging came up.

15 I do believe the statutes -- so I  
16 guess you're in agreement that you don't read  
17 the statutes as requiring a trail -- I mean  
18 as Lake Michigan, to actually go out on to  
19 Lake Michigan.

20 MR. KLINEMAN: I can't tell you  
21 whether this Commission is in agreement on  
22 that or not. We're obviously going to be  
23 discussing it, and we're asking you to give  
24 us whatever insight you can give us.

25 REPRESENTATIVE ALEVIZOS: Well, I

1 believe that the way that I read the statutes  
2 and that I think all of us in the legislature  
3 have read them is that ultimately that call  
4 will be yours as terms of what is navigable  
5 waters.

6 But I believe the statutes also  
7 specifically cite the Army Corps of Engineers  
8 for guidelines for this Commission. And I  
9 believe that if there is a question, then the  
10 Commission should ask the Army Corps of  
11 Engineers.

12 I do believe that there has been  
13 something suggested by the city about a  
14 ninety-day period to follow up on any  
15 decision that may be made. I don't know if  
16 you're going to go that route or not. But,  
17 if so, I would imagine that that's something  
18 that could clearly be answered within that  
19 ninety-day period.

20 MR. THAR: I can add some light to  
21 that if you'd like. We have discussed that  
22 with the Army Corps of Engineers. The Army  
23 Corps of Engineers does have maps which  
24 indicate what areas are in their jurisdiction  
25 and what aren't.



1 Trail Creek up to the E Street Bridge  
2 is within the Army Corps of Engineers'  
3 jurisdiction. They have told that in our  
4 meetings. They told that to us in our  
5 meetings.

6 Statutes provide that the Commission  
7 can put a boat on any navigable waterway that  
8 the Commission deems to be a navigable  
9 waterway. We look to the Army Corps of  
10 Engineers' definition or go beyond them if we  
11 so choose.

12 But the bottom line is that the Army  
13 Corps of Engineers -- the representation that  
14 the Army Corps of Engineers has jurisdiction  
15 over the navigable waterway of Trail Creek to  
16 the E Street Bridge is correct.

17 MR. SUNDWICK: You made the comment  
18 just a second ago that what we deem and what  
19 the legislature may have deemed. It's hard  
20 for me to believe that somebody sitting in  
21 the legislature X number of years back and  
22 assume that when we put a boat in the Lake  
23 Michigan area or on the Ohio River that it  
24 didn't mean that it was going to cruise or be  
25 on one of those two bodies of water.

1                   It's hard for me to believe that we  
2 could build fifty-five miles into the state,  
3 put fifteen hundred yards worth of canal and  
4 run boats and meet the state's requirements.

5                   REPRESENTATIVE ALEVIZOS: Well, first  
6 of all, may I ask, where are you from?

7                   MR. SUNDWICK: Madison, Indiana.

8                   REPRESENTATIVE ALEVIZOS: You're from  
9 Madison, Indiana. Okay. I'm familiar with  
10 Madison, Indiana. It's a sister city. It's  
11 sort of at the other end of the Michigan  
12 road.

13                   I think it was clear to the  
14 legislators for Northwest Indiana that it  
15 would be damn near impossible to put a boat  
16 on Lake Michigan to begin with. In fact,  
17 early in the process, approximately seventeen  
18 legislators kind of met in, I believe,  
19 informal caucuses, as we often do, to discuss  
20 Northwestern Indiana issues.

21                   And that specific question came up.  
22 And I think the decision was made as long as  
23 the statutes didn't specifically say you have  
24 to be on Lake Michigan, we didn't need to  
25 address that.

1 I think it was clear that Lake -- for  
2 any of us who live on Lake Michigan that Lake  
3 Michigan is not very hospitable to travel by  
4 any sort of boat during the bulk of the year,  
5 quite frankly.

6 And I guess anyone from Northwest  
7 Indiana would take the opposite approach and  
8 say it's hard for us to believe that you  
9 would want the boats to go out on that lake.

10 MR. SUNDWICK: Do you think that  
11 would be absolutely clear to every other  
12 legislature in the state? You're speaking  
13 for the legislature, you in the Northwest  
14 caucus thing.

15 REPRESENTATIVE ALEVIZOS: I'm saying  
16 what I thought and I'm pretty sure what most  
17 of the Northwest Indiana legislators thought.

18 MR. SUNDWICK: But not the rest.

19 REPRESENTATIVE ALEVIZOS: I don't  
20 think they even thought on that issue.

21 MR. SUNDWICK: I would agree with  
22 you, they probably didn't think about it.

23 REPRESENTATIVE ALEVIZOS: They  
24 probably didn't think about it. But  
25 specifically I think the language is clear

11 1 that it specifically says navigable waters,  
2 and it allows you to determine that. And  
3 you're going to have the say on that. I'm  
4 certainly not.

5 MR. SUNDWICK: Well, I'm just trying  
6 to go by what I think they believe that they  
7 were doing. That's the only thing I can go  
8 by. I think they probably had intent. If I  
9 were from the middle of the state, it would  
10 be an intent.

11 If it's in Ohio waters or Lake  
12 Michigan, there would be some intent on my  
13 part as a legislature -- and maybe I'm  
14 wrong -- to think that if it was going to be  
15 on the Ohio, it would be on the Ohio, not,  
16 you know, in Jefferson County two miles up  
17 and not being able to get to the Ohio. I  
18 don't believe that would be the intent.  
19 Certainly in my vote it wouldn't be.

20 REPRESENTATIVE ALEVIZOS: If that  
21 would have been the intent, then it should  
22 say that it had to be on Lake Michigan.

23 MR. SUNDWICK: That's assuming that  
24 all the legislatures surely don't make  
25 mistakes.

1 REPRESENTATIVE ALEVIZOS: Well, quite  
2 frankly, we make a lot of mistakes.

3 MR. SUNDWICK: I think you just made  
4 one. I agree with you.

5 REPRESENTATIVE ALEVIZOS: But  
6 intent -- and I guess my initial comment is  
7 you don't need to get to the intent, quite  
8 frankly, because it's not -- I mean, the  
9 guidelines that you have to follow are clear,  
10 navigable waters as you determine using the  
11 Army Corps of Engineers as a backup. That's  
12 what the statute says.

13 You only get to legislative intent if  
14 there's some ambiguity there. And there  
15 isn't another point in the statutes that says  
16 it must travel on Lake Michigan waters. If  
17 so, then you would have an ambiguity, and the  
18 intent would come in to play.

19 And I guess my comments are, I don't  
20 even think you reach the point that you need  
21 to look into the legislative intent, which  
22 is, I guess --

23 MR. SUNDWICK: Your opinion.

24 REPRESENTATIVE ALEVIZOS: My opinion,  
25 and also kind of makes my comments here kind

1 of unnecessary.

2 MR. SUNDWICK: I certainly appreciate  
3 your comments.

4 MR. KLINEMAN: I was just going to  
5 say that as a matter of law, the  
6 representative does correctly state that if a  
7 statute can be read literally, it is to be  
8 read literally without reference to -- and to  
9 be given its normal meaning. And you don't  
10 reach legislative intent.

11 Of course, legislative intent is very  
12 difficult to really ascertain in Indiana,  
13 because there are not recordings of committee  
14 meetings and discussions on the floor of  
15 various -- the two houses.

16 So whereas in the federal system,  
17 there is this vast body of information  
18 available on each one of the statutes that  
19 passes. Then they have developed this  
20 legislative intent concept. So it's a little  
21 difficult to use it in Indiana, period, I  
22 think.

23 REPRESENTATIVE ALEVIZOS: Our  
24 journals are simply just rough minutes of  
25 what transpired on the floor and nothing

11 1 beyond that.

12 2 MR. KLINEMAN: If no one has any more  
13 3 questions, I appreciate Mr. Thar  
14 4 straightening us out on the question of  
15 5 whether or not the Corps had, in fact, acted,  
16 6 which is the question, I guess, that came up  
17 7 from Dr. Ross.

18 8 And so they have acted, and Mr. Thar  
19 9 is aware of that the maps show that Trail  
20 10 Creek up to this point, E Street Bridge, is,  
21 11 in fact, within their jurisdiction and  
22 12 considered to be navigable.

23 13 REPRESENTATIVE ALEVIZOS: And I guess  
24 14 my only other comment is the other thing that  
25 15 I believe the statute says indicates that you  
16 16 have to make a determination hopefully on  
17 17 economic development standpoint.

18 18 And I believe that the community  
19 19 itself through its elected leaders, both the  
20 20 past and current administrations, believe  
21 21 that the Trail Creek Site is the site that  
22 22 best affords that opportunity.

23 23 And I certainly wouldn't want to say  
24 24 anything to the contrary to that, especially  
25 25 since I've also had, like I said, twelve

11

12

12 1 years experience now as -- maybe a little  
2 more than that actually -- an elected  
3 representative of parts of Michigan City, if  
4 not all.

5 And our harbor area has always been  
6 kind of a sacred area, so to speak, ever  
7 since Martin T. Kreiger (phonetic) saw fit to  
8 buy up the land for Washington Park. Every  
9 time that there's been any kind of proposal  
10 to develop any public -- I mean any private  
11 development in our Washington Park Harbor  
12 area, there has always been a public uproar.

13 And, in fact, I believe that during  
14 the course of the referendum on this process,  
15 the hard sell was for the Trail Creek Site.

16 MR. KLINEMAN: Okay. Well, thank you  
17 very much.

18 Edward Gonzalez has requested a very  
19 small portion of time to also address the  
20 Commission. And you are a member of the --

21 MR. GONZALEZ: La Porte County  
22 Council.

23 MR. KLINEMAN: La Porte County  
24 Council.

25 MR. GONZALEZ: Serving as president.



1 Thank you very much. I appreciate you giving  
2 me this moment to speak tonight.

3 MR. KLINEMAN: You have submitted a  
4 letter to us which is part of the record, I  
5 believe.

6 MR. GONZALEZ: Thank you. Yes, I  
7 have. And if you'd like to follow along with  
8 me, I'll probably just go right through there  
9 very quickly not to take up too much of your  
10 time, because I know it's a last minute  
11 thing, and I appreciate you letting me on  
12 here today.

13 As you know, I served also with State  
14 Representative Tom Alevizos on the City  
15 Council at that time, and now I am presently  
16 president of La Porte County Council.

17 But I have been involved in this  
18 process from the very, very beginning, and I  
19 cannot stress to you enough just how  
20 important we at the county level feel that it  
21 is, that you proceed to award the license  
22 today.

23 Our financial needs at the county  
24 level are great. We have worked mightily to  
25 pull La Porte County out of a two million

12 1 dollar deficit. But the new tax revenues  
2 from this development ought to be allowed to  
3 flow to the county and to the state just as  
4 soon as you possibly can.

5 As I told you in my letter of  
6 February 15th, it is still my sense that the  
7 harbor location adjacent to the Lighthouse  
8 Mall offers the best prospect for long-term  
9 economic growth and development.

10 Michigan City is going to need that  
11 something special to pull gaming patrons off  
12 I-94 and off the interstate. And putting a  
13 gaming complex next to an expansion of one of  
14 the country's premier shopping malls just  
15 makes really good sense.

16 I ran countywide as, you know, being  
17 president, and I believe that I do have a  
18 good sense of public opinion. And let me  
19 assure you that the poll results that you  
20 received presented to you in February seem  
21 pretty close and right on the money or right  
22 on the money.

23 My sense is that the people of  
24 La Porte County are most concerned with  
25 obtaining a riverboat development, and we'll

1 trust the judgment of your Commission as to  
2 the viability of a given site.

3 I think the poll is right when it  
4 stated a majority of our citizens felt the  
5 harbor location to be the best location. I  
6 remain very concerned that the Creek Site  
7 will be subject to all kinds of legal and  
8 environmental challenges that will slow us  
9 down.

10 Please put this project in the harbor  
11 where the benefits and tax revenues can start  
12 very soon and where our county can realize  
13 the full potential of this development.

14 Most importantly and most  
15 importantly, proceed to grant a license to La  
16 Porte County. Our citizens have voted to  
17 seek this license, and we have waited in line  
18 very patiently for two and a half years for  
19 this great opportunity. And we're ready, and  
20 we ask your support as a Commission for La  
21 Porte County.

22 And I thank you. And if you have any  
23 questions, please feel free to ask me. I was  
24 a member of the Michigan City Planning  
25 Commission. I'm a member of the Regional

1 Planning Commission and also La Porte County  
2 Planning Commission. I'm very well versed.

3 MR. SUNDWICK: The survey that we  
4 received, you believe you read that and  
5 obviously believe that that's an appropriate  
6 reflection of the county?

7 MR. GONZALEZ: I read portions of it,  
8 but mostly in talking to the citizens around  
9 La Porte County that I get the feel that they  
10 said the harbor is fine, you know, that they  
11 don't have a problem with it, put it that  
12 way. I don't know they exactly said it was  
13 the greatest, but they said there was no  
14 problem with it.

15 MR. KLINEMAN: Any other questions?

16 I've got one. You raised the  
17 question of environmental challenges?

18 MR. GONZALEZ: Yes.

19 MR. KLINEMAN: Do you know of  
20 environmental difficulties in the Trail Creek  
21 Site?

22 MR. GONZALEZ: Well, ever since in it  
23 was '88, '89, I was a Michigan City city  
24 councilperson there. Believe me, it's a  
25 wonderful place to live. But we've always

13 1 had problems getting rid of dredging  
2 sediment.

3 Where it is today, I don't -- I have  
4 never seen anything that we've cleaned it up  
5 per se to get rid of any sediments that were  
6 there. Back then, there was chromium and  
7 other hazardous materials. And I don't have  
8 specifics with me.

9 But there are a lot of chemicals or  
10 material in there that, once dredged up or  
11 turned up, would hurt the environmental  
12 aspects of it. And I know we've had and I  
13 know everyone here from Michigan City knows  
14 that, that we've had that problem in dredging  
15 before.

16 Believe me, we've had the citizens  
17 uprising about where we're putting it and  
18 dumping it. And there could be an  
19 environmental challenge. I'm not saying  
20 there is. It could most likely be, only  
21 because we know there has always been in the  
22 past a problem with the creek, with the  
23 sediments in the creek.

24 MR. KLINEMAN: Okay. Anything  
25 further?

1 Thank you very much.

2 MR. GONZALEZ: Thank you.

3 MR. KLINEMAN: We appreciate it.

4 We'll move in to a portion of our  
5 agenda where we have requested the  
6 applicants, since we were unable to meet in  
7 person and have the discussion of the  
8 Michigan City license last month, we asked  
9 the applicants to come before us in a short  
10 presentation not to exceed fifteen minutes,  
11 please, to summarize your previous  
12 presentations.

13 And we have established the order of  
14 Indiana Blue Chip Hotel and Riverboat Casino  
15 Resort Corporation would be the first one.

16 Please state your name for the  
17 record.

18 MR. MCQUAID: Yes, sir. My name is  
19 Joe McQuaid, vice president of Indiana Blue  
20 Chip.

21 Chairman Klineman, Commission Members  
22 and Staff, Mr. Thar, good afternoon. On  
23 behalf of Joseph Duleman (phonetic), the  
24 president of Indiana Blue Chip, and all of  
25 our shareholders, we would like to thank you

1 for giving us this opportunity to offer an  
2 update regarding our application for Michigan  
3 City. I realize that you have a busy agenda,  
4 and we will keep our comments very brief.

5 At our presentation before the  
6 Indiana Gaming Commission in February,  
7 several questions came up regarding the  
8 relationship between Indiana Blue Chip and  
9 the Silver Eagle Riverboat Casino in  
10 Illinois.

11 The Silver Eagle is an Illinois  
12 company owned and operated by H.P., Inc.  
13 Some of the investors in H.P., Inc. are also  
14 investors in Indiana Blue Chip. As we  
15 discussed at the February presentation,  
16 competitive expansion in the limited East  
17 Dubuque market left us no alternative but a  
18 temporary suspension of gaming excursions.

19 In our appearance before the Illinois  
20 Gaming Board in December, we indicated that  
21 we would look forward to reopening our vessel  
22 and our operations in the spring. On March  
23 the 26th, we appeared before the Illinois  
24 Gaming Board and announced that we would be  
25 reopening the Silver Eagle in time for the

1 Memorial Day Weekend next month.

2 During the time since our  
3 presentation in February, we have kept the  
4 Indiana Gaming Commission Staff informed of  
5 our progress.

6 After the March 26th Illinois Gaming  
7 Board meeting, all of the Silver Eagle  
8 employees were contacted as to their present  
9 employment status and to determine their  
10 ability to return to work.

11 Within the first ten days of this  
12 notification, more than fifty percent of our  
13 employees responded. And of that responding  
14 group, ninety-five percent advised us that  
15 they want to return to work with us.

16 In regard to the Warren Act  
17 litigation currently pending, we believe that  
18 we have complied with all aspects of the law,  
19 and we have reviewed this matter in great  
20 detail with the Illinois Gaming Board.

21 As in all matters of litigation, the  
22 final arbiter will be the court. And if for  
23 any reason the court feels that we have not  
24 met our obligations, we will fulfill those  
25 obligations immediately.



1           The shareholders of H.P., Inc. have  
2           invested significant amounts of capital into  
3           the license in order to restructure H.P.,  
4           Inc. as a viable entity. The shareholders  
5           are sophisticated investors with an aggregate  
6           net worth of hundreds of millions of dollars.

7           They are committed to the long-term  
8           success of this Illinois riverboat license  
9           and are continuing to work towards providing  
10          the financial security necessary in this  
11          highly competitive market.

12          H.P., Inc. will continue to work  
13          closely with the Illinois Gaming Board and  
14          the Illinois General Assembly to provide a  
15          viable long-term solution to this competitive  
16          jurisdictional problem in this small rural  
17          market.

18          I would like to briefly just go over  
19          our proposals. We are very excited about the  
20          possibility of being the developer in  
21          Michigan City. We believe that it is an  
22          excellent market for a riverboat casino.

23          It has established amenities and a  
24          strong foundation of existing tourism. With  
25          over four and a half million adults living

1 within fifty miles of Michigan City, we  
2 believe a high quality riverboat gaming  
3 operation coupled with the inherent amenities  
4 in Michigan City, we can withstand new  
5 competitive intrusion and be a successful  
6 compliment to the tourism industry in  
7 Michigan City.

8 We believe over the last two years  
9 that Michigan City has demonstrated its  
10 strong support for a riverboat development,  
11 and we are excited about having the  
12 opportunity to make this investment in  
13 Michigan City.

14 If I may just walk away from the  
15 podium just to explain these two proposals.  
16 We made two proposals to Michigan City.  
17 We offer the Trail Creek Proposal and a  
18 Harbor Site Proposal.

19 Our Trail Creek Proposal calls for  
20 many of the amenities that you have seen in  
21 other proposals. A twenty-five thousand  
22 square foot conference and ballroom center,  
23 an amenity that is not yet in Michigan City  
24 that is sorely needed. A four hundred seat  
25 buffet dining area, a two hundred seat fine

1 dining area, a four hundred seat showroom, a  
2 two hundred room hotel, an indoor pool and  
3 health club. These amenities are sorely  
4 needed, and we would welcome the opportunity  
5 to offer them to Michigan City.

6 As an aside to our proposal, I mean  
7 truly as an aside, it's not part and parcel  
8 of our presentation, but I think it goes to  
9 the element of economic development and the  
10 excitement that this development will cause  
11 in Michigan City.

12 We have already heard from a local  
13 businessperson who wishes to develop a forty  
14 lane, fifty thousand square foot bowling  
15 alley adjacent to our property here, because  
16 they believe in this economic development.  
17 They believe that this can be the catalyst  
18 for growth in Michigan City.

19 We have also offered a second  
20 proposal. That would be at the harbor  
21 location, with very similar amenities.

22 One of the issues that I think  
23 separate us from others is that we have made  
24 a commitment, a promise to build our vessel  
25 on-site. This decision causes hundreds of

1 construction jobs immediately. It causes the  
2 initiation of the economic development for  
3 local business people during the construction  
4 phase of our development.

5 This decision precludes any  
6 possibility that this riverboat will ever  
7 leave Michigan City. We would like to build  
8 a wide berth, multi-deck vessel that would be  
9 precluded from ever leaving Michigan City,  
10 over twenty-two hundred capacity, over two  
11 thousand gaming positions.

12 We are prepared to purchase the  
13 Silver Eagle vessel if it means we'll have  
14 the opportunity to initiate an interim  
15 facility in Michigan City. We commit that we  
16 will begin construction of our permanent  
17 facility immediately.

18 And if there is the slightest  
19 possibility that we can cause economic  
20 development and jobs sooner than that  
21 permanent facility will be completed, we will  
22 with our interim facility. The Silver Eagle  
23 is uniquely qualified in that it is ocean  
24 certified and Great Lake certified.

25 We presented both proposals to the

14 1 Michigan City Riverboat Gaming Evaluation  
2 Committee. Indiana Blue Chip was selected  
3 first over the other applicants. Indiana  
4 Blue Chip was selected first over the other  
5 applicant in the harbor site. Indiana Blue  
6 Chip was selected first over the other  
7 applicant at Trail Creek. We are very proud  
8 that Indiana Blue Chip is Michigan City's  
9 only endorsed developer.

10 Our financial plan calls for a blend  
11 of equity, asset-based financing and project  
12 financing. The quality, resources and  
13 commitment of our principals is a key element  
14 to the financial strength of our application.

15 In evaluating the financial  
16 credentials of any company, either publicly  
17 held or privately held, you must determine  
18 whether or not they have the money and the  
19 will to invest it. Our investors have  
20 provided you with their own personal  
21 financial statements demonstrating their  
22 capacity to fund this project.

23 One of America's most prominent  
24 attorneys and entrepreneurs, Peer Pedersen,  
25 is known not only for the founding of the

14 1 prestigious Pedersen & Houk lawfirm, but for  
2 his leadership in helping to build WMX  
3 Technologies, formerly Waste Management, into  
4 the world's largest waste removal  
5 organization.

6 He has garnered Wall Street's  
7 attention as a major catalyst in the success  
15 8 of Blockbuster Entertainment, Discovery Zone,  
9 Boston Market and H2O Plus among his many  
10 other ventures.

11 In the 1980's, a small group  
12 recognized the business potential inherent in  
13 our rapidly changing electronic entertainment  
14 industry. Peer Pedersen was a key member of  
15 that group.

16 The recognition became a business  
17 plan which they invested in personally and  
18 developed and nurtured. That idea became  
19 Blockbuster Entertainment, a multi-billion  
20 dollar company whose merger last year with  
21 Viacom was one of the largest transactions  
22 in recent years.

23 In the 1990's, another small group  
24 came up with a new idea in convenience  
25 dining, offering alternatives to industry

15 1 giants such as McDonald's and Burger King.  
2 Again, Peer Pedersen was a key member of that  
3 group.

4 After investing in this idea  
5 personally, they nurtured and developed the  
6 idea until in November of 1994, Boston  
7 Chicken became the most successful initial  
8 public offering of the year.

9 Each of these companies started as an  
10 idea that required personal investment and  
11 commitment to get it off the ground. Our  
12 investors have shown that they historically  
13 made that commitment. They have a proven  
14 record of entrepreneurial success. Their  
15 business and investment acumen is  
16 outstanding.

17 They understand the business plan  
18 proposed for Michigan City. They realize the  
19 commitment required to make it a success, and  
20 they are prepared to go forward to make  
21 Indiana Blue Chip a reality in Michigan City.

22 They have the resources. They have  
23 the ability. They have proven that in the  
24 past, and they welcome the opportunity to  
25 again prove that to you folks in the future.

1                   With that, I would like to introduce  
2                   the chairman of Indiana Blue Chip, Mr. Peer  
3                   Pedersen.

4                   MR. PEDERSEN: Thank you, Joe.  
5                   Chairman Klineman, Commission Members,  
6                   Members of the Staff, I appeared before you  
7                   in February to express my personal commitment  
8                   to the success of Indiana Blue Chip in  
9                   Michigan City, Indiana.

10                  As Joe has said, your staff is well  
11                  aware of the financial resources of myself  
12                  and our other investors. I am proud of my  
13                  personal participation in the development of  
14                  high quality new companies. I am very  
15                  excited about the opportunities that exist in  
16                  Michigan City.

17                  This project represents an investment  
18                  of approximately eighty-five million dollars.  
19                  We know what financial resources are  
20                  necessary. We understand the market. We  
21                  like the community. And we will do what is  
22                  necessary to make this company a success and  
23                  to live up to Michigan City's endorsement of  
24                  Indiana Blue Chip.

25                  I trust that you will give very



1 favorable consideration to our application.  
2 Thank you very much.

3 MR. MCQUAID: Mr. Klineman, we have  
4 concluded. And I don't know if the  
5 questions will come now or at the end.

6 MR. KLINEMAN: I think we'll do those  
7 at the end.

8 MR. MCQUAID: Thank you.

9 MR. KLINEMAN: The next applicant is  
10 Michigan City Casino and Lodge, L.P.

11 MR. RUBELI: I'm keeping time.

12 MR. KLINEMAN: Good man.

13 MR. RUBELI: I didn't do well the  
14 last time.

15 MR. KLINEMAN: Welcome back to the  
16 Commission.

17 MR. RUBELI: Members of the  
18 Commission and Staff, my goal today is to  
19 convince you of two things. Number one,  
20 please grant a certificate of suitability to  
21 the Michigan City location, and, number two,  
22 to convince you that Aztar and the Aztar-led  
23 project is the best choice you can make for  
24 the state of Indiana and the citizens of La  
25 Porte County.

1 I think the issue of the market size  
2 we highlighted in the previous presentations  
3 in La Porte needs to be brought back to the  
4 fore again. This is an important market for  
5 Indiana.

6 As we demonstrated, even when you  
7 exclude Chicago, even when you exclude Lake  
8 County, there are over two point five million  
9 people living within a hundred miles of the  
10 city of Michigan City.

11 This is a market as big as the  
12 Evansville market. And in the Evansville  
13 market, we are clearly doing a run rate there  
14 well over a hundred million dollars of casino  
15 revenue a year. And that tells me Michigan  
16 City has that potential, too, particularly in  
17 this window of opportunity before the Pokagon  
18 Indians open their land-based casino some  
19 place in Southwestern Michigan.

20 So the time is now, not six months  
21 from now. The time is now to get on with  
22 this opportunity to seize the advantage that  
23 we have over the Indians in Michigan and to  
24 develop this two point five million market  
25 while we have a chance to develop it.

1 I think it's very important that this  
2 project be started now, which means it's very  
3 important this Commission reach a decision  
4 today as to who is going to be picked.  
5 Obviously the picking of the right operator  
6 is the key part of that decision.

7 And we think one of the key parts of  
8 that decision is also the location and the  
9 site that needs to be chosen. And this is  
10 bottom line where you run right up against  
11 the differences and the fundamental  
12 differences between the Aztar Project and the  
13 other two applicants, the fundamental  
14 differences between where we are and where  
15 the City Selection Committee eventually came  
16 down.

17 They preferred the Bank Site at Trail  
18 Creek. We have constantly preferred and will  
19 insist only on being permitted to be at the  
20 Harbor Site. And the reason is very simple.  
21 That, in our judgment, is the only  
22 competitive site that has a chance of  
23 succeeding against the land-based casino  
24 complex in Southwestern Michigan.

25 Your job then is for the time, I

15

16

1 believe -- I think your record is seven-oh in  
2 terms of endorsing city-selected candidates.  
3 For the first time, you're going to have to  
4 buck the trend.

5 And I know that's not an easy  
6 decision to make, but I would like to try in  
7 the remaining minutes to give you the  
8 objective and what I think are compelling  
9 arguments that lead one to believe that the  
10 right choice is the Harbor Site and the wrong  
11 choice is the Bank Site.

12 The advantages of the Harbor Site.  
13 It already exists. Boats have operated out  
14 of there for decades, even large boats like  
15 the one we're proposing. It can cruise into  
16 Lake Michigan. And our boat can cruise, and  
17 we have verified that, with only about two  
18 hundred and fifty thousand dollars of  
19 modifications. We can use a big boat in the  
20 harbor, and big boats are necessary in this  
21 business.

22 The Corps of Engineers' approval  
23 should be easier. We clearly believe the  
24 environmental approvals will be easier in the  
25 Harbor Site. I'll come back to that in a

16 1 moment.

2 Our proposed site consists integrated  
3 with Lighthouse Place and over sixty-five  
4 acres of already commercially zoned property,  
5 no displacement of residential communities or  
6 residential neighborhoods, no changes of land  
7 use on the harbor itself.

8 I mean, in the end, the site we have  
9 picked, and in the end, the final dock we  
10 were forced into picking is George Marine,  
11 already a commercial site. So we're not  
12 taking the pristine shoreline of this harbor  
13 and picking out a site that is going to  
14 change. In fact, we will enhance the  
15 aesthetics of that site through the  
16 construction of the landscaping and dock area  
17 that we propose.

18 We can create a destination complex  
19 there. We can take advantage of existing  
20 tourist attractions already in the area. We  
21 can link up with Lighthouse Place. That's  
22 the key to our proposal.

23 Twenty million dollars of additional  
24 economic development. Horizon has committed  
25 to it. You heard Jeff Kerr (phonetic), their

1 co-chairman and CEO, stand before you and  
2 pledge they will do it. We will insist they  
3 do it.

4 And all of this results in an  
5 immediate economic impact, the creation of  
6 seven hundred jobs, the increase in sales tax  
7 from their own estimate of four point eight  
8 million a year to over seven million a year,  
9 and two hundred thousand square feet of  
10 retail stores as a result of this decision.

11 Now, there hasn't been a project  
12 approved yet in Indiana that has resulted in  
13 the creation of two hundred thousand square  
14 feet of retail stores. That's over five  
15 acres of stores. It's real, it's not a pipe  
16 dream, and being proposed by the best company  
17 in the business.

18 And they've already been there, and  
19 they've proven it works. And their whole key  
20 to success is they won't do it unless they're  
21 linked in with this casino project, because  
22 they can't afford the land and the parking  
23 without us being there.

24 So it's a beautiful synergy of  
25 related needs between two operators, both of

1 us very large billion dollar New York Stock  
2 Exchange public companies that say we can do  
3 this and be successful. They already are  
4 successful. We will be successful with that  
5 integration.

6 Most interestingly about the Harbor  
7 Site is that the people are for it. Now, we  
8 have submitted to the Commission; I have  
9 personally further reviewed the study that we  
10 referred to in the past.

11 I will tell you at the time this was  
12 done, we did not think it would assume the  
13 significance that I believe I should bring to  
14 your attention today. But it is the only  
15 objective study that has, in fact, been done  
16 in La Porte County that addresses the  
17 question where do the people want this.

18 And what the results of this study  
19 have said is that forty-one percent of the  
20 people want the Harbor Site in Michigan City  
21 versus thirty-four percent who wants the Bank  
22 Site at Trail Creek.

23 If you take the county as a whole,  
24 forty-eight percent are in favor of the  
25 Harbor Site versus twenty-six percent on

1 Trail Creek. That's almost a two to one  
2 ratio of the people being for that site.

3 Now, we know why the bank isn't for  
4 that site. But the evidence is overwhelming.  
5 The documentation has been submitted, and the  
6 record has not been challenged, that the will  
7 of the people is to put the recreational site  
8 where it belongs, which is on that harbor,  
9 and tie it in with the commercial development  
10 already in progress there, and don't disrupt  
11 the residential neighborhoods that exist on  
12 the east side of town. Those are the  
13 advantages of the Harbor Site.

14 Now, the disadvantages of the Bank  
15 Site are clear to me at least. Number one,  
16 it began as an urban renewal project that  
17 failed, and we are not here to solve that  
18 problem. Urban renewal projects have failed  
19 as a tool in the casino industry.

20 If you have any doubts about that,  
21 read the newspapers in New Orleans. They put  
22 them into the wrong places. They try to use  
23 it as an urban renewal instead of making it a  
24 competitive casino. And you've had two  
25 riverboats and one big temporary land-based

16

17



17 1 casino fail in New Orleans because they tried  
2 to use it as a tool of urban redevelopment.

3 And this is what we are facing at  
4 Trail Creek, the impact on the surrounding  
5 residential areas, the homes, the families  
6 and the kids. It isn't right to put a casino  
7 in the middle of a residential neighborhood,  
8 period. It's not competitive, but it's not  
9 right. And that's what they're proposing to  
10 do at Trail Creek, and we think that's wrong.

11 It has poor site visibility. The  
12 aesthetics and access is not good. It simply  
13 isn't competitive. There's no linkage to  
14 existing tourist and retail attractions,  
15 further makes it noncompetitive.

16 There's no opportunity to develop the  
17 originally proposed factory outlet attraction  
18 because Horizon simply won't permit it. And,  
19 of course, that record isn't clarified since  
20 there were Board hearings.

21 Longer development time is probably  
22 going to be required there, because you've  
23 got some real issues regarding the whole area  
24 of Corps approval and environmental concerns.  
25 There are concerns about the sediment. And

17 1 that means time. It means delay. It means  
2 removal processes. It means special  
3 handling. And that means time, and that  
4 means delay.

5 Number two, there's another  
6 environmental issue that simply hasn't been  
7 brought up. There's a thirty-day window of  
8 time permitted to do dredging in that area  
9 because of the whole fish spawning cycle and  
10 how that works along those banks.

11 You have from June 15th to July 15th,  
12 once a year, to get all that work done,  
13 dredging, dredging the creek, removing the  
14 existing docks, removing the impediments  
15 along the right of way, widening it to get a  
16 boat in there. And if you miss that thirty  
17 days, you've got to wait a year later to do  
18 it again.

19 Now, under the statute, you only have  
20 twelve months to operate as a temporary  
21 facility. Then you must be able to move into  
22 your permanent. So we raise the issue here  
23 that if we go with Trail Creek, you run a  
24 risk that you miss those windows, that the  
25 environmental issues become the driving

17 1 factor, and then you're up against the  
2 statutory requirement that you cannot go into  
3 temporary operation if you cannot see the way  
4 to have a permanent facility in operation  
5 within twelve months.

6 We can see that in the harbor. We  
7 know it can be done there. We don't believe  
8 it can be done in Trail Creek. But certainly  
9 it's a risk that will be added to the  
10 equation if somebody tries to do it.

11 Okay. In addition to the other  
12 disadvantages, one of the biggest is you  
13 cannot use a big boat in that creek. One of  
14 the operators, in fact, has already  
15 acknowledged that and is proposing a small  
16 boat.

17 I hear about a two thousand casino  
18 position boat. I don't know how you cruise  
19 that in Trail Creek. Which brings us, of  
20 course, without a big boat, how are you going  
21 to be competitive against the Indians?

22 The cruising issue. Yeah, the strict  
23 reading of the law is very clear. Navigable  
24 waterway, you can cruise. Legislative  
25 intent, ah, that's where politics lies. The

17 1 great unknown.

2 And, of course, we are a very public  
3 business subject to the scrutiny of anyone  
4 who wishes to take a position against us as  
5 an industry. And there are lots of people  
6 who would like to do that.

7 We happen to have had some experience  
8 in Evansville, in particular, with this whole  
9 cruising issue. In the beginning of time  
10 when this process first began, there was a  
11 certain senator from Evansville, in fact,  
12 named Greg Server (phonetic), who had some  
13 strong views on cruising, damn near put  
14 through a piece of legislation that would  
15 have crippled this industry in a fatal way.

16 This company and our people worked  
17 not only with Senator Server, but Senator  
18 Larry Borchst (phonetic) and others in the  
19 legislature to finally come up with language  
20 and wording that permitted the Indiana Gaming  
21 Industry to finally succeed in adopting a  
22 cruising set of regulations that we could  
23 live with, the state could live with and  
24 clearly met the legislative intent.

18 25 So I stand before you as a guy that

1 knows a little bit about the strength of  
2 feelings on cruising. And maybe there's no  
3 risk associated with it. But, folks, there  
4 are others in this legislature that I think  
5 have a rightful position they could take that  
6 says floating a boat in a moat with six feet  
7 of clearance on either side does not  
8 constitute cruising in any layman's  
9 reasonable interpretation of what the meaning  
10 was.

11 Could we get through with that?

12 Sure. Another set of risks. In the harbor,  
13 no question, we can cruise. We can, in fact,  
14 go out into the lake, and our boat works in  
15 the lake. When the ice is there, we don't  
16 cruise. That's what Lake Michigan's all  
17 about. We all know that the Act provides for  
18 that as well.

19 So there are lots of disadvantages of  
20 that Bank Site, and we think the  
21 disadvantages in our mind far outweigh the  
22 advantages. And as a consequence, we have  
23 made it clear from the beginning that even if  
24 granted the certificate of suitability, we  
25 would not relocate to Trail Creek.

1                   The biggest disadvantage of the Bank  
2 Site is for all these previous reasons, it  
3 cannot compete successfully against a  
4 land-based casino expected to be now so close  
5 to Michigan City. And it's apparent in  
6 Buffalo and Bridgman seems to be leaning as  
7 to where it's going to be.

8                   It is my strong opinion that a casino  
9 at the Bank Site would be certain to fail  
10 against the land-based Pokagon Casino located  
11 that close to Michigan City. To take that  
12 risk is not in the best interest of the state  
13 of Indiana or the people of La Porte County.  
14 On the other hand, a casino at the Aztar  
15 Harbor Site can and will succeed because of  
16 its much better competitive location.

17                   After considering the advantages of  
18 the Aztar recommended Harbor Site and the  
19 disadvantages of the Bank Site on Trail  
20 Creek, I believe objective and compelling  
21 arguments favor the Harbor Site  
22 overwhelmingly, including the will of the  
23 people's opinion being it should be there,  
24 and urge the Commission to both individually  
25 and collectively conclude the same.

1           Insofar as the projects themselves  
2           are concerned, the Aztar Project has the  
3           following key components. The competitive  
4           Harbor Site. It's a big boat. And we've  
5           shown the importance of that in Evansville  
6           where repeatedly we've exceeded fifteen  
7           hundred passengers.

8           We were told in the beginning our  
9           boat was wrong, it was too big. The facts  
10          remain otherwise. That big boat is producing  
11          the big numbers we're seeing in Evansville.

12          We have a sixty-five acre already  
13          integrated site, most of it already under  
14          option. The project includes, as we said,  
15          twenty million dollars of Lighthouse Place  
16          development.

17          It includes a hundred and twenty room  
18          hotel that will be developed by Gary  
19          Shocket's (phonetic) organization.

20          It has extensive parking, and it really is a  
21          beautiful site. It already exists. It's  
22          commercial area. There's no disruption of  
23          the residential areas, and, as a result,  
24          probably very little opposition to moving  
25          ahead with it.

1           The other projects at the Bank Site  
2           at Trail Creek do not have the same tourist  
3           attractions we're proposing. And contrary to  
4           what was presented at La Porte, Casino  
5           America cannot build an outlet mall that Mike  
6           Brennan had proposed. And that twenty  
7           million dollars is no longer part of the SPEA  
8           evaluation.

9           And I'm not sure what their  
10          substitution is going to be. But if it is as  
11          reported, the condominium and marine retail  
12          proposal that has been reported in some media  
13          outlets, I'm afraid that just simply doesn't  
14          cut it against the competitive requirements  
15          that we think you're going to need in this  
16          particular market.

17          Financing this project, the Aztar  
18          Project consists of eighty-one point five  
19          million dollars of investment. Twenty  
20          million of that will come from Horizon. Six  
21          point five million of that will come from the  
22          hotel developer. The remaining fifty-five  
23          million will include nineteen million of  
24          equity. That's almost a forty percent equity  
25          contribution, which we think is significant.



1                   We know that the Keel (phonetic)  
2                   Organization constitutes a major part of this  
3                   equity and that they have not yet been  
4                   investigated by the Commission Staff.  
5                   However, they have prepared applications for  
6                   license. They are currently licensed in  
7                   three states, and we believe they eventually  
8                   are licenseable in Indiana.

9                   In fact, the solution, we believe,  
10                  can be addressed quite simply, that in the  
11                  granting of your certificate of suitability,  
12                  you condition that certificate of suitability  
13                  on the licensing of the Keel Organization.

14                 That allows you to retain control of  
15                 the process, comply with statutory  
16                 requirements, and allows the process to  
17                 unfold that during the period of doing all  
18                 the other stuff that's covered by the  
19                 certificate of suitability, the staff can go  
20                 ahead and investigate the Keel Organization.

21                 In fact, the certificate of  
22                 suitability, I might just simply say, could  
23                 be used to condition any other concern that  
24                 the Commission may have in their  
25                 deliberations on Michigan City either with us

18 1 or the other applicants, because you've got  
2 some tough problems in all cases here.

19 3 And I think the certificate of  
4 suitability is the vehicle that simply  
5 addresses those concerns. And put the  
6 restrictions in there and put the conditions  
7 in there, and you can deal with virtually  
8 anything in that context.

9 Lastly, the companies involved here.  
10 You know, we really are some big companies.  
11 You've got Aztar Corporation standing before  
12 you, a billion dollar New York Stock Exchange  
13 company. You got the Horizon Group, another  
14 billion dollar New York Stock Exchange  
15 company operating thirty-four outlets in  
16 nineteen states, the best in the business.  
17 You've got the Lubeznicks (phonetic), the  
18 largest McDonald's franchisees in the state  
19 of Indiana. You got the Keel Organization,  
20 the best known developer in the casino  
21 riverboat business.

22 And in all of this, a very strong  
23 Indiana content. Between Aztar, Horizon, the  
24 Lubeznicks and the other local partners  
25 involved, we employ today over eight thousand

1 five hundred Indiana citizens. And that's  
2 an important point. And these are legitimate  
3 participants in this project. This is not,  
4 you know, freebies to go grease the skids  
5 obviously.

6 And, finally, Aztar's role. Let me  
7 just say this. We are leading this project.  
8 We are running this project. For all intents  
9 and purposes, this is an Aztar project. We  
10 would own one hundred percent of it if this  
11 law permitted it. We know it doesn't.

12 But effectively we are the project.  
13 And we stand before you having subjected  
14 ourselves to what I describe as being  
15 qualified by scrutiny. We've had two and a  
16 half years under the fish bowl of Indiana  
17 scrutiny. And we are here before you as the  
18 only applicant, the only applicant before you  
19 that has that qualification.

20 And when all is said and done, you  
21 got a lot of risks to contend with up here.  
22 And being qualified by scrutiny goes a long  
23 way to qualify this company in a very unique  
24 way.

25 You know us. We know Indiana. We

1 know the business. We know the process.  
2 We survived environmental challenges. We  
3 survived lawsuits in Evansville. We survived  
4 some opponents that kind of took a hard  
5 position. And let me just leave it go at  
6 that. It wasn't particularly fair play.

7 And through all that, we got it open  
8 in the time allotted, in the commitment time  
9 we made. And we dealt with the Corps of  
10 Engineers. And throughout that process, we  
11 realize there are some real significant  
12 issues that can go wrong. And you've seen  
13 how we've been able to deal with things that  
14 go wrong and still make the same deadline.

15 We made commitments, and we survived  
16 the press scrutiny and the opponents'  
17 scrutiny and the political fish bowl and all  
18 those commitments.

19 Eighteen percent minority hiring.  
20 Over thirty percent of the purchases we make  
21 go to minority and women business  
22 enterprises. Over forty percent of our  
23 employees come from the Fourth and Fifth  
24 Ward. Nobody is complaining in Evansville  
25 that we're not doing enough local hiring.

1 Over eighty percent come from Vanderburgh  
2 County. This is a measure of the scrutiny  
3 test that we have passed here, and commit to  
4 you we would do the same in Michigan City.

5 Lastly, the results. When it's all  
6 said and done, who's going to run the best  
7 casino for you? We released earnings this  
8 morning. I don't know whether you folks have  
9 had a chance to see it. But the first  
10 quarter in Evansville was simply outstanding.

11 Twenty-five million dollars of  
12 revenue, over nine million dollars of  
13 operating profit cash flow, a thirty-five  
14 percent plus margin, one of the highest in  
15 the riverboat business. And we blew the Wall  
16 Street estimates right out of the box.

17 We are clearly committed to a two  
18 point three million admissions target for  
19 this year. And I will stand here today to  
20 tell you that we will not only make that  
21 target, but I think that we will probably  
22 exceed it based on the run rates of  
23 admissions that we have going right now.

24 So for all of these reasons, you face  
25 a tough choice, and I respect and I

1 understand it. I will simply say to you, you  
2 know us, you know we can get the job done.  
3 And I will tell you we will get the job done  
4 in Michigan City.

5 It's a risky decision you face  
6 because there are problems with all the  
7 applicants. There are unique problems in  
8 this market because of the Indian casino and  
9 because of the Chicago casino.

10 We have faced highly competitive  
11 businesses and markets. We are in the  
12 biggest markets in the world in the casinos  
13 in Las Vegas and Atlantic City, and we  
14 survived it. We've proven what we can do in  
15 Evansville. And I submit to you that we  
16 represent the least risk to you in terms of  
17 picking an operator for Michigan City.

18 We will work with the mayor, and I'm  
19 sure we can work with the mayor. And she was  
20 quoted in a paper article last week that says  
21 if the license is given to the company on the  
22 harbor, I will work with them.

23 Well, Miss Bergerson has had to do  
24 her job, and I respect that. And they've  
25 stood up for what the Committee believed was

19 1 right. We respectfully disagree. But I  
2 will commit to you, we can work with this  
3 mayor and with this city, and we will get the  
4 job done for them, for La Porte County and  
20 5 for the state of Indiana.

6 I urge you to pick Aztar as your  
7 operator for this license. Thank you.

8 MR. KLINEMAN: Paul, do you want to  
9 identify yourself for the record?

10 MR. RUBELI: My name is Paul Rubeli.  
11 I am chairman, president and CEO of Aztar  
12 Corporation.

13 MR. KLINEMAN: Okay. The next  
14 applicant is Riverboat Corporation of  
15 Indiana, Inc.

16 You may proceed.

17 MR. RUSTHOVEN: Mr. Chairman, Peter  
18 Rusthoven with Barnes & Thornburg. I'll  
19 describe briefly how we're going to proceed  
20 here. Mr. John Gallaway, our president, will  
21 give a description of updated developments  
22 since February. We'll have brief remarks by  
23 Mr. Brennan and by Mr. Kaplan, who is with  
24 Merrill Lynch, and then I'll offer a few  
25 closing observations.

1 Here's Mr. Gallaway. Thank you.

2 MR. GALLAWAY: Mr. Chairman,  
3 Commissioners, I'm Jack Gallaway, president  
4 of Casino America. And what I want to do  
5 today is to take a few minutes to update you  
6 on what's happened with our company and our  
7 project since we last talked in February.

8 I want to talk about three areas, the  
9 financial aspects of our proposal, the hotel  
10 we talked about in February, and, finally,  
11 the changes that we are making in the type of  
12 boat that we're going to bring to Trail  
13 Creek.

14 Let's talk about the financial  
15 aspects. And some of this you have received  
16 in a letter from Mr. Rusthoven, but I just  
17 want to go over it again and make sure that  
18 you do understand what's happened.

19 Since February, the Casino America  
20 Corporation has received from the Goldstein  
21 family, Mr. Bernie Goldstein, our chairman,  
22 and his family six million dollars in new  
23 equity. There had been some discussion about  
24 the financial viability of the company. We  
25 were never worried about it. We are very



1 comfortable with it.

2 But in order to make everybody more  
3 comfortable, we have an additional six  
4 million dollars in equity, which means at the  
5 present time, we now have sixteen million  
6 dollars in the bank, and a credit line of  
7 three and a half million available for any  
8 projects we do.

9 In addition, Casino America is going  
10 out with a rights offering offering our other  
11 shareholders in addition to the Casino  
12 America -- in addition to the Goldstein  
13 family -- excuse me -- an opportunity to buy  
14 more shares in Casino America at a price of  
15 five and seven-eighths. This rights offering  
16 is currently under review by the SEC.

17 If everyone who is able to subscribe  
18 to this offering takes as many shares as they  
19 are entitled to in proportion to the  
20 Goldstein family holding, we could raise an  
21 additional twenty-two million dollars in  
22 equity.

23 We do not anticipate raising that  
24 much. However, it is not certainly out of  
25 line to think that one-third of the

1 shareholders might exercise that right, which  
2 would be in the magnitude of another eight  
3 million dollars cash equity contribution.

4 I would point out that the strike  
5 price on that offering is five and  
6 seven-eighths. Currently, the stock is  
7 selling in the seven dollar range. So those  
8 shareholders, assuming that stock -- and I'm  
9 not an expert on stock, but certainly it is  
10 an opportunity for our present shareholders  
11 to capitalize on that opportunity.

12 Regarding the financial aspects of  
13 our proposal, I want to talk to you about how  
14 our company's been doing. We've been  
15 doing very well. Our Lake Charles facility  
16 which opened last summer was doing five  
17 million dollars a month in revenue and is now  
18 up to eight million dollars a month in  
19 revenue.

20 And that's despite the fact that we  
21 are one boat in a three boat market, that our  
22 boat has to cruise and our competitors always  
23 has a boat at the dock ready to accept  
24 customers. It's despite the fact that our  
25 pavilion is not open yet. It will be opening

1 the end of this month.

2 And even despite those difficulties,  
3 we are doing fair share in revenues. We're  
4 doing very well at eight million dollars a  
5 month. And we are completing against the  
6 Native American casino, the Grand Kashada  
7 (phonetic).

8 We are beginning to get people to  
9 come to our facility to talk to us, to come  
10 and visit us, even though we don't have the  
11 pavilion open. And we're going to do better  
12 with that. We're frankly doing much better  
13 than we originally intended we would do until  
14 we got the pavilion open.

15 In Biloxi, we opened a new three  
16 hundred and seventy room hotel last summer.  
17 We're now running over ninety percent  
18 occupancy and doing very well on that  
19 property.

20 In Bossier, we have recently taken our  
21 market share of the Bossier market, which was  
22 even better than fair share, from twenty-nine  
23 percent to almost thirty-two percent. We are  
24 doing very well there. And we're doing well  
25 in Vicksburg.

1 I should point out that in both  
2 Bossier and in Vicksburg, we compete against  
3 the Harrah's Organization. And they do a  
4 good job. And if you give us the license,  
5 we'll be competing against them in the Native  
6 American casino.

7 And as good as they are -- and they  
8 are good; they're a good company -- we  
9 outperform them in both of the markets when  
10 we compete against them. And that's in  
11 Bossier and Vicksburg.

12 I said the company is doing well. We  
13 just finished our budget for next year. We  
14 are very comfortable, and I'm very  
15 comfortable in saying that our company next  
16 year will make profits over twenty million  
17 dollars. I think that's pretty strong.

18 You know, we're a public company that  
19 is doing well as a public company. And I  
20 believe our financial condition, as good as  
21 it was in February, is even better now to  
22 satisfy your concerns.

23 Let me talk about the hotel. We  
24 indicated to you that Casino America would  
25 build or cause to be built a hotel on the

1 site. And I indicated to you in February  
2 that it was our goal to try to work with a  
3 hotel developer to have that hotel built.

4 Well, we have sent to you a letter of  
5 intent from the H.I. Development Company out  
6 of Tampa, Florida, a letter that indicated  
7 they want to work with us to build four  
8 hotels on our sites, one of which is a  
9 Michigan City hotel.

10 I should indicate to you that the  
11 H.I. Development Company is a big company.  
12 They run over nine thousand -- either manage  
13 or own nine thousand hotel rooms at the  
14 present time. And they want to get involved  
15 with us for a magnitude of a thousand to  
16 fifteen hundred room hotels.

17 I would also say even if we don't  
18 make a deal with that organization, the  
19 Bernie Goldstein commitment to, again, build  
20 or cause to be built a hotel is still good.  
21 A hotel, therefore, will be built on that  
22 site should you give us the license.

23 Let's talk a little bit about the  
24 boat we're going to be bringing to the  
25 property. We had discussed with you last

1 February the concept of taking one of the  
2 boats that the company owns -- it's a smaller  
3 boat -- and stretching it so that it would  
4 have twenty-two thousand square feet of  
5 gaming space and bringing it in through the  
6 railroad bridge and installing it at Trail  
7 Creek.

8 We believed it could be done. There  
9 would be difficulties in doing it and expense  
10 in doing it, but we believed it was doable.  
11 However, we were uncomfortable with that.  
12 And at the last meeting, at the time of the  
13 last meeting, we had been talking about doing  
14 something different, but we were not prepared  
15 to commit it to you because we weren't  
16 convinced it was right. And we knew that you  
17 all were concerned also, and rightly so.

18 Well, since that time, we are ready  
19 to commit to a different boat. We wrote you  
20 a letter about that. This boat is two  
21 hundred and forty feet long, a hundred feet  
22 wide and will have over thirty thousand  
23 square feet of gaming space. It will have  
24 over eleven hundred gaming positions.

25 It will be brought to the site in

1 three sections basically and will be bolted  
2 together on the site. We have designs for  
3 this boat. We are prepared to move ahead and  
4 buy this boat and move it to the site.

5 Frankly, it's a great load off our  
6 back and a savings of over a million dollars  
7 not to have to worry about that railroad  
8 bridge property.

9 Because of the purchase of this boat,  
10 our financing arrangement has changed.  
11 Fortunately, new boats like this can be  
12 financed at at least two-thirds of their  
13 purchase value. We'll be buying this boat  
14 for about eighteen million dollars and will  
15 be able to finance twelve million dollars of  
16 that. So our overall equity-debt situation  
17 has not changed as a result of bringing in  
18 this boat.

19 One of the big advantages of this  
20 boat is what I call the Saturday night issue.  
21 Fifty percent of gaming revenues in our  
22 facilities come from Friday noon to Sunday  
23 noon roughly. When you have more capacity,  
24 you can really capitalize on weekend  
25 business, the Saturday night issue, we call

1           it. The more machines you have available on  
2           Saturday night, the more business you're  
3           going to do.

4                     With thirty thousand square feet  
5           instead of twenty-two thousand square feet,  
6           I'm really comfortable that we will exceed  
7           our original pro forma. And our original pro  
8           forma has indicated that we would throw off  
9           at least ten million dollars cash the first  
10          year of operation with a temporary facility.  
11          So we're going to be throwing off even more  
12          than that when we get into our permanent  
13          facility.

14                    Regarding the opening of a boat and  
15          the financing of a boat, we have a style in  
16          our company. We start small and get big.  
17          And that's what we want to do here. We  
18          always reinvest our profits into cash into  
19          the facility that we're operating so to build  
20          it up to a level that we want it to be.

21                    And we have done that in all of our  
22          properties. And so we now operate four  
23          properties. Biloxi, Mississippi, started  
24          small, which, by the way, Biloxi was an old  
25          HUD urban development plan in Biloxi. And



1 the Biloxi market now is a seven hundred and  
2 fifty dollar -- a seven hundred and fifty  
3 thousand dollar market.

4 We started small in Biloxi. We now  
5 have a hundred million dollar project. We  
6 started small in Vicksburg. We now have a  
7 fifty million dollar project. We started  
8 small in Bossier City, and we're now at  
9 seventy million dollars. And in Lake  
10 Charles, we started small, and we are moving  
11 to a hundred and fifty million dollar project  
12 by the end of July.

13 That's how we operate. Riverboats is  
14 what we do, and we do it very well. We know  
15 the business. We know how to operate  
16 riverboats. We know how to give full  
17 entertainment to customers.

18 And we're very comfortable that  
19 should you give us this license, we will make  
20 you very proud of the decision you will have  
21 made.

22 I'd next like to introduce Mr. Mike  
23 Brennan, who is going to talk to you about  
24 our retail development. Thank you.

25 MR. BRENNAN: Back in February,

1

2

2  
1 either Mr. Vowels or Mr. Sundwick asked me  
2 about a noncompete agreement with Horizon.  
3 And I made a statement to you that day that  
4 it would not be a problem. I went through  
5 the history of why it would not be a problem,  
6 discussions I had had for a long time.

7 Jeff Kerr had made a presentation to  
8 you that day also. Jeff and I met out in the  
9 hallway after you heard his presentation. I  
10 then discussed with him again my presentation  
11 before this Commission, which he was fully  
12 aware of on that date.

13 In my entire life, I have not stood  
14 before any board, any agency, any port or any  
15 other group and made any false  
16 representations or commitments. And I did  
17 not on that day, so I hope you understand  
18 that.

19 It was on March 5th when I was first  
20 informed that, in fact -- and this is an  
21 interesting business. But on March 5th, I  
22 was first informed that, yes, Horizon was  
23 going to exercise their right of first  
24 refusal.

25 I called Jack, and we discussed it.

2  
1 He wasn't happy; I wasn't happy. He asked me  
2 to spend a day and think about what else we  
3 might do there.

4 I have always been committed to  
5 ancillary development around the gaming  
6 complex in Michigan City. We always talked  
7 about others components to it. Obviously,  
8 Horizon feels that there are opportunities  
9 for other development.

10 I think there are, and you have a  
11 letter on file at this point. There are  
12 other opportunities. And in due deference to  
13 Mr. Rubeli's opinions, which I obviously  
14 don't agree with, the development that we're  
15 going to propose to you is not going to pale  
16 by insignificance.

17 I feel there is a market in my group.  
18 Shore Development Group feels that there is a  
19 market for seventy-five thousand square feet  
20 of specialty retail, not outlet, not covered  
21 by any noncompetition agreements, that will  
22 work in a complex, a gaming complex that is  
23 drawing somewhere between one million and one  
24 point six million people a year. And we  
25 would undertake that project.

2  
1 We also feel, and obviously the other  
2 developers do, that an entertainment complex  
3 or an entertainment component to a gaming  
4 complex is necessary. To that end, we have  
5 proposed that we would construct between  
6 thirty and forty thousand square feet of  
7 entertainment complex.

8 Just recently last week, I had  
9 conversations with the Ryan Management  
10 Company out of Lake Zurich, Illinois. I  
11 talked to a gentleman by the name of Brian  
12 Greenman, who I was introduced to and talked  
13 to specifically about a film and interactive  
14 video complex.

15 Ryan Management Corporation is  
16 currently doing film complex. But the  
17 interesting conversation, part of the  
18 conversation, was that in Brian Greenman's  
19 conversation, as he was relating his  
20 background to me, he had recently left Hyatt  
21 Corporation, and he was in charge of the  
22 Elgin Riverboat Complex in Illinois for  
23 Hyatt.

24 He was excited about the opportunity  
25 for their company to take a look at Michigan

2  
1 City, to take a look at our market and take a  
2 look at our project. We obviously have not  
3 had a chance to get together since that date.

4 However, I have had a chance to get  
5 together with another group that I would like  
6 to talk to you about and I think would make  
7 an interesting component to the project, and  
8 they're very deservious (sic) of doing it.

9 In Michigan City, we had a small  
10 group that started two years ago formed an  
11 organization known as the Great Lakes  
12 Military Museum of History. For some time,  
13 they currently occupy about fifteen hundred  
14 square feet on the south end of town.  
15 They're two years old.

16 But I have in my briefcase today  
17 plans for a thirty thousand square foot  
18 permanent museum for that organization. They  
19 have asked -- they asked up to seven months  
20 ago whether or not there was some room for  
21 them at the gaming complex or near the gaming  
22 complex. And at that point, because of  
23 current plans, there was none.

24 However, when they saw the change  
25 occur as far as the Casino America Project

2  
1 was concerned, they recontacted us. I met  
2 with their president, their executive  
3 director and two of their board members a  
4 week ago Saturday. They shared these plans  
5 with me and have asked me to express to you,  
6 as I have to Casino America, that they would  
7 like to be part of this complex with their  
8 museum.

9 I have statistics with me today  
10 relative to visitor counts to similar  
11 museums, their finances, background, board of  
12 directors, etcetera, which I would be glad to  
13 share with the Commission.

14 I think that the group has -- this  
15 group, Jack Gallaway and the Casino America  
16 people, have said great, this is the  
17 opportunity they need. Amongst other things,  
18 they want to bring a submarine up Trail Creek  
19 as part of their presentation or museum  
20 complex.

21 In deference to Mr. Rubeli's opinion  
22 on casino projects being redevelopment or  
23 placed in redevelopment areas, I just want to  
24 say one thing to Mr. Rubeli. They are  
25 hanging their hat in many respects upon an

3  
1 outlet project, expansion in Michigan City.  
2 And, ladies and gentlemen, Lighthouse Place  
3 Mall was a redevelopment project in Michigan  
4 City, Indiana. So it does work.

5 Thank you.

6 MR. KAPLAN: My name is Todd Kaplan.  
7 I'm a director in the investment banking  
8 group of Merrill Lynch & Co., and I just  
9 wanted to take a couple of minutes to briefly  
10 pitch some points vis-a-vis our role in this  
11 particular project.

12 I am pleased to stand here as a  
13 representative of Merrill Lynch today and  
14 tell you that we are a leader in many of the  
15 financing markets and, in particular, a  
16 leader in the area of financing gaming  
17 generally.

18 One of the nice things about that is  
19 it gives us an opportunity to be selective.  
20 It is not every company that we choose to  
21 work with. And for that reason, I think it  
22 speaks well to this particular project and to  
23 Casino America that Merrill Lynch has chosen  
24 to be involved here.

25 Without regoing through some of the

1 points Jack went through, many of the recent  
2 developments for the company have been  
3 positive. That obviously includes the rights  
4 offering, which is bringing in equity capital  
5 and is a vote of confidence by the principals  
6 of the company, as well as the company's  
7 recent improvement in profitability as they  
8 brought in Jack Gallaway and a new management  
9 team generally.

10 All those things together with our  
11 experience in financing the gaming industry,  
12 in particular, looking at these type of  
13 projects leads me to believe that this is  
14 certainly financeable and financeable in a  
15 strong way, and generally that Casino America  
16 is the kind of client that we are pleased to  
17 be here to represent, and that this project  
18 as well as the many other projects they are  
19 working on, which I know they have shared  
20 some information with you on, are  
21 financeable.

22 Thank you.

23 MR. RUSTHOVEN: Thank you, Mr.  
24 Chairman. I just want to offer very briefly  
25 a few closing thoughts. It's been a long



3  
1 process, and we're coming to the end of it.

2 It's been clear, and the Commission  
3 has been very candid about this, that this is  
4 a location about which Commissioners have  
5 questions. It's been very clear to all of us  
6 who have been involved in the gaming industry  
7 in Indiana that it is not a venture without  
8 risk.

9 The question you have before you is  
10 whether Michigan City gets an opportunity to  
11 participate, and, if so, which applicant is  
12 the best one to have that opportunity.

13 Obviously we believe we are. I would just  
14 share few closing thoughts about that.

15 First, I think a lot of the concerns  
16 have had to do with Native American gaming.  
17 We point out that the project you have before  
18 you from us was designed and sized with that  
19 possibility in mind. That's the proposal  
20 that's before you.

21 There's a reason why there were once  
22 twenty applicants interested in Michigan City  
23 or over twenty and now there are three. We  
24 did the gut check. We looked at it. That's  
25 why we decided to become one of the three.

3  
1 This project is geared to the very  
2 competitive possibility. That has raised a  
3 lot of concerns.

4 Second, we believe candidly -- and,  
5 of course, we all say the good things about  
6 ourselves; that's our job. But we do believe  
7 candidly on the record that we are the most  
8 experienced riverboat operator before you.

9 We have operated successfully in four  
10 locations, and in two of those head-to-head  
11 with Native American gaming, as Mr. Gallaway  
12 shared with you a few minutes ago. We're  
13 moving beyond the success that we were able  
14 to report to you in February.

15 Community is important here. We  
16 think -- I hope that all the Commissioners  
17 were impressed with the presentation we made  
18 earlier. I think we have an extraordinary  
19 record of involvement in every community in  
20 which we've been involved. That's something  
21 we haven't heard much about today, but I  
22 think that's critical.

23 I think we already have an  
24 extraordinary record of involvement in  
25 Michigan City itself. We have been present

3  
1 there for more than two and a half years. We  
2 had to cut down the list of showing you all  
3 the things that Kim Merchant (phonetic) has  
4 done and that we've done.

5 There's been a lot of talk about  
6 site. I will tell you, I think we are  
7 clearly acceptable to this community in two  
8 ways, notwithstanding the involvement, in  
9 addition to the involvement of Miss Merchant.

10 One of the local evaluation  
11 processes, which is one of the most  
12 complicated voting systems I've ever seen,  
13 ended up in out of sixteen thousand points or  
14 more, ended up with a two hundred point  
15 difference, which I think any politico, and I  
16 confess that sometimes I am one, would tell  
17 you is a statistical dead heat, particularly  
18 so since the job of the local community, as I  
19 believe it, is to tell the Commission what  
20 its concerns are, who is acceptable to it.

21 It's the job of this Commission to  
22 make the yes-no decision, and that's the kind  
23 of decision that's upon you. So we are  
24 acceptable in terms of that process. And I  
25 thought Mayor Bergerson was admirably candid

4  
1 in speaking with the Commission and saying  
2 that she could work with us and that there  
3 was no problem with that.

4 The site, I won't rehash all that. I  
5 will tell you it has been clear to us for  
6 more than two and a half years, it's been  
7 clear to us with everybody we've talked to up  
8 there, and everybody from -- everybody except  
9 people from Michigan City Casino and Lodge  
10 that this is the site that the community  
11 wants.

12 I would just add that the Trail Creek  
13 Site also is the site where economic  
14 development is needed, and if we want  
15 something where all of us can agree that the  
16 statute and its intent and its purpose are  
17 perfectly clear. That's what this industry  
18 is supposed to be about in Indiana. This is  
19 the area where it's needed in this community.

20 Final point, two points I would make.  
21 We are the only public company before you  
22 that is majority owner. We own ninety  
23 percent of this project. And we have an  
24 extraordinary record. And I'm sorry that our  
25 vice president couldn't be here today. We

4  
1 have an extraordinary, extraordinary record  
2 in terms of women and minority hiring.

3 So it comes down to this. Of course,  
4 there is a risk in any decision of this sort,  
5 and that's the decision that's before you,  
6 and I don't envy you. A no decision means  
7 that we look at that risk and that Michigan  
8 City is, in advance, cut out of any  
9 possibility of sharing in this.

10 A delayed decision is in some ways  
11 even worse, because, you know, at least the  
12 people in Michigan City would know. If you  
13 delay or do it piecemeal or something like  
14 that, then we are stalling the time in which  
15 we can address the very problem and get a  
16 headstart on competition.

17 Yes is the one that offers Michigan  
18 City -- a yes decision is the one that offers  
19 Michigan City the opportunity. We have made  
20 the decision to put our money into that  
21 opportunity because we believe in it.

22 We believe sincerely that we are the  
23 best choice from you, and the best place to  
24 partner with Michigan City, and this  
25 Commission places confidence to see if this

4  
1 can happen. We are real confident that it  
2 can. You give us the chance; we will do  
3 everything we can to make that a reality.

4 Thank you so much for all your time  
5 and attention throughout this long process.

6 MR. KLINEMAN: Thank you all.

7 We have now approached a little bit  
8 after one o'clock. Is it the pleasure of the  
9 Commission that we take a lunch break and  
10 then come back and hear Michigan City and  
11 question and answer and the rest of the  
12 operation? Is that okay?

13 Okay. Well, then we will then  
14 recess.

15 Jack, do you have any idea how long  
16 it's going to take?

17 MR. THAR: We made no arrangements  
18 for lunch, so I have no idea.

19 MR. KLINEMAN: We didn't know how  
20 long this was going to take, so we didn't  
21 make any arrangements at all.

22 Why don't we say we'll come back here  
23 at two thirty? Would that be too much?

24 MR. THAR: Well, we're stretching it  
25 out. I mean, we've got fifteen minutes to

4 1 hear from the city and then deliberations.

2 MS. BOCHNOWSKI: I'd like to just  
3 take a little break and then come back and  
4 keep going, but I don't know if that's --

5 MR. THAR: We only have the hall till  
6 three.

7 MR. KLINEMAN: Those are the words I  
8 wanted to hear. Now we got to move on. Well  
9 then, one thirty then instead of two thirty?

10 MR. THAR: Well, that's a  
11 fifteen-minute break.

12 MR. KLINEMAN: Well, my watch must be  
13 wrong. Well, give me a time. Just tell me  
14 what you want.

15 MR. THAR: Why don't we take a  
16 twenty-minute break and see if we can send  
17 somebody out and grab a sandwich or  
18 something? But that isn't going to  
19 accommodate the people here.

20 MR. KLINEMAN: We'll all go up to the  
21 Press Club and inundate them.

22 MR. THAR: Maybe we can see about  
23 getting some cookies and tide people over.  
24 How's that?

25 MR. KLINEMAN: All right. Well, why

4  
1 don't we say then we will reconvene at one  
2 thirty? One thirty, we'll say one thirty.  
3 If we don't make one thirty, don't blame us.  
4 We may be a little past that.

5 (At this time, a break was taken.)

6 MR. KLINEMAN: All right. If we  
7 could come back to order. The next item in  
8 our agenda is a presentation of fifteen  
9 minutes, I hope, from the city of Michigan  
10 City to update us or elaborate on anything  
11 they wish to tell us.

12 Welcome, Mayor. Will you state your  
13 name for the record so we can --

14 MAYOR BRILLSON: Let me just readjust  
15 this here for a second.

16 Good afternoon, Ladies and Gentlemen  
17 of the Commission and Staff. My name is  
18 Mayor Sheila Bergerson Brillson from the city  
19 of Michigan City. Before I begin, I would  
20 like to introduce the city team that I  
21 brought with me this afternoon. Some are  
22 repeat performers from our appearance in La  
23 Porte in February. I brought an abbreviated  
24 team today, and I would like to introduce  
25 them to you.



5  
1 Evelyn Baker, the president of the  
2 Michigan City Council. Since you last saw  
3 her, she has had a small accident, but she  
4 was not going to stay home. She's been  
5 involved in the process for the last two and  
6 a half years and wanted -- did not want to  
7 miss anything along the way.

8 John Rudisell from the Michigan City  
9 Port Authority; he is a superintendent. Bob  
10 Dabagia is a member of the Michigan City Port  
11 Authority Board. Chuck Oberlie, the city  
12 controller. Rob Beckman, the city attorney.  
13 Two members of the legislature were here,  
14 Senator Anita Bowser and, as you know,  
15 Representative Tom Alevizos, who did have to  
16 leave. Linda Bell, director of La Porte  
17 County Tourism. And John Pugh, the city  
18 planner.

19 As you know, this has been a long  
20 process for the city of Michigan City.  
21 We, of course, expected great results when we  
22 headed down here last month and were met by a  
23 freak snow storm.

24 When I left Indianapolis over a month  
25 ago without a decision on Michigan City, I

5  
1 was warned to expect some last-minute  
2 maneuvering prior to today's Commission  
3 hearing. Well, that advice proved very  
4 accurate. And if you follow the media  
5 reports that I have sent down to you, you  
6 will know what I'm talking about.

7 One key point has been reinforced in  
8 the last few weeks. Despite whatever  
9 competition may exist for future riverboat  
10 projects in my corner of the state, there is  
11 still a tremendous amount of interest among  
12 the gaming applicants for the viable market  
13 in Michigan City.

14 Michigan City has a history we are  
15 very proud of, but our future history will  
16 depend on how we react to the problems in our  
17 community today. We have many needs, and I  
18 outlined those for you in the last -- at our  
19 La Porte hearing.

20 We have many underemployed people in  
21 the community who would benefit from new  
22 opportunities and new jobs. We need quality  
23 jobs to provide incentives for our young  
24 people to stay and work in our community.

25 We have already defined our city as a

5  
1 great destination place, drawing millions of  
2 visitors every year. In doing so, we have  
3 strived to maintain a difficult balance so  
4 that we can retain our small town charm, our  
5 quality of life and become a viable, job-rich  
6 economic center. When we are developing a  
7 gaming complex, we want to do that without  
8 upsetting the delicate balance, small town,  
9 lots of jobs.

10 The City Local Evaluation Committee  
11 firmly believed after its extensive research  
12 that we had the answer to the challenge, and  
13 we respectfully ask the Indiana Gaming  
14 Commission to support our decision.

15 The key was to find a project that  
16 was right for Michigan City. And, as I told  
17 you last month, some have criticized our  
18 project for being small. But, quite frankly,  
19 Michigan City is very content with the size  
20 of these projects. It will fit into our  
21 community. It will not overwhelm us or  
22 swallow us up.

23 We don't have an identity crisis in  
24 Michigan City. We're proud of who we are,  
25 our character, our citizens, our children and

5  
1 our beautiful natural attractions. We hope  
2 that gaming comes to our community as a piece  
3 of the pie.

4 As mayor, I am responsible for the  
5 long-term improvement and growth of my  
6 community. The single biggest impact on the  
7 future development of Michigan City is the  
8 location of a riverboat gaming complex in our  
9 community.

10 I firmly believe, and I will  
11 reiterate our position today, that the harbor  
12 site is not in the city's best interest. And  
13 I will not waive in communicating that  
14 message to this Commission.

15 As far back as September of 1993, the  
16 City Administration and the City Council  
17 identified the upstream location as the  
18 preferred site for a riverboat based on the  
19 need, according to the statute, for economic  
20 development in this blighted area.

21 The city has stood firm on this  
22 decision for over two and a half years.  
23 We're not going to change that position now.  
24 I will continue to support that decision, and  
25 I ask for your support. The Local Endorsement

6  
1 Committee endorsed that site, by the way, to  
2 remind you, a vote seventeen to three.

3 All of the companies that are before  
4 you have had mistakes. Past mistakes have  
5 made gaming companies across the country  
6 learn from their experiences. They cannot  
7 afford to fail. And with aggressive and  
8 resourceful operation, they will meet the  
9 competition of Indiana casinos head-on.

10 The investors in Blue Chip, which is  
11 our preferred developer, are top-notch  
12 executives with a string of solid national  
13 successes. And Michigan City will gain from  
14 the high caliber of their expertise.

15 The gaming company working with our  
16 community and our workforce will equal  
17 success for all of us. This may well be one  
18 of Michigan City's most important events in  
19 its long and colorful history. We would like  
20 to make this our finest hour.

21 We hope that by picking an  
22 appropriate developer, we will be protected  
23 from the competition that we will be  
24 confronting. We would like the casino  
25 complex to work well in Michigan City so that

6  
1 you and I and the community can be proud of  
2 it.

3 We have the human resources in  
4 Michigan City, highly-skilled tradesmen and  
5 women, bright young people, and we ask from  
6 you an opportunity.

7 Now, there are two issues that were  
8 raised today that the city of Michigan City  
9 would like to address. I brought John  
10 Rudisell, the superintendent of the Port  
11 Authority, with me. And I'm very glad that  
12 he's here, because I think a few issues came  
13 up that need direct and complete  
14 clarification. I will mention them, but he  
15 is here to address those to you today.

16 The issue of dredging was discussed  
17 by one of the applicants. And I would like  
18 to tell you that the last time we dredged in  
19 Michigan City, the dredging sediment was  
20 land-applied.

21 For those of you that know a little  
22 bit about the environment, you know that  
23 the -- you have to get quite a few permits to  
24 land-apply your dredging sediment. And  
25 Michigan City was able to do that, because

6  
1 there was nothing considered by the EPA and  
2 IDEM to be harmful.

3 Also, there are two windows of  
4 opportunity for dredging. That was a fact  
5 that I would like to correct. One is a  
6 spring dredge and one is a fall dredge. And  
7 it all depends on the fishing cycle, the  
8 spawning cycle.

9 Certainly the DNR has made  
10 adjustments to those time frames. And I'm  
11 sure in Michigan City, depending on nature's  
12 own cycle, various windows of opportunity for  
13 dredging would exist.

14 Last, but not least, what do the  
15 people of Michigan City and La Porte County  
16 want? I can tell you, as I just referred, in  
17 a vote of seventeen to three, the Evaluation  
18 Committee chose the upstream site.

19 The Evaluation Committee was made up  
20 of -- and you have a list of all the  
21 people -- professionals from the community,  
22 elected officials from every ward in Michigan  
23 City, representatives of city government.  
24 They chose seventeen to three to support the  
25 upstream site because it brings the most

6 1 chance of great economic development to the  
2 city of Michigan City.

3 With all due respect to Mr. Rubeli,  
4 he does not live in Michigan City and he  
5 wasn't elected to represent the concerns of  
6 the people of Michigan City. The gamers are  
7 in it obviously to make great financial  
8 rewards for their company, and that is all  
9 well and good.

10 I am here to tell you that the people  
11 of Michigan City have over the last  
12 generations, long before I lived in Michigan  
13 City, taken a strong position of  
14 protectionism over the lake. They feel very  
15 protective about the lakefront, about the  
16 opportunity to have our people be able to  
17 fish there, dock their little boats there,  
18 their big yachts there, enjoy the natural  
19 amenities of the lakefront.

20 Any past activities to threaten that  
21 have been met with great dissent, petition  
22 drives. And, quite frankly, I don't want to  
23 be the one to bring the message back to the  
24 community in Michigan City that we are going  
25 to put a large development that would congest



6 1 not only the land, but the waterways.

2 I would have a problem expressing  
3 that to the city of Michigan City. That's  
4 why I am staying consistent with the decision  
5 of the Local Committee and expressing to you  
6 those concerns.

7 The poll that was brought to your  
8 attention, which was not given to my  
9 administration before I received it at the La  
10 Porte hearings, which I thought was rather  
11 interesting, did not address the fact that  
12 our county has a hundred thousand some people  
13 in it.

14 Thirty-three thousand of those people  
15 live in the city of Michigan City, and they  
16 will be the ones that are directly affected  
17 by this development as far as traffic and  
18 crime, etcetera, goes.

19 The people in La Porte County have  
20 many diverse understandings and interests.  
21 There are farmers. There are -- there are  
22 working people who work outside of the  
23 county. To ask a farmer in Hanna what he  
24 thinks about a project in Michigan City when  
25 Michigan City is not anywhere he goes, he has

7  
1 not followed it in the newspaper, is, quite  
2 frankly, not a real valid opinion.

3 And I would question the validity of  
4 that poll, because no one in the city that I  
5 had talked to had ever seen that poll. So I  
6 would ask some questions about the poll and  
7 bring to you the fact that the people who  
8 were elected by the community of Michigan  
9 City sat on the Local Gaming Committee and  
10 sent a clear message down here in a vote of  
11 seventeen to three that they prefer the  
12 upstream location.

13 In addition, the County Commission  
14 from La Porte County wrote a letter  
15 supporting the Michigan City decision, wrote  
16 a letter supporting the decision of the Local  
17 Evaluation Committee.

18 And I'll be very frank with you.  
19 Since my last trip down here in March,  
20 politics and greed have reared their ugly  
21 heads in the process. I came to you in  
22 February in La Porte and was very, very proud  
23 of what we as a community had done to bring  
24 forth our local decision. I felt that of all  
25 the processes that I had read about in the

7  
1 state, we had tried to be very open.

2 The meetings, every single meeting of  
3 the Committee was open to the public. We had  
4 access to the local media. The local cable  
5 station was there. All the media in the area  
6 was there. It was well-reported. People had  
7 opportunities to ask questions through any of  
8 the members. So I was very proud of the  
9 process.

10 Since that time, there have been all  
11 kinds of pressure tactics placed on me  
12 particularly to change my position, twelve  
13 hundred dollar ads taken out in the newspaper  
14 asking me to change my position. And, quite  
15 frankly, twenty-two members of my community  
16 voted for that upstream location and chose a  
17 company.

18 I am here today to tell you I was  
19 only one of those twenty-two members, and I  
20 would not feel that it is right of me as the  
21 mayor or as a private citizen to come to you  
22 and express any other opinion other than the  
23 work of the Local Evaluation Committee.

24 At this time, I would like John  
25 Rudisell from the Port Authority to come up

1 and answer any questions you may have on the  
2 evnironmental concerns.

3 Chuck Oberlie is the city controller.  
4 He has also been a city planner, a Chamber of  
5 Commerce president and president of the  
6 Northwest Indiana Forum. He brings an awful  
7 lot of experience and would answer any of  
8 your questions.

9 Evelyn Baker, our Council president,  
10 would like to speak to you before we open it  
11 up for any questions you might have. At this  
12 time, I will sit down. If you have anything  
13 to answer, I will speak to you at the  
14 appropriate time.

15 Thank you very much for your time.

16 MR. RUDISELL: Ladies and Gentlemen,  
17 my name is John Rudisell. I'm the harbor  
18 master and superintendent for the city of  
19 Michigan City, and I'm here to answer any  
20 questions that you may have on behalf of the  
21 city.

22 MR. KLINEMAN: We might have some  
23 questions later, but I don't believe anyone  
24 has one right now.

25 MR. RUDISELL: Okay. Thank you.

7  
1 MR. KLINEMAN: Would you like just to  
2 sit there and talk sort of loud?

3 MS. BAKER: I can use the -- I got a  
4 loud voice, but I'll go to the mike.

5 My name is Evelyn Baker. I'm the  
6 president of the Michigan City Common  
7 Council, and I just want to -- I don't have a  
8 prepared speech. I don't even have any  
9 notes. Speaking is not what I do best, but I  
10 love to talk and I always manage to get my  
11 message across, even with this voice.

12 But I just wanted to -- I really  
13 wanted to clear up some things that Mrs.  
14 Bergerson Brillson has already corrected a  
15 little bit, but mostly on the site of what  
16 Michigan City wants.

17 That were two people up here talking  
18 about what Michigan City wants, and I think  
19 that I ought to qualify for what Michigan  
20 City wants. I am president of the City  
21 Council now and have been; this is my third  
22 year. I have served twenty years on the  
23 Council. I have been elected six times.  
24 I've been at the top of the ticket. You  
25 don't do that if you don't listen to the

8  
1 people and do what the people want.

2 The people do not want this riverboat  
3 next to that bridge. There was a man, I  
4 don't remember his name. He owns the  
5 property just across the harbor next to the  
6 bridge. And he wanted to put a seven-story  
7 building up there.

8 They came down on him so hard. They  
9 got six thousand names on a petition. They  
10 didn't want it there. They said it would  
11 destroy the bridge, which engineers finally  
12 declared that it would, that it would  
13 undermine the strength of the bridge, it  
14 would destroy our historic lighthouse that is  
15 there. I don't think the man's been back to  
16 Michigan City anymore. He's attempted to  
17 sell it a few times, but nobody has bought  
18 it.

19 And I just don't think we need it  
20 there. That isn't what the people want.  
21 Nobody has said to me that they want that  
22 near that bridge or in that harbor. The  
23 Upstream Site is what we asked for. It's  
24 what our twenty-two member Committee said we  
25 wanted.

8  
1 We took all three of the companys  
2 that appeared before us. We went very  
3 carefully, spent hundreds of hours reading  
4 and hours up until midnight at all of those  
5 meetings. It was very open, very  
6 straightforward, very honest.

7 And this is what we come to the  
8 conclusion of. We had one company out of the  
9 three that gave us the site we wanted, the  
10 economic development that we wanted, and they  
11 were putting it in a place where we could  
12 expand, where there was room to move.

13 And they had money. Everybody else  
14 talks about the billions of dollars they've  
15 got. They showed us no financial statements.  
16 They didn't tell us where the money; they're  
17 going to get it. The Indiana Blue Chip  
18 showed us that they had it, and that's why we  
19 chose that company.

20 I think we deserve the site we want,  
21 the riverboat that we need badly. This is a  
22 beautiful city, and we're moving, we're  
23 growing, and we've got everything there.  
24 This will help us financially and  
25 economically.

1                   And we plead with you that you will  
2                   read through the materials that you have and  
3                   will see this is what we want, this is what  
4                   we need and this is what we deserve.

5                   I thank you.

6                   MR. KLINEMAN: Thank you.

7                   Does that conclude the Michigan City  
8                   presentation?

9                   All right. We're ready for questions  
10                  of either the applicants or Michigan City.  
11                  Anyone want to start off?

12                  MR. MILCAREK: I would. I have some  
13                  questions for Indiana Blue Chip if we have  
14                  someone that could --

15                  MR. MCQUAID: Yes, sir.

16                  MR. MILCAREK: You state that you  
17                  want to build the boat on-site. Have you  
18                  talked to anyone like the Corps of Engineers  
19                  about this? How would you accomplish this?

20                  MR. MCQUAID: It's Joe McQuaid. We  
21                  have talked to Chicago Bridge & Iron, Guido  
22                  Perla (phonetic), the design group that  
23                  designed the Elgin Riverboat Casino. They  
24                  have inspected the site. They have selected  
25                  site space.



8 1 We have preliminarily contacted the  
2 Corps of Engineers and the Coast Guard. We  
3 have discussed with them this proposal that  
4 we have, and we anxiously await to take the  
5 next step. And that would be with  
6 preliminary suitability, they would actually  
7 review our application.

8 MR. MILCAREK: Are you aware of a  
9 requirement to dry-dock the boat every five  
10 years for hull inspection?

11 MR. MCQUAID: Yes, sir, we are. And  
12 the same situation that I'm familiar with in  
13 Illinois with the Elgin Riverboat Casino,  
14 depending on the construction of the hull,  
15 that can be waived. And it was waived with  
16 the Elgin Riverboat Casino.

17 That boat was designed by Guido Perla  
18 and was built by Chicago Bridge & Iron. And  
19 that's why we selected those two groups.

20 MR. MILCAREK: How wide would this  
21 boat be?

22 MR. MCQUAID: We hope it to be  
23 approximately seventy feet wide.

24 MR. MILCAREK: And how wide is the  
25 channel in the area you're going to cruise?

8  
1 MR. MCQUAID: Per the Corps of  
2 Engineers' statistics at this point, in their  
3 proposal, it's a hundred feet wide. We would  
4 do some dredging to make it a hundred foot  
5 wide clearly all the way from E Street Bridge  
6 to the 12th Street Bridge.

7 MR. MILCAREK: So it would give you  
8 approximately fifteen feet on each side to do  
9 that?

10 MR. MCQUAID: Yes, sir.

11 MR. MILCAREK: Does the Coast Guard  
12 have any concern about other boats going up  
13 there? Would you seal off the right of way  
14 and have exclusive use? How would other  
15 boats pass through this channel?

16 MR. MCQUAID: That is one of the  
17 discussions we are having right now with the  
18 Corps of Engineers and with the Coast Guard.  
19 Upstream past the E Street Bridge is not  
20 navigable, so we don't worry about boats  
21 going past the E Street Bridge. In fact,  
22 it's a very low bridge and really impossible  
23 for any navigable vessels to get past that  
24 bridge.

25 As far as E Street Bridge to the 12th

1 Street Bridge, the entire one side of that  
2 proposal would be land controlled by us, and  
3 we would no longer have the docking for  
4 private vessels at that location.

5 As far as the other space, we think  
6 that we can mitigate it with an increased  
7 marina. And we have again preliminarily  
8 shown these proposals to the Corps of  
9 Engineers and the Coast Guard, and they seem  
10 very responsive to this proposal.

11 MR. MILCAREK: Do you plan on a  
12 temporary site with a temporary boat?

13 MR. MCQUAID: Yes, sir, we do.  
14 If we have that possibility, we would like to  
15 bring -- again, purchase the Silver Eagle,  
16 bring it down to Michigan City.

17 And depending on the timing between  
18 the permanent structure being constructed and  
19 the permanent vessel being completed, we  
20 would leave ourselves the opportunity for an  
21 interim vessel.

22 MR. MILCAREK: Do you think you could  
23 complete construction of that boat in twelve  
24 months?

25 MR. MCQUAID: Yes, sir, we do.

9  
1 Again, we use the Elgin Riverboat Casino as  
2 an example, and that was completed in nine  
3 months. We're very confident that this can  
4 be completed in the twelve-month period that  
5 we've indicated:

6 MR. MILCAREK: What is the total  
7 dollar value of your package as it stands  
8 right now?

9 MR. MCQUAID: It's approximately  
10 eighty-six million dollars at either of the  
11 two sites.

12 MR. MILCAREK: Thank you. That's all  
13 I have.

14 MR. KLINEMAN: Before we lose the --  
15 before we move past the financing aspect, as  
16 I read the material, the H.P. of Indiana will  
17 provide the boat. And that's an equivalent  
18 of twelve million dollars?

19 MR. MCQUAID: Yes, sir,  
20 approximately.

21 MR. KLINEMAN: Okay. And the rest of  
22 the equity then will be contributed how?

23 MR. MCQUAID: By shareholders.

24 MR. KLINEMAN: Of the other  
25 shareholders in the other forty percent?

1 MR. MCQUAID: Yes, sir.

2 MR. KLINEMAN: Okay. And what  
3 assurance do we have that the other moneys  
4 would be available? I know there was a  
5 letter which I saw in the file from Bank One  
6 which really was not a commitment. It was  
7 just, you know, these people look like nice  
8 people, sometimes we loan money to nice  
9 people, etcetera, etcetera.

10 MR. MCQUAID: Yes, sir, it was. It  
11 will be, I hope, a relatively short answer to  
12 a difficult question.

13 The eight shareholders that you speak  
14 of have a collective net worth of  
15 approximately forty-two million dollars.  
16 They feel very confident that they could  
17 acquire the necessary funds.

18 We have -- because of the delays,  
19 obviously we have not instituted our equity  
20 funding schedule. That will go into effect  
21 should we be fortunate enough to receive  
22 preliminary suitability. They will be given  
23 a reasonable amount of time to fund it  
24 according to the schedule.

25 However, we do have mechanisms in

1 place that would allow us to go forward with  
2 the sixty percent group continuing to fund.

3 MR. KLINEMAN: Okay. That's an  
4 agreement between the sixty and the forty?

5 MR. MCQUAID: Yes, sir.

6 MR. KLINEMAN: Is that a  
7 representation you want to make to the  
8 Commission, that the twenty million dollars  
9 worth of equity will be available either  
10 through the forty percent putting it up or  
11 the sixty percent stepping up and doing it?

12 MR. MCQUAID: Sir, without any  
13 hesitation, we would like that to be clear.  
14 There will be twenty million dollars of  
15 equity in this project.

16 MR. KLINEMAN: And there is a  
17 commitment already a part of H.P. to put up  
18 the additional in writing?

19 MR. MCQUAID: Yes, sir.

20 MR. KLINEMAN: And that would then  
21 take the Blue Chip Group down some in their  
22 interest, or what arrangements would happen  
23 if H.P. stepped up?

24 MR. MCQUAID: That will, sir. But  
25 it's not what either party hopes at this

1 time. We hope that it can be on a funding  
2 schedule that they could meet. If that's not  
3 possible, we will meet that funding schedule.  
4 And dilution is really the last of those  
5 three scenarios.

6 MR. KLINEMAN: It's in the written  
7 agreement?

8 MR. MCQUAID: Yes, sir.

9 MR. KLINEMAN: And this is an  
10 agreement that has been executed. It's in  
11 writing and been executed by all the parties;  
12 is that correct?

13 MR. MCQUAID: That's correct.

14 MR. KLINEMAN: I guess we don't have  
15 a copy of it available in the Commission?

16 MR. MCQUAID: We can get you a copy.

17 MR. THAR: We have letters that  
18 outline it. I don't remember, Joe, if you  
19 provided us a copy of the agreement.

20 MR. MCQUAID: If we haven't, we will  
21 get that to you.

22 MR. KLINEMAN: Does anyone else have  
23 any other questions on any topics with Blue  
24 Chip at this time? We can always come back  
25 to Blue Chip.

10 1 MR. VOWELS: My understanding is that  
2 as of April 11th, 1996, Blue Chip had  
3 contacted the Corps of Engineers in Detroit  
4 once and has yet to receive any additional  
5 information.

6 Are you familiar with what the status  
7 is now?

8 MR. MCQUAID: Sir, we use a naval  
9 architect and we use naval engineers that  
10 have been in contact and have met with the  
11 Corps of Engineers often during this process.

12 I have called them, and it might have  
13 very well been April the 11th. But we have  
14 been represented by other parties that have  
15 brought this proposal before the Corps of  
16 Engineers.

17 MR. VOWELS: Would the Corps of  
18 Engineers have reviewed the proposal?

19 MR. MCQUAID: They have -- as Mr.  
20 Simon has indicated, they have reviewed it to  
21 the point that they can absent the  
22 preliminary suitability.

23 MR. VOWELS: Mr. Simon is Charlie  
24 Simon?

25 MR. MCQUAID: Yes, sir.



10 1 MR. VOWELS: Because the indication  
2 that we have here is as of April 11th, 1996,  
3 Mr. Simon says there's been no substantive  
4 contact with the Corps. And he received a  
5 call from Blue Chip people and expected  
6 information. But as of April 11th, 1996, he  
7 hasn't received that. That's incorrect?

8 MR. MCQUAID: He has not received a  
9 formal application; that part is correct.  
10 And we were under the impression that the  
11 Corps of Engineers would not review a formal  
12 application until there's a finding of  
13 preliminary suitability.

14 MR. VOWELS: So he's received some  
15 information.

16 MR. MCQUAID: Yes, sir.

17 MR. VOWELS: In reference to the  
18 creek, Mr. Rubeli spoke about a thirty-day  
19 window in dredging because of the spawning, I  
20 believe, from June 15th to July 15th.

21 Assuming that's true, are you going  
22 to address any -- what sort of problems would  
23 that create? I don't recall hearing that  
24 during the February meeting.

25 MR. MCQUAID: We have, again,

10 1 contacted the Corps of Engineers. That  
2 spawning period is certainly there. It is  
3 the most desireable. But they review that.  
4 In fact, there was dredging conducted in 1994  
5 in that very area.

6 MR. VOWELS: During that thirty-day  
7 window or --

8 MR. MCQUAID: Both during that  
9 thirty-day window and also during a fall  
10 window. That was reviewed. And I stand  
11 corrected with the city who is here obviously  
12 and can answer those questions. But that  
13 thirty-day window is their most desireable.  
14 It does fluctuate and it is flexible.

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

16 MR. KLINEMAN: What about the alleged  
17 environmental problems in dredging? Do you  
18 know anything about that, Joe?

19 MR. MCQUAID: Sir, again, I will  
20 stand corrected. But we have the same  
21 information that the city has. It was  
22 dredged in 1994; that was used as topsoil.

23 However, the worst case scenario, our  
24 principals have a very strong interest in  
25 waste management and chemical waste

1 management. We feel very confident if there  
2 are EPA issues, we can mitigate those issues.

3 In fact, I know I've just been joined  
4 by two people from the city who may be able  
5 to answer those questions better than I.

6 MR. ROB BECKMAN: Mr. Rudisell will  
7 be able to answer those questions.

8 MR. RUDISELL: To answer the dredging  
9 window question, there is a dredging window  
10 in the spring, there's one in the summer and  
11 there's one in the fall.

12 From past experience, the last  
13 dredging project we did in that area was a  
14 spring dredging project. And the Corps of  
15 Engineers did widen that window. And in  
16 other dredging projects we've done in other  
17 areas, depending on the fish spawn, they have  
18 widened those windows as much as three weeks.

19 So I hope that answers any of your  
20 questions.

21 MR. KLINEMAN: There exists three  
22 windows, period, and then they sometimes  
23 expand them, or there exists one and  
24 sometimes they --

25 MR. RUDISELL: There exists three

1 windows. Those are the spring window, a June  
2 15th to July 15th window, then there's a  
3 fall window also to dredge.

4 MR. VOWELS: I guess my big question  
5 is was that taken into consideration on your  
6 time frame for when you will have this  
7 completed?

8 MR. MCQUAID: Sir, it was taken into  
9 consideration when we first made a proposal  
10 in February obviously. But we still think  
11 there are windows and opportunities  
12 available, and we still think and very  
13 confidently feel that we can open up our  
14 permanent facility within twelve months and  
15 still have an opportunity for a temporary  
16 facility.

17 MS. BOCHNOWSKI: Can I ask a  
18 follow-up question as long as we have the  
19 harbor master here?

20 MR. MCQUAID: Sure.

21 MS. BOCHNOWSKI: On the question of  
22 the spawning periods, does that affect the  
23 activity of such a project such as a boat in  
24 that area during spawning periods? I mean,  
25 the dredging is affected, so what about this

1 big boat going up and down? What does that  
2 do to the salmon?

3 MR. RUDISELL: Boats navigate in that  
4 area currently now anyway.

5 MS. BOCHNOWSKI: But not that size  
6 boat. That takes up the whole -- that's  
7 fifteen feet on either side. That's a big  
8 area.

9 MR. RUDISELL: Just to answer your  
10 question, I know in the dredging projects we  
11 were involved in two years ago, they did it  
12 hydraulically. And fish -- the DNR had  
13 monitored then and we had monitored that, and  
14 fish had passed through there with relative  
15 ease and no problems. I don't see a problem.

16 MS. BOCHNOWSKI: Even with a boat  
17 taking up basically the whole --

18 MR. RUDISELL: Well, the fish  
19 normally are on the bottom anyway.

20 MS. BOCHNOWSKI: Okay. Then how deep  
21 does the boat go? I mean, how deep is the  
22 channel there and how deep does the boat go?

23 MR. RUDISELL: Well, currently the  
24 channel in that area is about eight feet.  
25 Depending on how deep you wanted to dredge

10

11

11 1 it, normally the fish lay towards the bottom  
2 anyway.

3 MS. BOCHNOWSKI: How far down would  
4 such a boat go?

5 MR. MCQUAID: We would like to  
6 complete the dredging to about ten feet.  
7 Our boat hopefully in that area will have a  
8 dredge of less than six feet and possibly  
9 even shorter, as the Elgin boat is actually  
10 shorter than that. It's about five and a  
11 half feet.

12 MR. SUNDWICK: But I don't think  
13 anybody really knows, do they, what will  
14 happen? Answering the question, nobody  
15 really knows what will happen, if it will  
16 disturb them or if it won't?

17 MR. RUDISELL: The fish?

18 MR. SUNDWICK: Yes.

19 MR. RUDISELL: I'm not an expert on  
20 that. I can only speculate. I can't give an  
21 answer on that.

22 MR. MILCAREK: I would like to  
23 comment that if anyone's ever seen a fish  
24 ladder that they use around dams and bridges,  
25 the fish are pretty determined. Obviously I

1 think they know what they're headed for.

2 MR. KLINEMAN: Not any more  
3 determined than applicants for gaming  
4 licenses.

5 MR. MILCAREK: But they do go around  
6 if there's a way. They're so determined that  
7 they'll just go up this little concrete  
8 stream and keep on going to bypass the dam.  
9 So I would imagine it would be something like  
10 this in Michigan City. They're pretty  
11 determined.

12 MR. SWAN: Can you tell me again what  
13 your cruise path is? How long is the cruise  
14 path?

15 MR. MCQUAID: It's approximately --  
16 would you mind if I just showed you?

17 MR. SWAN: No; that's fine.

18 MR. MCQUAID: The cruise path will go  
19 from E Street, and that's approximately going  
20 all the way to U.S. 12. It's a little longer  
21 than a third of a mile. Again, when compared  
22 to, for instance, the harbor, the breakwater,  
23 this is very similar.

24 MR. SWAN: The widest spot right now  
25 is a hundred feet?

11 1 MR. MCQUAID: Right, the creek is a  
2 hundred feet. You can tell -- if I can move  
3 this a little closer. You can tell by the  
4 dotted line what is now the creek. This  
5 wouldn't have to be adjusted. This wouldn't  
6 have to be adjusted.

7 MS. BOCHNOWSKI: Can you bring it down  
8 here, too?

9 MR. MCQUAID: Sure. And there would  
10 be an adjustment made precisely where we're  
11 going to dock the boat.

12 MR. SUNDWICK: I guess we want to  
13 know where the width is a hundred feet.

14 MR. MCQUAID: This is a hundred feet,  
15 and it's to the dotted line. And then this  
16 is a hundred feet. So the dredging would  
17 occur on this area for our boat.

18 MR. KLINEMAN: Excuse me, Joe. Is  
19 that drawn to scale?

20 MR. MCQUAID: Yes, sir.

21 MR. KLINEMAN: It shows the scale,  
22 but, you know, the boat looks so short and  
23 narrow, and sitting there, compared to the  
24 width of the --

25 MR. MCQUAID: The creek is deceiving.



1 This is a large body of water. This boat is  
2 drawn to scale, and it's seventy-five by  
3 three hundred feet.

4 MR. MILCAREK: If you took the boat  
5 and turned it sideways --

6 MR. KLINEMAN: Tom, you got to speak  
7 up a little bit.

8 MR. MILCAREK: It doesn't look like  
9 it's drawn to scale. Because if you take the  
10 whole thing and turn it over here, it's going  
11 to touch both sides.

12 MR. MCQUAID: Well, it wouldn't turn.  
13 It would just go back and forth.

14 MR. MILCAREK: If you did turn it  
15 now, if you took that boat and turned it  
16 sideways, it would go from bank to bank,  
17 indicating the river was three hundred feet  
18 wide. It's not to scale.

19 MR. KLINEMAN: If you just took a  
20 piece of paper, Joe, and superimposed it over  
21 the --

22 MR. MILCAREK: That's not to scale.

23 MR. KLINEMAN: I don't think the boat  
24 is to scale.

25 MR. MCQUAID: The boat is probably

1 larger than it should be.

2 MR. KLINEMAN: No; it's smaller.  
3 It's a three hundred foot long boat.

4 MR. SWAN: The fact of the matter is  
5 that in the width up by the 6th Street  
6 Bridge, I guess it is, it's a hundred feet.  
7 The boat is seventy-five feet wide. So you  
8 have twenty-five feet you're dealing with  
9 altogether?

10 MR. MCQUAID: Yes, sir; without  
11 improvements.

12 MR. SWAN: But you don't intend to  
13 improve --

14 MR. MCQUAID: Just the shoreline.

15 MR. MILCAREK: Where would your  
16 temporary site be?

17 MR. MCQUAID: Again, if I can just  
18 use this, the temporary site, there's two  
19 buildings right now presently on the  
20 property. They are up here. We would like  
21 to use this as our temporary site.

22 The construction of the permanent  
23 vessel would be down here. And we can  
24 continue simultaneous construction of our  
25 amenities, land site amenities, here.

1 MR. MILCAREK: How soon would you  
2 open the temporary boat if you were given a  
3 certificate today?

4 MR. MCQUAID: As soon as possible.  
5 And it would be conditional upon the Corps of  
6 Engineers permit.

7 MR. MILCAREK: So you really don't  
8 know right now.

9 MR. SWAN: Was that the Silver Eagle  
10 that you were talking about?

11 MR. MCQUAID: Yes, sir.

12 MR. SWAN: For the temporary boat?

13 MR. MCQUAID: Yes.

14 MR. SWAN: But it's kind of locked up  
15 in --

16 MR. MCQUAID: Well, it would be  
17 replaced by a flat bottom boat. We viewed, I  
18 think, about six to eight already.

19 MR. SWAN: For the slots only machine  
20 over there?

21 MR. MCQUAID: Right. In Illinois,  
22 seven out of the ten licensees have already  
23 replaced their vessels. We have not. This  
24 would be our first switch of a vessel.

25 DR. ROSS: We had a little letter

1 from the Coast Guard that said safety in the  
2 creek was better than in the harbor because  
3 of the small boat. Isn't that a small boat  
4 marina right next to the bridge, the highway?

5 MR. MCQUAID: Yes, sir.

6 DR. ROSS: So would you get rid of  
7 that?

8 MR. MCQUAID: This traffic wouldn't  
9 go down to our cruise path. This traffic  
10 would be coming out here and going to the  
11 harbor. We will mitigate some of the absence  
12 of slips in this direction by expanding this.

13 DR. ROSS: So how far would your boat  
14 cruise?

15 MR. MCQUAID: It would cruise to  
16 here, back to E Street Bridge.

17 MR. KLINEMAN: At maximum.

18 MR. MCQUAID: At maximum.

19 MR. THAR: Doctor, if I may explain  
20 something. That drawing takes away slips  
21 that are presently existing on Trail Creek  
22 and puts them into a larger marina for those  
23 boats that they would incorporate in there.

24 When the Coast Guard says -- the  
25 Coast Guard in their discussions with us said

12 1 it would only be safer on Trail Creek if that  
2 mitigated harbor was built.

3 If that harbor is not built or that  
4 little marina is not built, then the Trail  
5 Creek won't work because the boat would be  
6 too big. It would be -- it would make it  
7 unsafe for the craft or vessel that goes down  
8 there.

9 DR. ROSS: Now, is this the marina  
10 that's already there?

11 MR. THAR: No. That marina may be  
12 there, but it's really an expanded built  
13 marina as a part of this proposal. That's  
14 what the Coast Guard is talking about.

15 If that marina is built the way it's  
16 shown on there, that makes it safer. If it  
17 is not built, the Coast Guard would not allow  
18 the boat to go with the existing slips that  
19 are on Trail Creek, as has been explained to  
20 me.

21 Have you received any different  
22 information?

23 MR. MCQUAID: That's exactly the  
24 information we received, and that's why we  
25 expanded that marina. And, of course, that's

12 1 the point, that we have dealt with the Coast  
2 Guard on these issues.

3 MR. KLINEMAN: That marina is on your  
4 proposed land or is it somebody else's, or  
5 what's going on?

6 MR. MCQUAID: It's across from our  
7 proposed land. But that is something that we  
8 know we have to mitigate with the absence of  
9 slips on our side of the property.

10 MR. SUNDWICK: So you don't have any  
11 title to this land at all, do you?

12 MR. MCQUAID: Sir, the city and the  
13 current holder of that land has decided not  
14 to issue any options on the property until  
15 after finding of preliminary suitability.

16 MR. SUNDWICK: Why would they not do  
17 that? Why would they do that? If I were the  
18 owner of that land, I'd give you the option  
19 right now.

20 MR. MCQUAID: Well, I can only  
21 speculate that they wanted the Commission to  
22 pick their candidate rather than having  
23 someone lock up that property and, in  
24 essence, lock up that site prior to the  
25 Commission reviewing it.

12 1 MR. KLINEMAN: But you're going to be  
2 placed in a position of that whoever that is  
3 really being able to dictate to you. Because  
4 if the Coast Guard position is as recited by  
5 Mr. Thar, and I have no reason to doubt that,  
6 unless you were able to do what you show  
7 there, you're probably not going to be able  
8 to obtain the permits necessary.

9 MR. MCQUAID: Yes, sir. I'm very  
10 confident that we will continue to work with  
11 the city and the bank. The bank expressed on  
12 February the 13th their commitment to use the  
13 property for this type of development. And  
14 I'm very confident that --

15 MR. KLINEMAN: This is property  
16 that's in a trust or something; is that  
17 right?

18 MR. MCQUAID: Yes, sir.

19 MR. BECKMAN: Just so you understand  
20 the land issue, the land is currently owned  
21 by a bank in Michigan City. It's the city's  
22 understanding that the bank would communicate  
23 with whomever received the certificate of  
24 suitability for the city's preferred site,  
25 and negotiations would take place at that

12 1 point that the land is available.

2 There's also a portion of land at the  
3 E Street Bridge area that is owned by the  
4 city. That is the Sprague Marina. That is  
5 the marina that will be replaced by this  
6 proposal by the new marina up at the Highway  
7 12 Bridge, which is exactly what you saw on  
8 the diagram immediately preceding my coming  
9 to the podium.

10 Does that answer the land question?

11 MR. SUNDWICK: One more. The marina  
12 where the bank owns that, the bank also owns  
13 the other side, don't they?

14 MR. BECKMAN: The bank owns all of  
15 this land or a good portion of this land in  
16 this area. They will talk to whomever is  
17 awarded the certificate.

18 The city owns land in this area,  
19 which is currently the Sprague Marina. This  
20 is where current boat slips exist. These  
21 boat slips will be removed. These boat slips  
22 will be replaced here.

23 This is actually a turning basin.  
24 This was the actual area that the original  
25 Lake Michigan freighters would come up to in

12

13



13 1 Trail Creek and turn around.

2 This would be an expanded marina  
3 area to accommodate the slips that will be  
4 taken out here. The city owns this land.  
5 The bank owns this land. There is also  
6 potential availability for land on the other  
7 side.

8 MR. SWAN: And who owns the expanded  
9 marina area?

10 MR. BECKMAN: This here? This is  
11 currently Blocksome (phonetic) & Company, and  
12 I'm not exactly sure what the title to that  
13 property is. That would be the Blocksome  
14 Turning Basin at Highway 12, and it's an old  
15 factory area.

16 MR. KLINEMAN: It's not owned by the  
17 bank?

18 MR. BECKMAN: I do not know if the  
19 bank has an interest in the Blocksome  
20 property or not. I would have no idea.

21 MR. RUSTHOVEN: Excuse me. Just to  
22 clarify. We have an option on the Blocksome  
23 property, Casino America.

24 MR. MCQUAID: I didn't know that  
25 either. I didn't know this was their turn at

1 the podium.

2 MR. RUSTHOVEN: I just wanted to cut  
3 through that.

4 MR. SUNDWICK: I'm glad you helped us  
5 out there. Somebody owned it. Somebody is  
6 smart enough to get the property. I see you  
7 were.

8 DR. ROSS: There's one thing that I  
9 just keep having this trouble with. And that  
10 is that everybody in all this previous seven  
11 procedures have come to us with some proof  
12 that they have money for financing. And I  
13 really -- that's why I want to -- because  
14 maybe you said this and I missed it.

15 But I have seen no proof that there's  
16 money available, not from the local investors  
17 or from the major investors. The only proof  
18 I have seen is the boat. So maybe you can  
19 clarify that.

20 MR. MCQUAID: I would like to try.  
21 The money that's available comes from the  
22 independent shareholders as investments.

23 DR. ROSS: I understand. You said  
24 where it was going to come from. But it's  
25 not in place. I mean, there's no letter of

1 credit. There's no bank account. There's no  
2 letter from a bank.

3 MR. MCQUAID: Well, we have a letter  
4 from a bank that was provided on February the  
5 13th from LaSalle Bank for twenty-five  
6 million dollars. We have about twenty  
7 million dollars in equity in this project.  
8 We have asset-based financing and  
9 project-based financing. And you've heard  
10 from principals today that they are putting  
11 their personal investment money into this  
12 project.

13 DR. ROSS: What the bank said was  
14 that if the necessary collateral, that they  
15 know that these people have collateral, and  
16 with the collateral, they will loan them  
17 money.

18 MR. MCQUAID: Right.

19 DR. ROSS: That's not the usual thing  
20 we see with a business deal. It's that here  
21 is the money and we have it available. We  
22 don't talk about collateral.

23 MR. MCQUAID: Sir, I think rather  
24 than taking that second step, we went right  
25 to the first step. We have individuals here

13 1 who have that money who say that they are  
2 committed to investing in this project.

3 MR. SUNDWICK: We turned down a  
4 pretty good candidate in Lawrenceburg, Mr.  
5 Iacoca. He said he had the money. Right?  
6 That's what he said. He said we have the  
7 money. People walked around that  
8 organization and said we have twelve million  
9 dollars in the bank downtown right now.

10 What you're telling us is you can get  
11 the money.

12 MR. MCQUAID: No, sir. What I'm  
13 telling you is our shareholders have the  
14 money. What you heard today is our  
15 shareholder making a commitment to invest in  
16 this project.

17 I'm not telling you that we have to  
18 go get the money. I'm telling you that we  
19 brought shareholders here today that stood at  
20 this podium and said they have money and they  
21 want to commit the money to this project.

22 MR. KLINEMAN: Well, I think the  
23 financing package just doesn't have a nice,  
24 neat ribbon around it. At least we don't  
25 understand it to be that kind of a program.

13 1 And you made reference to the LaSalle  
2 Bank, twenty-five million dollars. I guess I  
3 did not see that particular letter. What  
4 does that do?

5 MR. MCQUAID: It talks about the --  
6 Mr. Pedersen and Mr. Haytile's (phonetic)  
7 experience, business experience, their net  
8 worth, and that with proper collateral, they  
9 would lend that money. And that proper  
10 collateral happens to be their signature.  
11 And what we have --

12 MR. KLINEMAN: Then we get back to  
13 that group is not required to put up anything  
14 but the boat basically.

15 MR. MCQUAID: Well, sir --

16 MR. KLINEMAN: You said that -- you  
17 now told me there is this other agreement  
18 which --

19 MR. MCQUAID: That group will fund  
20 this project up to twenty million dollars in  
21 equity or more, if necessary. The commitment  
22 that we have to the original shareholders is  
23 to make them or give them the opportunity to  
24 continue on at the pace that was proposed  
25 when we first joined with them.

14 1 If they cannot, there are mechanisms  
2 in place that would allow our current  
3 shareholders to absorb that equity  
4 contribution.

5 MR. KLINEMAN: Anybody else have  
6 anything at this time?

7 Thank you, Joe.

8 MR. MCQUAID: Thank you.

9 MR. KLINEMAN: I guess we can go  
10 forward and call up the next one that you'd  
11 like to ask questions to.

12 MS. BOCHNOWSKI: Well, some of the  
13 same questions to Casino America regarding  
14 your plans as far as the dredging goes. Have  
15 you looked into this time constraint  
16 regarding the salmon? Have you looked into  
17 those same problems?

18 MR. GALLAWAY: Yes, we have. And I'm  
19 going to ask Mr. Ken Schultz, who is our  
20 vice president of development, to talk to you  
21 about that.

22 MS. BOCHNOWSKI: And also in addition  
23 to that, address the problem with --  
24 apparently you haven't dealt with the Army  
25 Corps of Engineers at all. So I'd like to

14 1 hear about that.

2 MR. SCHULTZ: I apologize for not  
3 having a folder. My name is Ken Schultz.  
4 Let me first start with the temporary site,  
5 which is in the harbor.

6 The temporary site that we have  
7 that's in your proposal, we are deep enough  
8 here. We have taken soundings. At the  
9 lowest point where we put the boat and the  
10 barge is twelve foot deep. The barge drafts  
11 four feet and the boat drafts seven feet. We  
12 do not need to dredge any material to put the  
13 boat in here.

14 I've checked with Don Wadley  
15 (phonetic), from the Chicago Corps, showed  
16 him an overlay of the turning basin. We do  
17 encroach on this. I have faxes where we sent  
18 that back and showed him how this would be  
19 arranged.

20 It will take a thirty-day letter for  
21 the Corps to issue a letter of suitability  
22 that we will be allowed to encroach for one  
23 year in the turning basin going through the  
24 Coast Guard. And we are far enough out of  
25 the turning basin that it's a very small

14 1 encroachment at this point.

2 So from a temporary standpoint, all  
3 the mooring will be landside. No Corps  
4 permit is required. And that's how we can  
5 get an operation with between ninety to a  
6 hundred and twenty days.

7 MR. KLINEMAN: Well, just a minute.  
8 The Corps is not going to issue a temporary  
9 permit until you have been permitted on your  
10 permanent location. Isn't that the way they  
11 work?

12 MR. SCHULTZ: It's a separate  
13 location for the activities we intend to do  
14 here.

15 MR. KLINEMAN: Irrespective of that,  
16 it's always been my understanding that the  
17 Corps doesn't issue temporaries until the  
18 permanent.

19 MR. SCHULTZ: This would not be a  
20 temporary. This is a letter of suitability  
21 to encroach in the turning basin. No  
22 permanent work is done at the temporary site.  
23 The permit --

24 MR. THAR: To clarify Chairman  
25 Klineman's question, the Corps in Louisville



1 takes that position with regard to  
2 developments on the river. The Corps in  
3 Detroit has not taken that position.

4 MR. KLINEMAN: Okay. I'm on the  
5 wrong end of the state.

6 MR. SCHULTZ: We have two Corps  
7 offices we're dealing with here. One is the  
8 Chicago Corps; one is the Detroit Corps. The  
9 Detroit Corps issues the paperwork for the  
10 permit. The Chicago Corps has the  
11 jurisdiction for this area and is most  
12 familiar with doing the work.

13 But the paperwork and the permit is  
14 done out of of Detroit. And Don Wadley is in  
15 the Chicago Corps, who has the jurisdiction  
16 for the harbor.

17 For the permanent site, we have  
18 recessed -- we are keeping the boat out of  
19 the main channel. We will leave the main  
20 channel, which is the eight foot deep, sixty  
21 foot wide, alone.

22 What we will have is the engineering  
23 drawings will take about a hundred and eighty  
24 days to go through the permit process to  
25 widen the channel and put the boat completely

14 1 out of the existing channel, which leaves  
2 around ten to twelve feet deep.

3 So normal boat traffic will be  
4 maintained out here. It allows us time to  
5 design and permit the additional slip for the  
6 vessel. And that work would be done in the  
7 early spring, missing the spawning season.

8 The boat we decided to do off-site  
9 for the main primary purpose to get a Corps  
10 permit and start the twelve months to build  
11 the boat does not work. We need enough time  
12 to go through the hundred and eighty day  
13 process in order to get the Corps permit to  
14 have a place to come in.

15 We control the Blocksome site. We  
16 have the option on that, where we plan to put  
17 the marina to displace the boats that are  
18 over here now and down here. And that will  
19 still take a hundred and eighty days to  
20 permit that in order to start the work.

21 MR. KLINEMAN: Okay. The picture  
22 you're holding up doesn't look exactly like  
23 the picture I have which was with the  
24 application. Is there a change? Has there  
25 been a change?

15 1 MR. SCHULTZ: This was the one  
2 submitted in February, not the original  
3 application.

4 MR. KLINEMAN: I missed the February.  
5 I'm sorry.

6 MS. BOCHNOWSKI: I had that, but I  
7 can't find it now. Can we take a look at  
8 that? I apparently didn't bring that one  
9 with me. I brought everything else.

10 Then you are constructing the marina  
11 similar to what they were doing. And then  
12 this is what I have. This is no longer here.

13 MR. SCHULTZ: That was our original  
14 application. It was modified in February.

15 MS. BOCHNOWSKI: And what were the  
16 reasons for the modifications?

17 MR. SCHULTZ: The main -- the  
18 logistics and the timing to do the work  
19 between the Corps permitting process and  
20 where we were going did not work in our  
21 original process, so we changed that in the  
22 final one that went in in February.

23 MS. BOCHNOWSKI: The major change  
24 appears to be just that you don't have the  
25 green area?

15 1 MR. SCHULTZ: The green area and  
2 where the marina goes, which is part of our  
3 option on the Blocksome property.

4 MR. KLINEMAN: Okay. The cruising  
5 would be in what fashion, just in that little  
6 basin area?

7 MR. SCHULTZ: Correct. It goes back  
8 and forth. The new boat we submitted is  
9 two hundred --

10 MR. KLINEMAN: Getting very close to  
11 a boat in a moat.

12 MS. BOCHNOWSKI: So the new plan,  
13 does it still have this bridge here? It  
14 can't go beyond that bridge; correct?

15 MR. SCHULTZ: Yes, ma'am.

16 MR. SWAN: It's not going out into  
17 the channel.

18 MR. KLINEMAN: It's not going into  
19 the channel at all.

20 MR. SCHULTZ: We're widening the  
21 channel at the point where that is.

22 MR. KLINEMAN: Back and forth in  
23 this --

24 MR. SCHULTZ: Correct. The channel  
25 is being widened from sixty foot to

15 1 approximately a hundred and seventy foot wide  
2 is part of the Corps permit that we need to  
3 widen that. From the 12th Street Bridge to  
4 the 6th Street Bridge is roughly six hundred  
5 foot.

6 The slip that you're seeing is as far  
7 as we can put in there approximately six  
8 hundred foot. The boat is two hundred and  
9 forty foot long by one hundred foot wide.

10 MS. BOCHNOWSKI: Okay. So you're  
11 going to widen the area that the boat cruises  
12 in to a hundred --

13 MR. SCHULTZ: The channel will be  
14 widened where we plan to cruise from sixty  
15 foot to a hundred and seventy, a hundred  
16 eighty foot wide. It will cruise in the  
17 channel when we widen the channel once we get  
18 our Corps permit.

19 MS. BOCHNOWSKI: How long again did  
20 you say that cruising area is?

21 MR. SCHULTZ: Approximately six  
22 hundred foot.

23 MR. SUNDWICK: It goes this direction  
24 six hundred feet back and forth.

25 MR. SCHULTZ: Yes, sir. The boat

15 1 does not turn around. The design of the  
2 boat, if you look at it, it has a motor on  
3 each end and two pilot houses. It is  
4 designed to go forward and back and not turn.

5 MR. MILCAREK: Is that the total  
6 cruise path, six hundred feet, always, even  
7 when you dredge the channel?

8 MR. SCHULTZ: Yes, because of the  
9 bridges.

10 MR. KLINEMAN: Because of the bridges  
11 and because you have chosen not to dredge the  
12 whole area between the bridges; isn't that  
13 correct?

14 MR. SCHULTZ: The reason -- we feel  
15 strongly that the 6th Street Bridge is  
16 critical to the traffic flow of our project  
17 to the rest of the town, and the 6th Street  
18 Bridge is a block. The boat is too high to  
19 get under it, in its final form, under either  
20 of the two bridges we propose, the 12th  
21 Street or the 6th Street, once we construct  
22 it.

23 MS. BOCHNOWSKI: Now, this new boat  
24 that you're talking about is something you  
25 have submitted to us since the February

15 1 hearings; correct?

2 MR. SCHULTZ: Yes, ma'am.

3 MS. BOCHNOWSKI: Which I got that. I  
4 just wanted to clarify that.

5 MR. SUNDWICK: This is really going  
6 to be a stupid question. But of all the  
7 ancillaries about this upcreek, downcreek,  
8 going into the harbor, has anybody ever  
9 considered the amount of money it would cost  
10 to replace the bridge?

11 MR. SCHULTZ: You've got two bridges  
12 which gets into the permitting process.  
13 There are three bridges. The Franklin Bridge  
14 is a drawbridge which we can get through  
15 without a problem. The 12th Street Bridge we  
16 talked about which has a heighth restriction  
17 which is a approximately forty feet. The  
18 other bridge is the railroad bridge which is  
19 a turnstile which has a forty foot width  
20 restriction.

21 And to line up as you come in, you  
22 have got a maximum length of two hundred and  
23 forty foot of a boat where you can't turn the  
24 corner to even get through. That's why we  
25 picked the size of the boat as two hundred

15 1 and forty foot and why we picked the width of  
2 the hulls the way we did in order to get the  
3 boat there.

4 And the timing of the Corps permit is  
5 what prevents you from doing a lot of the  
6 work in the sequence we're talking about.

7 MS. BOCHNOWSKI: So basically you've  
8 got a two hundred and forty foot boat and  
9 six hundred feet of cruising area. So the  
10 boat is almost half the size of the cruising  
11 area.

12 MR. SCHULTZ: Yes, ma'am.

13 MR. SUNDWICK: It's funny. I'm  
14 watching the Ohio River people. They just  
15 smile. They get a big kick out of this, two  
16 hundred and forty feet going back and forth.

17 MR. MILCAREK: Getting back to the  
18 boat, are you aware of the five-year hull  
19 inspection?

20 MR. SCHULTZ: Yes, we are.

21 MR. MILCAREK: And how would you  
22 handle that?

23 MR. SCHULTZ: We are planning to do  
24 our five-year hull inspection in Bossier  
25 in-site, and we have a plan of how we would



1 do that. I don't have the details of how we  
2 would do it here, but it is physically  
3 possible for us to do the hull inspection in  
4 place.

5 MR. MILCAREK: As part of the  
6 economic package, this museum, what would be  
7 the economic return of that?

8 MR. GALLAWAY: I'm going to ask Mr.  
9 Brennan to answer that.

10 MR. KLINEMAN: Do you want to speak  
11 up a little bit? I don't know whether that  
12 mike's working or not.

13 MR. MILCAREK: The museum, what is  
14 the total cost of that going to be and what  
15 is the economic return like in the number of  
16 jobs or what type of return would you be  
17 getting out of this museum?

18 MR. BRENNAN: Well, the concept here,  
19 Mr. Milcarek, if you know, the Great Lakes  
20 Museum of Military History is a nonprofit  
21 corporation. They estimate the cost of  
22 building the permanent museum at  
23 approximately a half a million dollars.

24 They need -- one of the things they  
25 needed was donated land. I mean, that has

16 1           been a consideration. That has been a  
2           problem of theirs in locating a permanent  
3           facility.

4                    We're really not looking -- as far as  
5           I know, they're not looking at any  
6           significant economic return to this thing.  
7           All they want to do is generate enough funds  
8           on donated land with donated money to build  
9           this museum.

10                   The return, I think, to the total  
11           Casino America Project is that they  
12           anticipate, and some of the statistics I have  
13           on other military museums on which they're  
14           basing their projections, that this draws a  
15           significant amount of tourism to the area.

16                   They pointed out to me the other day  
17           in the meeting there was not an active  
18           military base within five states. There's  
19           very few places that people can go see a  
20           full-blown military museum.

21                   And they -- maybe you visited  
22           Michigan City. They've done a significant  
23           job at this point with the limited access and  
24           resources they have.

25                   MS. BOCHNOWSKI: Were you seriously

16 1 talking about bringing in a submarine?

2 MR. BRENNAN: Yes. As a matter of  
3 fact, I had an interesting conversation at  
4 lunch with former Mayor Beeler (phonetic),  
5 who is down here training for something at  
6 the Olympics.

7 And he said where he is located right  
8 now, there's so much military equipment  
9 laying all over a field down there,  
10 everything but submarines, and all the  
11 military wants somebody to do is come and get  
12 it.

13 And these people are qualified to do  
14 it. Their biggest problem is transportation.  
15 They have now worked out the problems of  
16 transportation as far as ships are concerned.

17 So, yes, I was very serious about  
18 that, and they're very serious about that. I  
19 mean, to me, I know it's interesting. But I  
20 think it presents some interesting tourist  
21 potential, if you will.

22 MR. MILCAREK: What is the total  
23 amount, dollar value, of that package as it  
24 stands today?

25 MR. BRENNAN: It's approximately ten

1 and a half million dollars.

2 MS. BOCHNOWSKI: That's the total  
3 thing.

4 MR. MILCAREK: The total package, the  
5 whole project.

6 MR. GALLAWAY: This gives me a chance  
7 to introduce our whole team to you. This is  
8 Alan Solomon, our executive vice president.

9 MR. SOLOMON: I'm Alan Solomon. I'm  
10 the executive vice president of Casino  
11 America.

12 The total project is approximately  
13 eighty million dollars.

14 MR. SUNDWICK: You just got the radio  
15 station.

16 MR. SOLOMON: The total -- excuse me.  
17 The total amount of the project is  
18 approximately eighty million dollars, which  
19 includes the ten million dollars plus from  
20 Shore Development.

21 DR. ROSS: Does that include the  
22 hotel?

23 MR. SOLOMON: Yes, that also includes  
24 the hotel. The hotel is a ten million dollar  
25 plus project, and that has been guaranteed by

16 1 Mr. Goldstein. Either Casino America would  
2 do it, he would do it or we would supply a  
3 third-party hotel or a combination of all  
4 three.

5 MR. KLINEMAN: Okay. Why don't you  
6 walk us through how you're going to get  
7 eighty million dollars? You apparently have  
8 it there.

9 MR. SOLOMON: Sure. This is broken  
10 into several phases. We have the temporary  
11 phase, which is something close to twenty  
12 million dollars. It involves five million  
13 dollars in cash, which we have now in the  
14 bank.

15 We have some existing equipment,  
16 which includes a barge that we would bring up  
17 to the temporary facility, plus we need to  
18 arrange for gaming equipment. And there are  
19 many sources that are available to provide  
20 the full amount of gaming equipment, which is  
21 about ten million dollars. So the temporary  
22 facility is about a twenty million dollar  
23 investment.

24 MR. KLINEMAN: Of which five is cash  
25 and the rest is either in-kind or other

16 1 financing?

2 MR. SOLOMON: It's in-kind and  
3 equipment lease financing either with CIT or  
4 IGT or whoever's product we desire to use.

5 The next phase involves the boat,  
6 which is approximately close to twenty  
7 million dollars, of which we would anticipate  
8 that we could borrow fifteen million dollars.  
9 We have done that on each of the boats that  
10 was built.

11 The four boats and the barges that we  
12 have at our four casinos we have been either  
13 able to arrange financing through the  
14 equipment manufacturers such as Caterpillar  
15 or banks. We have financing on our boat in  
16 Bossier City, and we have with Hibernia Bank.  
17 And in Lake Charles, we had with Namora  
18 (phonetic) International.

19 But we would anticipate that we could  
20 arrange for approximately two-thirds to  
21 seventy percent financing on the boat. We  
22 would need an additional ten million dollars  
23 in cash, which we believe that it's either in  
24 the bank now or we're in the process of  
25 generating it through the substantial

1 earnings from our properties that we have.

2 The final phase is another five  
3 million, which involves parking and day care  
4 and marinas, which is somewhere around  
5 another ten million dollars in total, which  
6 we believe would be provided in cash from our  
7 operations or from bank financing.

8 I want to also add the fact that we  
9 at the present time, as explained to you  
10 before, the chairman of our company, Mr.  
11 Goldstein, contributed six million dollars in  
12 cash in March for shares of stock.

13 We're making the same rights offering  
14 available to our shareholders, and it's now  
15 being reviewed by the SEC. We believe that  
16 offering will be out and completed in the  
17 next thirty to forty-five days.

18 Fully subscribed, it could raise us  
19 an additional twenty-two million dollars in  
20 equity, which certainly --

21 MS. BOCHNOWSKI: Stop right there.  
22 But it was indicated that that would be kind  
23 of unrealistic.

24 MR. SOLOMON: I was going to say that  
25 involves a number which is a hundred percent.

17 1 We believe a more realistic number would be  
2 somewhere in the thirty to forty percent  
3 range. So that would give us eight to ten  
4 million dollars which would be available.

5 We believe that the rights offering  
6 can be successful because of the fact that  
7 the stock for the investors to buy is  
8 selling -- is at five and seven-eighths, and  
9 the shares of stock of our company are at  
10 seven dollars.

11 If we're awarded the license, we  
12 believe the stock will go higher than seven  
13 dollars, or at least stay at seven dollars.  
14 And so we believe that we would be successful  
15 in raising the money.

16 In addition, we brought today a  
17 representative, a partner from Merrill Lynch.  
18 We're working on the financing with them.  
19 Merrill Lynch is prepared to go forward  
20 immediately with the financing.

21 That would provide more than enough  
22 money not only for this project, because we  
23 believe that we have sufficient funds for  
24 this project, but for other projects as well.

25 MR. KLINEMAN: Now, you hit on a



17 1 thing, because we heard about the expansion  
2 down in Bossier City and so forth.

3 MR. SOLOMON: Yes.

4 MR. KLINEMAN: And all of a sudden,  
5 all the money except what you just touched on  
6 the last thing was all going toward Michigan  
7 City.

8 MR. SOLOMON: No, I didn't. We view  
9 our projects in total. The other project  
10 that we have at the present time that we are  
11 working on is a project involving moving the  
12 Grand Palais Riverboat Casino from New  
13 Orleans to our existing Lake Charles  
14 facility, because we have an existing  
15 facility there.

16 The cash requirements are minimal.  
17 We are buying it out of a bankruptcy  
18 situation. And we need somewhere in the area  
19 of seven or eight million dollars to close  
20 that transaction, which, again, are funds  
21 that we have on hand.

22 DR. ROSS: What kind of financing  
23 would Merrill Lynch provide?

24 MR. KAPLAN: Todd Kaplan, Merrill  
25 Lynch. We have been talking with Alan, Jack,

17 1 Bernie and the rest of the team about a  
2 public offering of debt into what's called  
3 the high yield market, the less than  
4 investment great bond market.

5 Generally speaking, we've been  
6 talking about first mortgage notes. You  
7 know, clearly that will be in form a function  
8 of how we review the markets at the time. We  
9 actually go to the markets.

10 It's worth mentioning that the first  
11 mortgage notes which the company already has  
12 outstanding trade at a premium to their par  
13 amount. And certainly all of the projects  
14 that have been mentioned here have been  
15 announced in one form or another to the  
16 investment community, so they are aware of  
17 them. And, in theory, that should be  
18 reflected in the market price for their  
19 securities.

20 MR. SUNDWICK: What does all that  
21 mean? I don't want to stop you, because, you  
22 know, I've been listening to these things for  
23 three years. If I look like I'm a little  
24 bored, I have found myself in a position that  
25 there has been more changes and more changes

17 1 and could be's and what if's than I have ever  
18 2 seen in any presentation that I've ever been  
3 involved with.

4 You know, we could get this money.  
5 Maybe we'll get it. You just told us that.  
6 I have no idea what you just said. You know,  
7 there's some bonds you might be able to --

8 MR. KAPLAN: I apologize.

9 MR. SUNDWICK: No, I don't want you  
10 to apologize. This is continual. From  
11 everybody that stands up in front of us,  
12 that's what I hear.

13 MR. KAPLAN: Our role is one of  
14 trying to bring the company together with  
15 other investors. That's how we work. We're  
16 not a bank.

17 MR. SUNDWICK: This is certainly no  
18 reflection on your presentation, except that  
19 I didn't understand.

20 MR. KAPLAN: I just want to make sure  
21 you understand what I'm suggesting, because  
22 I'm not suggesting I am here with a  
23 commitment for funds. But that's just  
24 typical for the role we play.

25 MR. SUNDWICK: I appreciate that,

18 1 sir.

2 MS. BOCHNOWSKI: Now, those first  
3 mortgage notes, a lot of our companies that  
4 we've already approved have gone out for  
5 those. I mean, isn't that truly what they  
6 used to call junk bonds?

7 MR. KAPLAN: It is a form of a junk  
8 bond.

9 MR. KLINEMAN: And the present bonds  
10 that are outstanding, you say, are selling at  
11 a premium. What's the rate on those?

12 MR. SOLOMON: The rate is eleven and  
13 a half. So it's selling at an effective rate  
14 of something under eleven percent.

15 MR. KLINEMAN: So that's just a hunch  
16 then, the other rates out there, isn't it?  
17 It doesn't indicate anything more than that  
18 and the fact there have probably been no  
19 defaults.

20 MR. KAPLAN: Without wanting to  
21 digress too much, I would say that it is a  
22 function not only of interest rates, but how  
23 investors view this company and its  
24 prospects. And if it was viewed as a poor  
25 credit or a potentially problem credit, they

18 1 would not sell for more than par.

2 MS. BOCHNOWSKI: Does it -- now,  
3 possibly things have changed. Everything  
4 seems to change. But the information we had  
5 based on the original application said that  
6 the company had little unused debt capacity  
7 at that time.

8 Does this trouble you that there  
9 could be a problem even getting people  
10 willing to invest money in this?

11 MR. KAPLAN: Without having exactly  
12 the piece of paper you have in front of you,  
13 I think that that was a comment ongoing to  
14 banks to do financing through the banks. For  
15 whatever reason, the market for what are junk  
16 bonds is a deeper market for this kind of an  
17 interest price than bank lenders.

18 MS. BOCHNOWSKI: I suppose there are  
19 people out there who want a higher rate of  
20 interest, and they're willing to take a  
21 little more risk.

22 MR. KAPLAN: I think that's a fair  
23 comment.

24 DR. ROSS: Mr. Solomon, in 1994, your  
25 company seemed like it had a big drop in

18 1 sales, like seven percent. Could you comment  
2 on that?

3 MR. SOLOMON: The company is on a --  
4 I would need to look at the numbers. The  
5 company is on a fiscal year ended April 30th.  
6 Are you talking about the period April 30th,  
7 1995, perhaps as compared to '94?

8 DR. ROSS: No; 1994 as compared to  
9 1995. So you should have '95. Was '95 a  
10 better sales year than '94?

11 MR. SOLOMON: The properties -- our  
12 Biloxi property was in a monopoly type  
13 situation in the early parts of the year. We  
14 did experience a sale -- a revenue decline  
15 when other competition came in.

16 What we did to arrest that was to  
17 invest another fifty million dollars into our  
18 Biloxi facility, of which, I might add,  
19 fifteen million was borrowed and thirty-five  
20 million was taken from our free cash flow.  
21 And we opened a three hundred and seventy  
22 room Crown Plaza Hotel, which is the No. 1  
23 rated Crown Plaza Hotel in North America.

24 We opened that in August. And since  
25 then, not only have we generated hotel

18 1 revenues and the hotel is full, but our  
2 casino revenues have increased almost fifty  
3 percent. So we're back to taking more than  
4 our market share out of the Biloxi area.

5 The other revenue that we had was the  
6 Vicksburg market. We were in a monopoly  
7 situation again in the first year. Since  
8 then, we have three other competitors in the  
9 marketplace. So they are four competitors.  
10 Our sales have declined. Our earnings have  
11 continued. But we are getting our market  
12 share.

13 So I think that the long answer is  
14 that we were in a monopoly type situation.  
15 The company is very competitive, and we're  
16 meeting competition now in our Mississippi  
17 markets. And, in fact, our Bilioxi market  
18 profits have increased.

19 MR. KLINEMAN: Okay. You stated the  
20 investment in phases; there were three phases  
21 and you went through them. And is it your  
22 intention to invest in Phase 1, and as you  
23 generate, you go into Phase 2, and as you  
24 generate, you go into Phase 3?

25 MR. SOLOMON: No. The phases were

19 1 the temporary phase while we're building the  
2 permanent facility. And then there -- the  
3 additions, we're going to start the hotel at  
4 the time that we start our permanent  
5 facility.

6 We would add our parking in the  
7 marina and the day-care center and some other  
8 amenities after we complete our permanent  
9 facility. We are committing to go ahead and  
10 to do the project.

11 MR. KLINEMAN: Tell me if there's any  
12 place that I can look and say the equity  
13 required for these phases is X dollars and it  
14 is available now, right now, you know,  
15 guaranteed or something.

16 Remember we've just been questioning  
17 Blue Chip about whether or not there was this  
18 guarantee that the equity portion would be,  
19 in fact, available.

20 MR. SOLOMON: The equity portion of  
21 what the company has committed to is in  
22 excess -- is in the area of twenty million  
23 dollars plus the existing equipment. And we  
24 have that money in the bank right now. We  
25 have --



19 1 MR. KLINEMAN: And it's not otherwise  
2 committed to anything.

3 MR. SOLOMON: It's obviously being  
4 used for operations. Money is fungible in  
5 the fact that we are closing on this other  
6 transaction as well. We have spaced it out  
7 on a cash flow basis so that we can use our  
8 money together with the earnings coming in to  
9 complete the project.

10 MR. KLINEMAN: What would happen if  
11 we adopted for this particular site at Lake  
12 Michigan, since the other sites at Lake  
13 Michigan do not have temporary permanent type  
14 arrangements, although we do have them down  
15 south?

16 What would happen if this Commission  
17 took the position that you could not start to  
18 operate temporarily until you had a permit  
19 for your permanent?

20 MR. SOLOMON: When you say a permit,  
21 you are talking about a Corps permit?

22 MR. KLINEMAN: Corps permit, that  
23 what you were going to do on the permanent  
24 location had been approved by all of the  
25 groups that need to approve that kind of

19 1 arrangement, that you couldn't start and go  
2 without the permit being established.

3 Is there anybody out there who will  
4 guarantee that the money will be available  
5 under that scenario?

6 MR. SOLOMON: The -- we could -- it  
7 involves a sixty-day delay, we believe. We  
8 would like to go ahead with the temporary  
9 because of the fact that it's seasonal up in  
10 Michigan City. And to the extent that we can  
11 open as quickly as possible in a temporary  
12 location, that would be a helpful.

13 MR. KLINEMAN: My problem is we're  
14 trying to give licenses that are going to  
15 last a long time. And if you get hung up on  
16 getting the required permits for your  
17 permanent location, we don't want you in a  
18 position where you're operating temporarily  
19 and that's all. We don't get any of the  
20 things that we have been promised.

21 MR. SOLOMON: We again are, we  
22 believe, the most experienced riverboat  
23 gaming operator. We did have delays in  
24 Vicksburg of several months. We did have  
25 delays in Bossier City of several months.

19 1 Lake Charles was done a little smoother. We  
2 believe that we know the market.

3 But to answer your question, I'll  
4 introduce the chairman of the company, Bernie  
5 Goldstein.

6 MR. GOLDSTEIN: Hi, everybody. I'm  
7 Bernie Goldstein, chairman of Casino America.  
8 If we said we were going to do this and we  
9 didn't, my God, would we have a black eye for  
10 the rest of our life.

11 MR. KLINEMAN: No, we'd have a black  
12 eye.

13 MR. GOLDSTEIN: We'd have two black  
14 eyes. We have done it. We did it in Biloxi.  
15 We did it in Vicksburg. We did it in Bossier  
16 City. We're doing it in Lake Charles. I  
17 think we know what we're doing. We were the  
18 first in the riverboat business, and I think  
19 we know what we're doing.

20 But saying that, if you were to delay  
21 us, you know, the year, we could survive.  
22 We'd start out a year later. We could, you  
23 know, relay your suggestion. But we wouldn't  
24 be able to get that temporary boat up before  
25 winter. When that ice freezes up, we can't

19 1 get the temporary boat. So our whole start  
2 would be a year later, and it would hurt us.  
3 We would do it anyhow.

4 Let me say this. If there is any --  
5 I thought these people's financial net worth  
6 was really great, the other people, the Blue  
7 Chip. I would agree to take twenty-five  
8 percent and guarantee that portion for equity  
9 in case Casino America can't come up with it.  
10 I'm talking about personally. Okay?

11 And you've got my financial  
12 statement. You haven't got the rest of the  
13 family. We can get that for you, too. But I  
14 would personally guarantee one-fourth, with  
15 the idea being one-fourth is the equity and  
16 three-fourths we could borrow. I would  
17 guarantee one-fourth of what Casino America  
18 couldn't come up with so they could finish  
19 the project.

20 Now, here again, they don't need it.  
21 They're making twenty million dollars a year.  
22 Okay? This operation, until the Indians get  
23 going, is going to throw off ten million a  
24 year. It's going to be a good one till the  
25 Indians get going. And even after the

1 Indians are going, it will still be a good  
2 one.

3 Is there anything else I can say?

4 MS. BOCHNOWSKI: Are you aware of the  
5 legal requirement to have the permit twelve  
6 months after?

7 MR. GOLDTEIN: Yeah. We got into the  
8 riverboat business because we're in the barge  
9 line business. And we operate tow boats and  
10 barges. We've been dealing with the Corps of  
11 Engineers since 1960, you know, so I got a  
12 pretty good feeling for it.

13 The Corps of Engineers issued a  
14 permit for the same property before for other  
15 people for other reasons. The Corps -- this  
16 is not the kind of property where the Corps  
17 of Engineers is going to have a problem  
18 giving us an approval. They would typically  
19 give us approval for this industrial site.  
20 So I'm not concerned about that one at all.

21 I don't know what else to tell you.

22 MR. KLINEMAN: Anything else of Mr.  
23 Goldstein?

24 Thank you.

25 Anybody else have any questions? We

1 may not be done with you yet. Anybody have  
2 any other questions of Riverboat?

3 MR. THAR: I have one. In view of  
4 the blockage now of the development of the  
5 wholesale outlet mall, Mr. Brennan has  
6 indicated that there is some type of a ten  
7 million dollar project that's still going to  
8 be put forth.

9 How are we supposed to visualize  
10 that? How are we supposed to look at that?  
11 Is that a ten million dollar commitment? By  
12 whom? Is that ten million dollars we take  
13 out of the project? Is that the same dollar  
14 amount that was in there before?

15 MR. BRENNAN: The outlet commitment  
16 before was twenty million dollars, as I  
17 recall the numbers.

18 MR. THAR: That's what I recall.

19 MR. BRENNAN: And I think I explained  
20 at the last hearing what that would be  
21 comprised of, because there was a question  
22 relative to financing.

23 And I said look, this is basically a  
24 real estate project. I think, as you recall,  
25 I talked about financing Michigan City and

1 the level of equity we needed at that point  
2 in time, and then we did bank borrowings  
3 which was two point two million in equity. I  
4 think we had six million dollars in bank  
5 borrowings when we started.

6 When we went to Pennsylvania and did  
7 a ten million dollar project out there, we  
8 used eight hundred thousand dollars worth of  
9 equity and -- excuse me -- eight hundred  
10 thousand dollars worth of equity.

11 But basically --

12 MR. THAR: That's not what I asked.

13 MR. BRENNAN: Okay.

14 MR. THAR: What I'm asking is what  
15 was originally a wholesale outlet at twenty  
16 million dollars was part of the overall  
17 Casino America Project.

18 MR. BRENNAN: Right.

19 MR. THAR: Now that wholesale project  
20 is gone, if I understood your statement.

21 MR. BRENNAN: That's correct.

22 MR. THAR: It's been reduced in half.

23 MR. BRENNAN: Seventy-five thousand.

24 MR. THAR: What kind of commitment do  
25 we have? What's this Commission to look for?

1 Did you reduce the overall project by ten  
2 million dollars?

3 MR. BRENNAN: Right. The total cost,  
4 Mr. Thar, on what we estimate, including the  
5 Great Lakes Museum of Military History, which  
6 is approximately half a million dollars  
7 investment, by the end is ten point five  
8 million dollars, and seven million five  
9 hundred thousand in the retail component and  
10 two and a half million dollars in the  
11 entertainment complex.

12 MR. THAR: Who is guaranteeing? Is  
13 that applicant guaranteeing that that's  
14 there?

15 MR. BRENNAN: Well, I guess I'm not  
16 sure I can speak for the applicant in that  
17 the applicant owns ninety percent of this and  
18 Shore Development has ten percent of it.

19 The understanding today is that Shore  
20 Development will undertake the equity  
21 component of that, will do the marketing,  
22 design, marketing of the project, and will  
23 obtain the financing for the project.

24 MR. GOLDSTEIN: Excuse me. I'm  
25 sorry. One of the things we had talked about



1 when you were out of the room was in the  
2 event Shore Development does not do it,  
3 Casino America would guarantee to install at  
4 least one hundred thousand square feet of  
5 entertainment/dining/recreation/commercial.

6 MR. THAR: That comes to the second  
7 part of the question. The first part of the  
8 question is, what's the dollar amount? It's  
9 been cut in half, about ten point five.

10 MR. BRENNAN: Yes.

11 MR. THAR: The second part is, we  
12 don't know what it is, do we? It's kind of  
13 speculative as we stand here today.

14 MR. BRENNAN: Yeah. But I -- excuse  
15 me. I'm sorry. Were you done with the  
16 question?

17 MR. THAR: Is it speculative as we  
18 stand here today?

19 MR. BRENNAN: I don't think it's any  
20 more speculative than it is to have Mr. Kerr  
21 in this room today and say who are you going  
22 to tenant this thing with. I mean, if you're  
23 asking me who are tenants, I can't tell you.  
24 He couldn't tell you who tenants were going  
25 to be in his either.

1                   There is no project. There is no  
2 marketing. There is no -- I mean, there  
3 hasn't even been an opportunity to probe the  
4 retail market.

5                   As far as the entertainment complex  
6 is concerned, I alluded earlier to a  
7 conversation I've had in that regard. And  
8 I've also had the conversations with the  
9 people at the Great Lakes Museum of Military  
10 History.

11                   So if you break this thing down,  
12 you've got thirty thousand, thirty thousand,  
13 sixty thousand square feet where we've had an  
14 expression of interest. And I can tell you  
15 that's who those people are.

16                   Who are the tenants in the retail, I  
17 can't tell you that. Nobody could tell you  
18 that. I couldn't have told you on the  
19 Lighthouse Place when we started who the  
20 tenants were going to be.

21                   MR. THAR: Well, I understand the  
22 tenants. But I don't understand right now  
23 whether or not we're talking about the  
24 potential of a museum, the potential of  
25 entertainment space, plus the potential of

1 retail space, or if you're saying we're going  
2 to commit to a retail space and we're going  
3 to commit to an entertainment facility and  
4 we're going to commit to a museum, or is it  
5 going to be maybe two of the three or one of  
6 the three? That's what I'm not getting.

7 MR. BRENNAN: I understand.

8 MR. THAR: Can you tell me what the  
9 hell the ten point five is going for?

10 MR. BRENNAN: Take it by components.  
11 The Great Lakes Museum of Military History,  
12 when I left that meeting the other day,  
13 they committed to build their project up  
14 there if they could obtain the land to build  
15 it on.

16 MR. THAR: So that's still an if.

17 MR. BRENNAN: Well, but they would  
18 get their land if Casino America had the  
19 license.

20 MR. THAR: So if Casino America gets  
21 the license, the museum's going in.

22 MR. BRENNAN: Yes, right. And then  
23 the other component of it is Mr. Goldstein  
24 just told you Casino America will guarantee  
25 the construction of seventy-five thousand

1 square foot or a hundred thousand square foot  
2 of combination entertainment/retail.

3 MR. SUNDWICK: I think you can see  
4 the problem we face. Usually when we come to  
5 these hearings, we have ironclad what's going  
6 to happen in our presentations, and then  
7 we've been accused let's make a deal to  
8 sweeten the deal.

9 We're trying to figure out how you  
10 get back to some of the original deals.  
11 You know, it's very confusing, because this  
12 gentleman stood up and said we'll do that.  
13 And I agree you're an honorable man. I think  
14 you'll probably do it.

15 But we don't know that. We're going  
16 to walk out of here today and put more a  
17 laundry list of could be's and what if's on a  
18 certificate that doesn't make any sense to  
19 me.

20 MR. BRENNAN: Well, I think that was  
21 his -- I don't want to speak for Mr.  
22 Goldstein, but I think it was his commitment  
23 to Casino America.

24 MR. SUNDWICK: Obviously you would  
25 agree this is a very fluid situation. The

1 last time I asked you the question, I said,  
2 Do you have a covenant not to compete with  
3 these people? You said, I don't have any  
4 problem with this. It is fluid.

5 MR. BRENNAN: No, no. I did say I  
6 did have a covenant not to compete. Then I  
7 went through the relationship and the  
8 conversations I had. I hope you understand.

9 MR. KLINEMAN: We accepted your  
10 explanation.

11 MR. RUSTHOVEN: Mr. Sundwick, if I  
12 could respond to that.

13 MR. KLINEMAN: Peter, you need to  
14 identify yourself, and maybe Mr. Brennan  
15 needs to step aside if you're going to come  
16 up to the --

17 MR. RUSTHOVEN: Okay. Thank you.  
18 Peter Rusthoven, Barnes & Thornburg. I just  
19 want to respond to the comment about Mr.  
20 Goldstein's statement.

21 We're not talking about just a  
22 statement made at this hearing. We're  
23 talking about something that's part of the  
24 certificate of suitability in terms of the  
25 guarantee behind this.

1                   So it's not just him being an  
2 honorable man. It's him being an honorable  
3 man who happens to have an enormous net worth  
4 statement who is saying, you know, if this is  
5 insurance you need, we will give it to you.

6                   MR. KLINEMAN: I like that size,  
7 enormous.

8                   MR. GOLDSTEIN: I got to tell you,  
9 once we build it, it's going to stay up.  
10 We'll put somebody in there in entertainment,  
11 dining, somebody that will do it. We believe  
12 we shouldn't be just a casino. We want more  
13 than just a casino. We want to be an  
14 entertainment complex. This gives us a  
15 chance to do that.

16                   MR. KLINEMAN: Any other questions of  
17 this applicant? If not, we'll move to the  
18 next one, Michigan City Casino and Lodge.

19                   MR. RUBELI: If I could identify  
20 myself, please, for the stenographer, I'm  
21 Paul Rubeli again.

22                   MR. SWAN: Mr. Rubeli, you heard what  
23 the mayor had to say about the site  
24 selection. I'd like for to respond to that  
25 and tell us why the harbor is a good site.

1 MR. RUBELI: We have two points on  
2 the site selection, and I respect that  
3 seventeen members of that Selected Committee  
4 did vote in favor of the Bank Site, not the  
5 Harbor Site.

6 The fact is, and again I will make  
7 reference to the only objective and  
8 documented survey that we are aware has been  
9 conducted, and to add further clarification,  
10 the results of that survey which have been  
11 given to you also identified just Michigan  
12 City residents as a subset of respondees.  
13 And in that case, they were for it forty-one  
14 percent versus thirty-four percent.

15 So even just the Michigan City  
16 residents, which was the mayor's point.  
17 We're not just looking at La Porte County  
18 residents. I mean, the people have a  
19 different view.

20 There's all kinds of reasons why the  
21 Committee perhaps had the view they had,  
22 including the long history of trying to  
23 successfully conduct an urban renewal project  
24 in that area. And I don't question that.

25 We're simply saying a casino is the

1 wrong instrument to use to accomplish that  
2 goal. Put the casino where it's going to  
3 succeed and we all have a better chance of  
4 getting that urban renewal area finely  
5 developed into a mixed use recreation and  
6 entertainment facility and boating area if  
7 that's what it's intended to be.

8 As to why the Harbor Site, I had  
9 enumerated in my mind, the advantages of the  
10 harbor seem to me clear. It's a harbor. The  
11 boat is intended to go there. You can cruise  
12 to Lake Michigan. You can have a bigger  
13 boat.

14 As you heard earlier, even the  
15 temporary site doesn't require any dredging  
16 in that harbor. The existing proposal we've  
17 given you where we were going to locate our  
18 particular dock, there's already a place  
19 called George Marine there.

20 So we're not flying in the spirit of  
21 the community's interest of the shoreline.  
22 Their interest is the park, the beaches, the  
23 dunes and the use of that harbor as a boating  
24 site.

25 And clearly that's all we're saying



2

1 we would do is put a boat there, which is  
2 what that harbor was intended to do, and  
3 then, most importantly, take advantage of  
4 picking up an additional fifteen acres of  
5 land, most of which we have under option,  
6 combining it with Horizon's fifty acres,  
7 redesigning the whole complex into one  
8 integrated entertainment destination resort  
9 site.

10 So what the harbor permits you to do  
11 is, A, resolve certain marine issues,  
12 presumably less risk with respect to Corps of  
13 Engineer timing, environmental issues, the  
14 spawning season issue and anything else that  
15 may relate there, because you are in the  
16 harbor.

17 Clearly you don't have any risk with  
18 the intent of the legislature, which is a  
19 risk, which means time delay potentially and  
20 other problems. And then most importantly,  
21 have a long-term competitive solution to the  
22 proposed not only land-based Indian casino  
23 the Pokagons are going to operate, but let's  
24 not forget three other casinos in the Chicago  
25 site and maybe some day downtown Chicago.

2  
1 So you got to be able to compete for  
2 the long run. And we simply make the premise  
3 based on these arguments that any objective  
4 evaluation that an outside consultant would  
5 say to you you have a higher chance of  
6 competing successfully with a casino at the  
7 harbor location tied in with a mixed use  
8 tourist destination area that already is  
9 successful than you will using it in an urban  
10 renewal area.

11 I'm not saying that that's a wrong  
12 goal. I'm just saying from a casino  
13 perspective you greatly increase your risk of  
14 failure by putting it at the Bank Site  
15 instead of the Harbor Site.

16 MR. SWAN: May I follow up? The last  
17 time we met a couple months ago, you had the  
18 rug pulled out from under you the night  
19 before the presentation, and you had to come  
20 up with an option on the site you're talking  
21 about now.

22 MR. RUBELI: That's right.

23 MR. SWAN: How much homework have you  
24 done in the last two months as to the  
25 viability now of that site? We sort of

2  
1 sympathized with you that day because that  
2 did happen to you the night before. But now  
3 we want to know what has been done in the  
4 last two months to make sure that site will  
5 really work.

6 MR. RUBELI: Yeah. For the record,  
7 the chronology there as we had presented it  
8 to you, I believe we all met on the Tuesday  
9 when it was our turn. That officially became  
10 known on the Monday that the Nipsco site was  
11 going to be withdrawn officially by Nipsco's  
12 potential long-term site.

13 We had kind of gotten the indication  
14 of that that Friday. So our people were  
15 working the weekend to conduct the  
16 engineering and site survey work, and  
17 actually had prepared a drawing which I  
18 believe we had actually shown to the  
19 Commission that day which we fortunately had  
20 had prepared and was available by that Monday  
21 morning in the event that this became real on  
22 Monday.

23 Well, it did become real, so we have  
24 done some work. Since then, we've done a lot  
25 of work here. There were issues that, as we

2  
1 said to you, we weren't sure other than,  
2 number one, we knew we could put a boat  
3 there, and, number two, it was already a  
4 commercial site, so we're not changing the  
5 use, and, number three, we simply don't  
6 believe it's interfering with the harbor's  
7 use. And I can't imagine the citizens being  
8 against this. I mean, it's already a George  
9 Marine site.

10 And we knew we could connect to our  
11 existing harbor place, Lighthouse Place mixed  
12 use concept. So we wouldn't have to change  
13 the competitive concept of our proposal, and  
14 we gave you renderings.

15 What we have prepared, I think  
16 somebody -- have you got the docking plan on  
17 that thing? We actually had the thing  
18 expanded. And, by the way, I am told  
19 repeatedly it is absolutely in scale. That  
20 boat is in scale.

21 And what you see -- and I understand  
22 the question. That's a very fair question,  
23 by the way.

24 MR. THAR: May I interrupt for a  
25 second?

2  
1 MR. SWAN: Sure.

2 MR. THAR: Let me just shortcut this.  
3 We have contacted both the Coast Guard and  
4 the Department of Natural Resources with  
5 regard to the George Marina site.

6 Have you done that? And, if so, what  
7 have they advised you about the feasibility  
8 of operating a boat in the George Marina  
9 site?

10 MR. RUBELI: Okay. Let's leave the  
11 boards. I'd just as soon not get into them  
12 either. The boards show the boat can get in  
13 and out of there. That's all the board  
14 shows?

15 With respect to the issue of the  
16 Coast Guard, we've had a lot of work done on  
17 that. I'd like to bring John Waggoner up  
18 here. Do you know John Waggoner?

19 John, introduce yourself and describe  
20 what they said about operating that boat.

21 MR. WAGGONER: Yes, sir. John  
22 Waggoner. We have had several conversations  
23 with the Coast Guard, and there is no  
24 operational problems operating out of the  
25 George Marine site.

3  
1 MR. THAR: What about the Department  
2 of Natural Resources, Indiana Department of  
3 Natural Resources?

4 MR. WAGGONER: I personally have not  
5 discussed that with them, but I'm not sure  
6 that our engineering company has.

7 MR. THAR: Our information from the  
8 Coast Guard from Ron Hassler (phonetic) from  
9 Chicago has advised us that any boat  
10 operation out of that harbor would by our  
11 rules be required -- to go into Lake Michigan  
12 is extremely hazardous when attempting to  
13 navigate past the opening to the existing  
14 marina in Michigan City.

15 Is that consistent with what they  
16 told you?

17 MR. WOGGONER: Yes, sir, it is. I  
18 sat down with Commander Hassler in St. Louis  
19 and discussed our plan with him and  
20 everything and went through that in detail,  
21 yes, sir.

22 MR. THAR: Secondly, they have  
23 advised us that the operations in the basin  
24 itself, just in the harbor area, they find to  
25 be a safety risk based upon the advice of

3  
1 their Coast Guard component that's at  
2 Michigan City, that it's too busy and there's  
3 too much traffic.

4 Have they advised you of that?

5 MR. WAGGONER: No, sir, they have  
6 not. I did discuss that issue with Commander  
7 Hassler. He said he had not looked at the  
8 site. He referred to some local people. I  
9 also told him about the contingency plans we  
10 put in place in Evansville, which were some  
11 of the same concerns, that it would block  
12 traffic. I said that we can certainly delay  
13 and let the traffic go by and then go out.

14 MR. THAR: Now, with regard to the  
15 Department of National Resources, they have  
16 advised us that the George Marina site is  
17 unacceptable from the Department of Natural  
18 Resources' point of view.

19 Have you checked on that?

20 MR. RUBELI: Well, the answer is we  
21 did not in this instance know DNR had any  
22 jurisdiction over the George Marine piece of  
23 land, to my knowledge. Did any of our --

24 MR. THAR: DNR inputs into the Army  
25 Corps of Engineers permit process. And DNR

3  
1 property is immediately adjacent to the  
2 George Marine site; is that correct?

3 MR. RUBELI: Yes. Well, I guess I've  
4 learned something today, and that's that DNR  
5 is against the site. That doesn't surprise  
6 me, Jack. I mean, that's one of those issues  
7 we deal with.

8 MR. THAR: But Commissioner Swan's  
9 question was what kind of homework has been  
10 done. You were caught short in February.  
11 It's now April, you know. What's been done?

12 MR. RUBELI: We did a lot of  
13 homework, Jack, and we didn't do enough. We  
14 didn't cover the DNR. But we covered the  
15 Coast Guard, by the way. I mean, I am clear  
16 in my briefings that, as you know, the Coast  
17 Guard will never give you the complete and  
18 final approval until you've submitted all  
19 your plans, safety plans, evacuation plans,  
20 cruising schedules, cruising routes,  
21 mitigation, evacuation and all the rest.

22 But basically boats operate out of  
23 that harbor, and they have indicated if  
24 they're willing to approve a temporary boat  
25 at Nipsco, then boats can't be safe for that



3  
1 and then twelve months later not be safe on a  
2 permanent basis operating the way we do.

3 Every operator here says we're going  
4 to operate a boat in the harbor on a  
5 temporary basis. And the Coast Guard, with  
6 lots of discussions with Waggoner indicated  
7 that's exactly the position they would take.

8 Now, the DNR, no, I mean, that one I  
9 didn't think we needed to do homework.

10 MR. HADDOCK: Bob Haddock from Aztar.  
11 Mr. Thar, I get the import of your meaning  
12 with regard to the conversation that you had  
13 with the Department of Natural Resources that  
14 they would object to the use of the George  
15 Marine site as the proposal.

16 I think that in the process with the  
17 Army Corps, there is a provision for adjacent  
18 land owners to make objection and for the  
19 applicant to try and mitigate those concerns,  
20 Certainly for the Department of Natural --  
21 for the objecting party to be informed about  
22 the full nature of the proposal.

23 And I'm not sure, frankly,  
24 particularly since we have not spoken with  
25 the DNR and didn't feel the need to speak

3  
1 with the DNR, that they are fully informed  
2 about what we're proposing to do there and  
3 whether they have the authority to object in  
4 a way other than as a normal objector in the  
5 Army Corps of Engineer process.

6 MR. THAR: You understand that the  
7 DNR is a participating agency in the Army  
8 Corps of Engineer process aside from being an  
9 adjacent landowner in this issue.

10 MR. RUBELI: I was corrected that we,  
11 in fact, have had informal discussions.

12 Mark, do you want to come and make  
13 reference? Mark Maddox. I'll introduce one  
14 of the partners.

15 MR. MADDOX: I'm Mark Maddox.  
16 Representatives of our applicant have had  
17 information conversations with Director  
18 Ralston and one of the DNR Commission  
19 Members, and were not informed of any  
20 opposition to the site.

21 And, you know, we are not aware of  
22 any on the record opposition that DNR has  
23 raised to the George Marina site.

24 MR. THAR: We have it in writing, so  
25 we'd be glad to show it to you afterwards.

4  
1 MR. MADDOX: For what reasons, Mr.  
2 Thar?

3 MR. THAR: We asked whether or not  
4 you did your homework, not whether or not we  
5 did ours. I don't have to explain what DNR  
6 did. You could have gone and asked them.

7 MR. KLINEMAN: I wanted to get back  
8 to Mr. Waggoner just a minute. You don't  
9 have to be through yet, Jack. There might  
10 have been a misspoke here or maybe I  
11 misunderstood.

12 Mr. Thar asked if you had been  
13 advised by Commander Hassler if they thought  
14 the operation out of the George Marine would  
15 be hazardous, and you, I think, said yes.

16 MR. WAGGONER: No, sir. I said yes,  
17 I have had conversations with Commander  
18 Hassler. No, sir, he has not told me that it  
19 would be hazardous. But I must say, I speak  
20 with Commander Hassler on almost a daily  
21 basis.

22 MR. KLINEMAN: I understand that they  
23 don't preapprove without formal application,  
24 etcetera. But your discussions with  
25 Commander Hassler would lead you to believe

4  
1 that an operation as contemplated by this  
2 applicant would, in fact, be something which  
3 would be approved by the Coast Guard?

4 MR. WAGGONER: Yes, sir, that's  
5 correct. In the conversation that I've had  
6 with Commander Hassler is that we operate a  
7 very safe operation, and, in fact, we were  
8 just presented with an award by the  
9 commandant of the entire Coast Guard for  
10 promoting passenger and vessel safety.

11 My conversations with him is is if  
12 there were any risks, how we would mitigate  
13 those risks. And I will tell you, I walked  
14 away with the impression he was very, very  
15 satisfied we would operate -- could operate  
16 safely and would operate safely.

17 MR. KLINEMAN: Okay. Mr. Thar, you  
18 go ahead. Anything else?

19 MR. THAR: The individual I have been  
20 talking to is Ron Hassler, who is a civilian  
21 employee spokesperson for Chicago Coast  
22 Guard. He's not a commander. Are we talking  
23 about two different people?

24 MR. WAGGONER: I'm talking about  
25 Commander Ron Hassler who is the captain of

4 1 La Porte Marine Safety Office, Chicago.

2 MR. THAR: It's the same guy. The  
3 information we have received, John, is that  
4 he has advised you that there are certain  
5 risks in the operation.

6 MR. HANNON: John, was there  
7 discussion about that marina sits close  
8 enough to that bridge and that curve was a  
9 concern in moving a boat?

10 MR. WAGGONER: No, sir, that was  
11 never brought up and never a concern he  
12 expressed to me.

13 MR. THAR: It's a concern expressed  
14 to us.

15 MR. SUNDWICK: I don't recall. Was  
16 the Corps or the Coast Guard present at the  
17 meetings? So we really never heard from the  
18 Coast Guard? There seem to be a lot of  
19 issues here about the Coast Guard.

20 MR. THAR: We asked the Coast Guard  
21 if they would come and if DNR. And instead  
22 they submitted -- Mr. Hassler gave us  
23 information that he would represent to the  
24 Commission with regard to the Coast Guard  
25 position on the basin versus the Trail Creek

4 1 issues. And also DNR, they submitted to us  
2 in writing to the Commission. I think that  
3 was included in the packet we sent to you.

4 MR. RUBELI: Mr. Thar, I want to  
5 follow up with respect to the issue of doing  
6 the homework with the DNR. A point jogged my  
7 memory. Back in the fall during the city  
8 selection process, we had originally proposed  
9 we were going to actually use the DNR site as  
10 it is to dock the boat in the harbor, and  
11 through informal contact had been led to  
12 believe that would acceptable to the DNR.

13 Right at the end of the city  
14 selection process, we were knocked out of the  
15 box there, because, if you will recall, even  
16 in the newspapers, the DNR took came out and  
17 took an official position that that land was  
18 not for sale, they're not going to permit our  
19 boat there and they didn't want to have any  
20 more contact with casino operators, period.

21 So on a formal basis through official  
22 channels, we read that to mean you couldn't  
23 do your homework by going to the DNR, they  
24 took themselves out of the play here. So I'm  
25 just trying to -- the best I understand it in

4  
1 real time here, those are a whole bunch of  
2 facts which we're all trying to assimilate at  
3 the same time.

4 MR. THAR: I guess just to summarize,  
5 DNR has advised us that of the potential  
6 sites in Michigan City, they find the George  
7 Marine site is the least acceptable and they  
8 would have severe problems with it.

9 I'm not saying that they wouldn't  
10 permit it, but it isn't going to be easy.  
11 The Coast Guard said it's not that they  
12 wouldn't permit or that they would object,  
13 but that it's difficult in terms of our rules  
14 which require a boat to get out to Lake  
15 Michigan, and navigational, safety issues  
16 that arise when that boat tries to pass  
17 through the narrow area that's right in front  
18 of the entrance to the Michigan -- existing  
19 Michigan City Marina.

20 Those present what they consider to  
21 be major issues both to the DNR and to the  
22 Coast Guard. Both of them have stations, for  
23 all practical purposes, immediately adjacent  
24 to your proposed site.

25 MR. SUNDWICK: I was trying to find a

5  
1 piece of paper, because I got a copy of that,  
2 and I think Ann's looking for hers. It  
3 seems to me a comment was made about the fact  
4 that --

5 MR. THAR: A comment was also made  
6 with regard to Trail Creek, that that comes  
7 to a potential problem with the Corps of  
8 Engineers over that portion of the creek  
9 becoming exclusive use.

10 And that could be a problem in terms  
11 of permits. I mean, there's no -- as  
12 everybody has recognized, there's no clean  
13 site here.

14 MR. RUBELI: I think we had an  
15 incident in Evansville to support your point  
16 about adjacent property owners that we, in  
17 fact, had somebody object down there in our  
18 permitting process.

19 So, I mean, we went through the fact  
20 that we had an adjacent landowner. And under  
21 the mechanisms and rules established by the  
22 Corps, they have a right to object, and then  
23 you deal with it and presumably resolve those  
24 objections.

25 DR. ROSS: Mr. Rubeli, your



5  
1 presentation was a presentation that always  
2 had been my vision for Michigan City, and I  
3 didn't know all of the things about Trail  
4 Creek then because I had never seen Trail  
5 Creek, and am still not convinced that your  
6 vision is not the best one.

7 But what we had the last time that  
8 you were here is that you bought a partner, a  
9 major partner, in the Keel Organization.  
10 So what has been done to get the Keel  
11 Organization clear?

12 MR. RUBELI: By the way, the Keel  
13 Organization is here again today. Mr. Keel  
14 would be happy to answer any questions. But  
15 to go to the bottom line of your question,  
16 they filled out the applications and  
17 submitted them.

18 But under the rules which we were  
19 made aware of that day, if you recall, by  
20 staff, they basically did not accept the  
21 application and had, therefore, not acted on  
22 it. And we understood that.

23 But they have done their end. They  
24 filled out the forms. The forms are -- I  
25 think they were officially before you and

5 1 officially been sent back to us. And our  
2 belief is the next step appropriate would be  
3 if granted the certificate of suitability on  
4 the theory that runs for six months, that  
5 that should be sufficient time to conduct an  
6 investigation and whatnot.

7 I'm not saying staff has said that.  
8 But that day, the position was taken our  
9 filing was late, it was a major change, we  
10 can't accept it. But, you know, shoot, every  
11 operator before you, I been hearing changes  
12 today. It would be hard keeping notes on  
13 this thing.

14 MS. BOCHNOWSKI: Yes. Okay. But in  
15 this kind of a situation, we've had this kind  
16 of situation before. And what has happened  
17 is this isn't anything new. We never have  
18 accepted somebody coming in at this point  
19 without it. I mean, it would be throwing the  
20 whole process back.

21 But they have been willing to almost  
22 act as a bank to guarantee, act as a bank  
23 without any guarantee they would receive a  
24 license to be able to become a partner.

25 MR. RUBELI: In fact, the Keel

5  
1 Organization has subordinated the interest of  
2 that boat and have agreed in a contract  
3 between them and ourselves to make that boat  
4 available to us pending that licensure  
5 subordinating their position. They can't  
6 have the boat back if they don't get  
7 licensed.

8 Now, the problem is, that was not  
9 officially submitted to you. But you and  
10 your staff are aware of that. In other  
11 words, we have taken action, to go to Dr.  
12 Ross' point, to try to cure that which we  
13 could cure with respect to the Keel  
14 deficiencies in the licensing.

15 MR. MADDOX: It actually was  
16 submitted under cover letter. There is an  
17 agreement.

18 DR. ROSS: Jack, is this dead or can  
19 it go forward?

20 MR. THAR: Let me just tell you what  
21 has transpired. The deadlines were  
22 established, and there were deadlines.  
23 Michigan City Casino and Lodge is an  
24 applicant and had as sixty-five percent of  
25 the application a company for which there was

5  
1 no backup.

2 About ten days prior to the public  
3 hearings in La Porte, Keel Riverboats was to  
4 be brought in as the group that was going to  
5 take over that sixty-five percent equity  
6 interest, or that sixty-five percent  
7 ownership interest. That was rejected  
8 because there was no background investigation  
9 done on them.

10 Subsequent to the hearings in  
11 Michigan City, the applications with regard  
12 to Keel Riverboats were brought in. They  
13 were rejected by me as being nontimely and  
14 not in conformance with the time line.

15 Subsequent to that, there was that  
16 representation, well, that Keel will step in  
17 as the position of a banker with regard to  
18 the sixty-five percent interest. But that  
19 was not a part of any background that was  
20 done on it. That's not part of the  
21 presentation done in La Porte.

22 That is stuff that has been done in  
23 an attempt, I believe, by the applicant. I'm  
24 not going to put any bad faith on it. It  
25 just doesn't meet our rules to shore up the

6  
1 application. It's outside the time line.

2 MR. SUNDWICK: Let me ask a question  
3 here. And I agree with you a hundred  
4 percent just what you said.

5 To the extent the other candidates,  
6 have they had the same kind of time line  
7 problem providing us information?

8 MR. THAR: Not in terms of ownership  
9 aspects.

10 MR. SUNDWICK: No, not ownership.  
11 Any other issues.

12 MR. THAR: Everyone has changed an  
13 aspect.

14 MR. SUNDWICK: They're changing it  
15 right here still today.

16 MR. THAR: Well, the primary change  
17 with regard to Blue Chip is that if you take  
18 a look at what was in the books, they were  
19 going to float their boat in a man-made  
20 channel. They now want to float it in the  
21 lake.

22 The second significant change in  
23 their application is they're going to build  
24 the boat on-site. That's not part of what  
25 was investigated here.

6  
1 MS. BOCHNOWSKI: Yeah. I was just  
2 showing him what it looked like.

3 MR. THAR: The changes with regard to  
4 Michigan City Casino and Lodge were just  
5 articulated.

6 MR. RUBELI: If I may, I want to  
7 make -- I'd like to make a follow-up point  
8 and stand corrected by anyone. I do not  
9 believe we have changed one single thing from  
10 that which we presented to you in La Porte  
11 as to the project, the components, the  
12 participants, the deal.

13 We got a lot of form issues, and  
14 those are problems. A suggested solution is  
15 a certificate of suitability. But the  
16 substance has not changed. The only changes  
17 we were forced into in La Porte from the  
18 city, the original one was where we wanted  
19 first our site to be located.

20 Now, there have been some big  
21 changes. I mean, a twenty million outlet  
22 mall was the source of a lot of discussion  
23 last time around. That's not in the deal.  
24 Jack, you disqualified that component or  
25 Horizon because they were not part of our

6 1 partnership. And I said you're right.

2 But that's form over substance. The  
3 fact is we're not going to do the deal  
4 without them; they're not going to do it  
5 without us. We will do a twenty million  
6 dollar Horizon Outlet Mall expansion. And  
7 Aztar represents that to you; I, Paul Rubeli,  
8 will commit to you that's the deal.

9 So we have not changed anything from  
10 that presentation we made to this Commission.  
11 And the form problems I want to simply say I  
12 think are a result of a lot of forces beyond  
13 any of our controls, yours, the Commission's.

14 It's the reality of what happened  
15 when that market changed, when those Indians  
16 announced their decision, when Harrah's was  
17 brought into the deal, when people ran for  
18 cover and bailed out of Michigan City, when  
19 the remaining operators clearly had to  
20 downsize a hundred and fifty million dollar  
21 project into something that might have a  
22 chance of getting financed.

23 And those realities created real  
24 problems in having all the right pieces of  
25 paper in everyone's hands at the right time.

6  
1 And that's a problem. As I said at the  
2 outset, this is a very difficult process.

3 But I am saying to you we have tried  
4 our best not to misrepresent, miscommunicate,  
5 misstate or do anything that isn't the  
6 substance. We told you, what you see is what  
7 you get. I mean, we say what we mean; we  
8 mean what we say. And we said that since the  
9 day we first appeared before that Selection  
10 Committee at Michigan City.

11 We will not go to Trail Creek. It's  
12 the wrong site. It will not succeed against  
13 the Indian casinos. And we can do a job for  
14 you on that harbor. And when Horizon joined  
15 our team is when we thought we finally had --  
16 I mean, that's substance.

17 You got the biggest factory outlet  
18 developer and operator in this country. A  
19 billion dollar company is going to put twenty  
20 million on the line. You got us, not only  
21 one of the biggest casino companies, but  
22 Indiana's first riverboat casino operator.

23 Now, dammit, that entitles us to  
24 something. I mean, I just think that that  
25 entitles us to something. We had withstood



6  
1 the scrutiny of this process, and we have  
2 been visible to everyone. And you can,  
3 therefore, score us on the real world of life  
4 and not on pipe dreams. And I think we're  
5 entitled to show you we can do it for you  
6 again today.

7 And we are not arguing with the fact  
8 that we're offside in terms of the  
9 submissions. But this whole process is  
10 offside. And that's not anyone's fault.  
11 It's the reality of this changing market.

12 Now, I will end by a comment on this,  
13 the simple point. Michigan City market is  
14 much more important and much bigger than the  
15 general media has given it credit. They have  
16 dismissed this as some sort of a nickel and  
17 dime location with three worst of all evil  
18 types, pick the worst of us answer.

19 And that's just wrong. This is a two  
20 and a half million person market excluding  
21 Chicago and Lake County. It's as big as  
22 Evansville. Evansville did twenty-five  
23 million of cash revenues in the first quarter  
24 under miserable winter conditions.

25 Evansville is going to do over a

6 1 hundred million in casino revenue this year.  
2 Michigan City can do over a hundred million  
3 in casino revenue, because it's the same size  
4 market.

5 And that could make a case with the  
6 strong drawing power of Lighthouse Place, the  
7 harbor and all the tourist attractions of  
8 this great city will do better than Michigan  
9 City. I mean than Evansville. Because we're  
10 drawing it by ourself down there.

11 And that's the reason we're saying to  
12 you don't avoid the decision as tough as it  
13 may be. Grant this city a license. We have  
14 a window of opportunity, and it's good for  
15 Indiana, and it can work.

16 MR. KLINEMAN: I think we're going to  
17 take a ten-minute break. We've been going at  
18 it a long time. Okay? We'll come back a  
19 little past a quarter of.

20 (At this time, a break was taken.)

21 MR. KLINEMAN: Okay. Are there any  
22 more questions of any of the applicants or of  
23 the city, or are we about done with the  
24 questioning phase?

25 DR. ROSS: Well, you closed out just

7 1 as I was getting ready to ask my question.

2 MR. KLINEMAN: Oh, okay.

3 DR. ROSS: And my question was, is  
4 Mr. Rubeli's group a viable candidate if we  
5 vote today?

6 MR. THAR: Michigan City Casino and  
7 Lodge could not be awarded a certificate of  
8 suitability today by this Commission.

9 MR. RUBELI: Our legal counsel  
10 disagrees.

11 MR. THAR: Fine.

12 MR. KLINEMAN: Do you want to  
13 identify yourself?

14 MS. BOYD: Yes, Mr. Chairman. I'm  
15 Jay Boyd from McHale, Cook & Welch. I'm not  
16 sure the basis for that, Jack, why you  
17 reached that conclusion, so it's difficult to  
18 respond other than --

19 MR. THAR: I don't think we addressed  
20 a question to respond. The issue is whether  
21 or not the staff believes the Michigan City  
22 Casino and Lodge as it is comprised today  
23 based upon the application submitted and the  
24 information at the time we did the background  
25 investigation is licenseable or in a position

1 to get a certificate of suitability from this  
2 Commission if they vote on it today.

3 The answer is no.

4 MR. BOYD: Well, I believe that they  
5 are. I think we have submitted a letter to  
6 the Commission, an amendment to the letter  
7 agreement, which puts the Keel Riverboat  
8 Group in a position where they would be a  
9 lender to this project or effectively a  
10 lender, a seller on an installment sales  
11 contract.

12 MR. THAR: When did you submit that?

13 MR. BOYD: That letter was submitted  
14 to the Commission on March the 14th, 1996.

15 MR. THAR: Was that after the  
16 presentation?

17 MR. BOYD: That's correct.

18 MR. THAR: Was that after the  
19 deadline date?

20 MR. BOYD: That's correct. But the  
21 Commission does have the ability, I believe  
22 anyway, under the law to issue and to  
23 condition a certificate of suitability in  
24 such a manner as it sees fit before it.

25 And we do have a corporation that

7  
1 owns the percentage interest in Michigan City  
2 Casino and Lodge, L.P., that Bob Keel and  
3 Keel Riverboat Group would love to purchase  
4 and have indicated they would love to  
5 purchase.

6 But MCCL, Inc. owns that percentage  
7 of this entity. And I believe its principals  
8 have been investigated or reviewed by this  
9 staff before the hearings took place this  
10 February. That's the reason that I reach  
11 that conclusion.

12 I respect what Jack says, but I have  
13 a different -- I have a different opinion as  
14 to how this Commission can work and what its  
15 powers are and to the parties before this  
16 Commission at this time.

17 MR. KLINEMAN: Well, I think the  
18 major problem that we have, Jay, is that we  
19 have been, as you know, fighting this moving  
20 target phenomenon we're into. And I guess we  
21 find that Michigan City Casino and Lodge is  
22 really the crowning example of it.

23 I mean, here we are. We investigated  
24 when you did not even have a sixty-five  
25 percent partner. It really leaves us no

7 1 place. I think that's what we're talking  
2 about.

3 I understand you have done a job to  
4 try to repair that problem and so forth. But  
5 it just causes us considerable anxiety over  
6 the long period of time that this application  
7 has been pending to then just before the  
8 hearings and then just after the hearings  
9 massage the thing around so that it maybe  
10 follows some pattern that we have fallen  
11 into.

12 MR. BOYD: Well, it does.

13 MR. KLINEMAN: And try to qualify you  
14 at this time. So that's what Mr. Thar is  
15 talking about. It's just something that  
16 we'll have to consider and move forward.

17 MR. BOYD: I can appreciate that, Mr.  
18 Chairman, as a position to be taken. But as  
19 a technical, legal matter, I believe that  
20 Michigan City Casino and Lodge, L.P. is, in  
21 fact, before this Commission today with an  
22 application, and that the components or parts  
23 of that entity as presented, submitted upon  
24 request to the Commission additional  
25 information about certain of the principals,

7 1 and they have been looked at. So as a legal  
2 matter, it's back to the point of form over  
3 substance.

4 MR. KLINEMAN: Yeah, I think the  
5 Commission understands your position.

6 MR. BOYD: Thank you.

7 MR. THAR: To readdress Dr. Ross'  
8 question, at the time of the background  
9 information, sixty-five percent of that  
10 application was missing. We do not know  
11 whether sixty-five percent of that  
12 application is suitable for licensure as of  
13 right now.

14 So the answer from the staff's  
15 position is that they are not eligible to  
16 receive a license or a license or certificate  
17 and are not eligible to receive a certificate  
18 of suitability today if the Commission  
19 decides to award one today.

20 MR. KLINEMAN: All right. I guess we  
21 have gotten into the financing, and I think a  
22 group over here wanted to very briefly say  
23 something.

24 MR. MCQUAID: Thank you, Mr.  
25 Chairman.

1 MR. KLINEMAN: Do you want to state  
2 your name?

3 MR. MCQUAID: It's Joe McQuaid. I'd  
4 like to reintroduce Mr. Peer Pedersen,  
5 chairman of Indiana Blue Chip.

6 MR. PEDERSEN: Thank you for this  
7 opportunity. I testified at the February  
8 meeting, and I believe at that time I  
9 indicated that you had our personal financial  
10 statements.

11 Gene Haytile, one of our principal  
12 owners, is with me today. He's the principal  
13 owner of the Amalgamated Bank in Chicago,  
14 which has, I believe, five subsidiaries, plus  
15 the boat that we've committed, plus the  
16 commitment from our Indiana investors.

17 Mr. Haytile and I personally will  
18 guarantee an additional twenty-five million  
19 dollars, because I believe the Commission  
20 justly is concerned, you know, about the  
21 financing.

22 And we will do that. And if you look  
23 at our financial statements, I think you will  
24 see that we have the ability to do that. We  
25 don't have to go to the bank or we don't have



1 to --

2 MR. KLINEMAN: And that would be as  
3 an equity investment?

4 MR. PEDERSEN: Yes, as an equity  
5 investment.

6 MR. KLINEMAN: In the project.

7 MR. PEDERSEN: Yes. And on top of  
8 that, as far as our hotel capability is  
9 concerned, Mr. Haytile is a principal owner  
10 of two hotels, and I am an owner of the Pier  
11 66, the Bahindamara (phonetic) and the Harbor  
12 Beach Motel in Fort Lauderdale with Wayne  
13 Hysea (phonetic).

14 We also started an enterprise with  
15 Bear Stearns where we went public. And they  
16 have established a two hundred million dollar  
17 mortgage fund for a company called Extended  
18 Stay. And we will have forty hotels by the  
19 end of the year. We now have about seven.

20 But I think the Commission is justly  
21 concerned about financing, and we feel that  
22 there's no question about our ability. Thank  
23 you.

24 MR. KLINEMAN: Okay. Anything  
25 further? Do any of the Commissioners have

1 any questions or anything?

2 MR. SUNDWICK: I have one of the  
3 mayor. Did she leave?

4 MR. KLINEMAN: I don't think the  
5 mayor is going to leave.

6 MAYOR BRILLSON: At your service.

7 MR. SUNDWICK: The last question that  
8 I have is, if, in fact, this Commission saw  
9 fit to give a certificate of suitability to  
10 the harbor, would, in fact, the city object  
11 to that and not want to participate?

12 MAYOR BRILLSON: I was afraid you'd  
13 ask that question.

14 MR. SUNDWICK: But you knew I would.

15 MAYOR BRILLSON: I had a feeling you  
16 would. Quite frankly, I was discussing that  
17 after our part of the presentation with  
18 members of the city team. And the consensus  
19 is that it would be very difficult for us to  
20 go back to our community and be able to  
21 comfortably promote the Harbor Site.

22 Obviously if that is the Gaming  
23 Commission's finding, we will have to work  
24 our way around it. However, I will tell you  
25 that, you know, when I showed you -- I don't

8  
1 know if you were there when we showed the  
2 sites in Michigan City, the two sites.

3 But I took the Commission on a city  
4 bus in February to the two locations. The  
5 harbor site is less than two acres. The  
6 upstream site is thirty-two acres. Obviously  
7 the size difference from the city's point of  
8 view makes a big difference in what can be  
9 done on the site.

10 But in February, it was not a very  
11 pleasant place to be. In fact, some of you I  
12 had to peel you out of the buses to come and  
13 see exactly what was going on in the harbor,  
14 if there was any gale-force wind. It was not  
15 a very pleasant day.

16 And, quite frankly, I have a lovely  
17 community to live in three months of the  
18 year, maybe four months, maybe five months.  
19 But the rest of the year can be very rugged  
20 in Michigan City.

21 The safety factor of bringing people  
22 to Michigan City and putting them in the  
23 harbor, the harbor is slightly protected.  
24 But, quite frankly, if you have a boat along  
25 the harbor, you would be able to attest to

1 the fact that it is not calm waters. It  
2 would be very difficult, I think, for a  
3 gaming operator to comfortably deal with the  
4 elements in the harbor of Michigan City.

5 There are some other issues that keep  
6 coming up. I am slightly offended by the  
7 term that one of the groups used, the  
8 bank-owned property. That is certainly not,  
9 I don't think, a fair and accurate statement.

10 The bank -- one of the banks in  
11 Michigan City may own a portion of that  
12 property. In fact, they may own the  
13 majority. That is not the city's reason for  
14 wanting to develop this. And that keeps  
15 coming up, and I don't -- you know, who owns  
16 the property is not pertinent.

17 The pertinent thing is there are  
18 thirty-two acres. There's a tremendous  
19 amount of land that does need development.  
20 It's been referred to as the urban renewal  
21 site. The only thing I can say is yes, it is  
22 in an urban area, and, yes, it is in need of  
23 renewal.

24 Other than that, it's an area in  
25 Michigan City that has great highway access

9 1 from two highways, Highway 12 and Highway 35.  
2 It is an area that some years ago went  
3 through some developmental changes. The  
4 neighborhood was already decimated by a man  
5 who wanted to build a marina.

6 It has a tremendous amount of  
7 possibility. And that's why the city of  
8 Michigan City has gained community support  
9 for that site. And, quite frankly, that's  
10 our position. And I can't tell you anything  
11 other than what I have just said.

12 Thank you.

13 MR. SWAN: May I follow up, Mayor?

14 MAYOR BRILLSON: Certainly.

15 MR. SWAN: I'm having a lot of  
16 trouble with the Trail Creek Site personally.  
17 Do you think the city would have a preference  
18 to have a license in the Harbor Site versus  
19 not at all?

20 MAYOR BRILLSON: Obviously we are  
21 involved in this process because we want jobs  
22 for our community. If we could not have any  
23 license, obviously the Harbor Site -- we want  
24 to bring home the bacon, you know. We want  
25 to bring home a license.

9  
1 Our strong preference, and I can't  
2 say that emphatically enough, is the upstream  
3 location. It's safer. It provides great  
4 potential for development. I have great  
5 concern as an elected official and as a  
6 member of the community because the harbor  
7 site is a very congested area already during  
8 the warm weather months. We have a boat show  
9 that uses the waters right near this  
10 location.

11 Our marina is full. We have a  
12 waiting list. Our marina has lots of boat  
13 traffic. And the street traffic coming into  
14 the lakefront is very congested. We have one  
15 little bridge going in and out of Washington  
16 Park and the marina. It will cause quite a  
17 bit of additional congestion, and I have  
18 great concerns about that.

19 I would like to emphasize that the  
20 upstream location, the way it's being  
21 referred to makes it sound like it's miles  
22 away. You know, I tried to show you when I  
23 took you on that bus tour, it's really just a  
24 hop, skip and a jump away. It is actually  
25 walking distance unless you are, as Ms. Baker

9 1 is, not able to walk.

2 MS. BAKER: I can make it.

3 MAYOR BRILLSON: She'd do it to get  
4 that upstream location. But, quite frankly,  
5 it is a short walk, and it is very close to  
6 Lighthouse Place and the other amenities that  
7 we have in the area already.

8 MR. KLINEMAN: There was one point  
9 made that I wanted to clarify. There was a  
10 point made that the upstream location would  
11 involve displacing residents and  
12 inconvenience to residents and so forth.  
13 I didn't really see that in our quick tour.

14 Is that going to be a problem?

15 MAYOR BRILLSON: I mentioned that in  
16 passing in the answers that I gave  
17 previously. The area, that neighborhood,  
18 there is a neighborhood there, the Canada  
19 Neighborhood, that was decimated some years  
20 ago by a developer who wanted to build a  
21 marina.

22 And if you looked when I showed you  
23 that area, there were a lot of boarded up  
24 houses that have already -- the people have  
25 already left. There are a couple families --

1 I don't know how many -- that would.

2 But I will tell you that I think most  
3 of those families will be happy to sell and  
4 find another location.

5 Any other questions?

6 MR. KLINEMAN: Anything else?

7 MR. SUNDWICK: So the answer is you'd  
8 rather have something than nothing.

9 MAYOR BRILLSON: Something? Yes, I  
10 guess that would be a fair assessment.  
11 Certainly I think that I have told you  
12 emphatically enough what my real position is.

13 MR. SUNDWICK: What do you really  
14 think? That's what I really want to know.

15 MR. MILCAREK: On the upstream -- I'm  
16 sorry -- the harbor location, where would  
17 Indiana Blue Chip build on the harbor  
18 location? Do they have any land secured  
19 there? We talked about them having two  
20 different locations. Is property available  
21 for them?

22 MAYOR BRILLSON: I can't answer for  
23 Indiana Blue Chip. I will tell you that I  
24 know that Isle of Capri did have an option at  
25 one time on the George Marina property and



9 1 abandoned that option to my understanding  
2 because they did not find that it was  
3 buildable or would be easy to work with.

4 When I showed you that property, the  
5 Commission, I tried to indicate to you by  
6 showing you what was not available, that the  
7 George Marina property, as you know having  
8 lived in Michigan City for many years, it is  
9 not a marina. It's a boat store. It's a  
10 very small piece of property there.

11 There are issues there having to do  
12 with the freight lines and the rail lines.  
13 It is right next to a bridge that  
14 accommodates many, many people on a daily  
15 basis. There are some very difficult  
16 problems with that site.

17 MR. MILCAREK: But the fact is I  
18 believe Indiana Blue Chip does have a  
19 proposal for both a downstream and an  
20 upstream site. And I'm wondering where they  
21 would build.

22 MAYOR BRILLSON: They would be better  
23 able to answer that question.

24 MR. MCQUAID: Yes, sir, we do have  
25 two proposals. One is at the harbor. And

10 1 again we would work with the city. There is  
2 only going to be one applicant that receives  
3 preliminary suitability. We're confident  
4 that whatever land is under option right now  
5 can still be available to us if we were  
6 fortunate enough to receive the finding of  
7 preliminary suitability today.

8 MS. BOCHNOWSKI: Was your original  
9 idea to put it on the Nipsco Site?

10 MR. MCQUAID: Yes, it was.

11 MS. BOCHNOWSKI: That's what I  
12 thought. So couldn't you go to the George  
13 Marina also?

14 MR. MCQUAID: We haven't discussed it  
15 since the city has made it quite clear  
16 because of their preference.

17 MR. KLINEMAN: Excuse me, sir.  
18 Unless you're called upon, I guess we  
19 wouldn't need any information from you.

20 MR. LUBEZNIK: I appreciate that, Mr.  
21 Klineman. But some representations are being  
22 made about property that I own that I don't  
23 thing the Commission is being properly served  
24 by the current testimony.

25 MR. KLINEMAN: Are you Mr. George?

1 MR. LUBEZNIK: No, I'm Mr. Lubeznik.

2 MR. KLINEMAN: Do you own the George  
3 Marina? Is that what you're trying to tell  
4 us?

5 MR. LUBEZNIK: May I address the  
6 Commission, Mr. Chairman?

7 MR. KLINEMAN: We really want to move  
8 into the deliberation stage and see if we're  
9 going to give a license.

10 MR. LUBEZNIK: This may be critical  
11 information to your deliberations.

12 MR. KLINEMAN: We'll have to accept  
13 critical information. Step up.

14 MR. LUBEZNIK: One minute critical.  
15 Mr. Klineman, thank you very much for letting  
16 me speak. I'm Rod Lubeznik. I'm one of the  
17 partners of Michigan City Casino and Lodge.

18 You've had lots of people today  
19 representing that they are the representative  
20 of Michigan City, Indiana. My family and I  
21 have lived in Michigan City, Indiana, done  
22 business and served on numerous boards and  
23 commissions for the last thirty-five years.  
24 So I, too, am going to tell you that I have a  
25 little knowledge of Michigan City.

1           The land that is currently George  
2 Marine property and the property south of  
3 that is currently under option to Michigan  
4 City Casino and Lodge.

5           MR. KLINEMAN: I understand.

6           MR. LUBEZNIK: The additional acreage  
7 in which Blue Chip's secondary harbor site is  
8 located is primary owned by Glen Lubeznik, my  
9 brother, and I, who is in the audience.

10           That property is not available.  
11 We've never had any discussions with them.  
12 And the assumption that we would merely  
13 switch from our participation as owners in  
14 this process to selling property should  
15 absolutely not be --

16           MR. KLINEMAN: I am going to cut you  
17 off, because I think we just had a  
18 representation that Blue Chip's ready to go  
19 upstream and abandon their alternate harbor  
20 site.

21           MR. LUBEZNIK: Thank you, Mr.  
22 Chairman, for letting me speak.

23           MR. KLINEMAN: Anything further?  
24 Anybody want to ask anything? I guess we  
25 probably don't have time to reconfigure as we

1 usually do when we get into these  
2 discussions. But I think we will now move  
3 into the discussion phase of this.

4 I think, Tom, do you want to say  
5 something before we get into this?

6 And we will not receive any more  
7 information from the audience. If we in our  
8 ignorance misspeak, so be it. You get to  
9 watch it all hang out here, but please don't  
10 interrupt what we're trying to do here.

11 Go ahead, Tom.

12 MR. MILCAREK: Well, what I wanted to  
13 say was address the question should Michigan  
14 City have a riverboat, at this time have a  
15 certificate of suitability.

16 We have the market. Over two million  
17 people per year come and enjoy our city. A  
18 large population exists in the East and the  
19 Southeast. And even if land-based casinos  
20 become a reality, there still is a  
21 significant market.

22 Michigan City is a great location  
23 with easy access to either site, as has been  
24 demonstrated by Lighthouse Place. A  
25 riverboat casino and a fine hotel would

10 1 greatly enhance our tourist industry,  
2 hopefully providing the boost necessary to  
3 develop new business and expand existing  
4 ones. So we do have a location.

5 A riverboat casino for Michigan City  
6 would generate new jobs for the people in  
7 Michigan City, jobs to replace those lost in  
8 the decline of industry. These jobs  
9 represent a significant economic development  
10 opportunity along with generation of tax  
11 moneys needed for Michigan City and La Porte  
12 County. So we do have a need.

13 Should Michigan City get a riverboat?  
14 Well, we have the market, the location, the  
15 need. I say the answer should be yes.

16 When should we have the riverboat?  
17 The size of the market today is probably the  
18 largest it will ever be. The city has gone  
19 through the process, met all the requirements  
20 and waited in line for two years. Any  
21 further delay would just give the advantage  
22 to competition. So the time is now.

23 If my fellow Commissioners think the  
24 time is now, the question becomes which  
25 applicant can best develop this market, which

11 1 company has the best package for La Porte  
2 County and the city of Michigan City,  
3 which company can we be sure will stay in  
4 Michigan City not only for the good times,  
5 but for the bad?

6 There are some pluses in each of the  
7 applications. Which one to choose? I do not  
8 have a company to endorse. That lies within  
9 the Commission. I think we must find that  
10 answer today.

11 MR. KLINEMAN: Thank you, Tom.

12 MS. BOCHNOWSKI: I would agree with  
13 Tom that we need to try to come to some  
14 consensus today. I know I have problems with  
15 every single one of these applications. I  
16 think we all have expressed that.

17 But given the circumstances, I'm not  
18 sure we're really going to gain anything by  
19 delaying this decision. It would be my  
20 preference to be able to grant a license to  
21 Michigan City. I think it's a good location.  
22 I'm not from Michigan City, as Tom is, but I  
23 am from Northwest Indiana. I have spent a  
24 lot of time in Michigan City. I think  
25 there's a draw there already.

11 1 And I think that in some ways, these  
2 applicants are being realistic about the size  
3 of their projects. And, you know, even with  
4 the problems, I think that there may be ways  
5 that we can put them on a tight timetable and  
6 make sure that things happen the way they're  
7 supposed to, and that we can possibly keep a  
8 tighter rein on whoever our successful  
9 applicant is in order to make this project a  
10 viable one.

11 And the other thing I would like to  
12 say is I'm going to personally vote for a  
13 candidate that is on the Trail Creek Site.  
14 Again, I have spent a lot of time in Michigan  
15 City. I think that that harbor is used quite  
16 heavily. I have seen the boats going in and  
17 out.

18 Every time we put a boat on Lake  
19 Michigan, I get a little nervous about it.  
20 It would ease my mind to have it on Trail  
21 Creek. I realize it's not much of a cruise,  
22 but I don't know that people go on these  
23 boats for cruising anyway. They don't even  
24 have windows. So I don't think that makes a  
25 bit of difference, to be honest. That's just



1 meeting the law, you know.

2 So I will go with the city's  
3 recommendation on this, and it will help me  
4 sleep at night.

5 MR. VOWELS: I just want to follow up  
6 on that. A couple things. I think Tom is  
7 correct. It is now or never. If things  
8 don't get rolling now, with the Native  
9 Americans across the border and whatever  
10 competition the boats in Lake County will be,  
11 it's going to be harder farther down the road  
12 for anybody to get a foot in here.

13 And I was a bit taken back by the  
14 degree of the proposals, but only because of  
15 what we're used to seeing. I think they are  
16 realistic for the area here.

17 I was also somewhat concerned about  
18 navigable waterway and hadn't reviewed the  
19 statute prior to the February hearing for a  
20 while, and reviewed it when I got back home.  
21 And I think that we do have discretion to  
22 determine what's a navigable waterway. And  
23 obviously the Corps of Engineers has  
24 jurisdiction over that.

25 We can talk about legislative intent.

11 1 And in the state of Indiana, there's no such  
2 thing in a court of law as legislative  
3 intent. We heard from one legislator from  
4 this who gave us his impression of what he  
5 and sixteen other legislators were thinking  
6 of.

7 But when I think of the state  
8 legislature, I think about what Harry Truman  
9 said about economists, that you could lay  
10 them all end to end and they'd all point in  
11 different directions.

12 So I think if we had all the  
13 legislators in here, we'd get a few hundred  
14 different legislative intents. And if they  
15 write a statute, it has to be strictly  
16 construed. And I think a court would uphold  
17 us if we put it in Trail Creek and that had  
18 to be determined to be a navigable waterway.  
19 I think we're well within our rights to  
20 determine that.

21 And I don't think the harbor is a  
22 realistic place to be, because God knows I  
23 would never go out there again unless the  
24 weather was like this versus what we saw that  
25 day.

11 1 And so I follow what Tom says and I  
2 think what Ann touched upon. We've always  
3 given out certificates of suitability with a  
4 review date of a hundred and eighty days.  
5 I don't know where that date came from, but  
6 it's always worked in the past.

7 I don't know any reason why we  
8 couldn't shorten it, certificate of  
9 suitability with a review in ninety days.  
10 And if things aren't going, then make a  
11 decision then about whether things are going  
12 to proceed forward or we have to change. I  
13 think we always have that option.

14 But I think Tom is right, and he is  
15 the home boy here. There's a Factor X  
16 involved here. And I think when we were in  
17 Evansville, there was some deference to what  
18 I saw day-to-day in Evansville when we had  
19 arguments.

20 And I'm willing to defer to Tom on  
21 this factor. And I think we should go  
22 forward today and grant a license and a  
23 certificate of suitability with maybe a  
24 ninety-day period.

25 MR. KLINEMAN: Before we go any

11

12

1 further, I forgot. Mr. Thar has  
2 traditionally given us some information  
3 concerning whether or not these applicants  
4 are qualified under the statute. And we've  
5 heard the discussion concerning Michigan City  
6 Casino and Lodge.

7 Are either of the other applicants in  
8 any way unqualified under our statute that  
9 you're aware of?

10 MR. THAR: No, the other two are not.  
11 That does not mean, however, that there's  
12 anything in the background investigations  
13 with regard to Michigan City Casino and Lodge  
14 which indicates the groups that were  
15 investigated are not suitable.

16 It simply means that sixty-five  
17 percent of that application has not been  
18 investigated, and, as a result, a certificate  
19 cannot be given to them, because we have no  
20 answer in regard to that sixty-five percent.

21 At to the other two, we see no  
22 problems.

23 MR. KLINEMAN: Okay. I just wanted  
24 to make the record on that, Jack.

25 MR. SUNDWICK: Let me say, I really

12 1 disagree with my good friend Don. But I look  
2 at this. And, of course, he's an attorney  
3 and he looks from an attorney's point of  
4 view. And I'm sure that he read the law and  
5 it said that we can determine what's  
6 navigable waterways. And we don't have to  
7 worry about intent, because Indiana doesn't  
8 have intent.

9 But, you know, I think some common  
10 sense would tell me that, in fact, the intent  
11 is not in one case a hundred and thirty feet  
12 of movement. One presentation is a hundred  
13 and thirty feet of movement of a boat.

14 MR. VOWELS: You been to Evansville?

15 MR. SUNDWICK: The other one -- the  
16 other one is fifteen hundred feet of  
17 movement. I would assume that the intent is  
18 is that Michigan waterways or Evansville, if  
19 you will.

20 Obviously that puts me in an awkward  
21 position, because if I subscribe to the  
22 harbor theory and not the upcreek theory, the  
23 people that I would, therefore, have to vote  
24 for, because my good friends at Blue Chip  
25 just withdrew their support for any bay or

1 harbor site, and then the only organization  
2 that I could support has been withdrawn, if  
3 you will, maybe not on their own accord, but  
4 withdrawn from our opportunity to vote.

5 So the only thing I could probably  
6 do, and I don't know if I can muster any  
7 support for this, if, in fact, there's a  
8 point that we would need to postpone our  
9 judgment so we could have this applicant  
10 discuss with this Commission where we stand  
11 relative to their application, that would  
12 seem to me a fair issue.

13 Now, that may not be the way it goes,  
14 because I'm only one of a number of  
15 Commissioners. So I see a reason to postpone  
16 it. Sixty days is not a problem. The  
17 Indians are not going to build their  
18 situation or their new gaming area tomorrow.

19 And I also thought about this safety  
20 issue. I did find the letter. Ann helped  
21 me. As a matter of fact, I have Ann's.  
22 And the Corps of Engineers -- excuse me. The  
23 Coast Guard made comments that the places  
24 that we currently have licensed, East Chicago  
25 and Hammond, have businer harbors and smaller

1 harbors than Michigan City.

2 So, in fact, you know, either we made  
3 real safety hazard errors in the past and we  
4 should have put them all on creeks some  
5 place. As a matter of fact, that's what he  
6 says. As far as he's concerned, we should  
7 not have them on land.

8 The second thing, we shouldn't have  
9 them cruise. And the third thing, probably  
10 maybe put them on a creek some place where  
11 they can't interfere with anybody. He also  
12 qualified that by saying gee, maybe even a  
13 problem if they're in the creek. So I don't  
14 think -- you know, I don't want to gloss over  
15 this safety issue as being the issue why you  
16 wouldn't put a boat in the harbor.

17 I can tell you from not a lawyer's  
18 perspective, which Mr. Vowels is, but a  
19 marketing perspective, I happen to agree that  
20 this would better serve this community  
21 marketwise in the harbor location.

22 So I guess that's what I have to say  
23 about it. And I think probably everybody can  
24 by my reaction through these hearings, you  
25 probably understood my support from the

12 1 beginning for that particular location.

13 2 And I obviously know that nine months  
14 3 of the year there's not going to be anybody  
15 4 in that harbor, and there won't be any  
16 5 problem, and it probably won't go any place.  
17 6 And there probably is not a lot of summer  
18 7 traffic around there to worry about, because  
19 8 I grew up in Michigan, and there isn't any.  
20 9 So anyhow, that's my comment.

21 10 MR. VOWELS: Bob, I sort of share  
22 11 your comments myself in that, as I said  
23 12 before, I have trouble with the Trail Creek  
24 13 site. I don't feel in my heart that it's  
25 14 right to trap a boat between a couple bridges  
15 15 or in a six hundred foot slip. It just  
16 16 doesn't seem the right thing.

17 17 If we cannot put a boat in the harbor  
18 18 safely, then I would have to decline a vote  
19 19 altogether at this time.

20 20 DR. ROSS: I think this will be the  
21 21 first time that I have ever had to feel that  
22 22 I voted against citizens, because I really  
23 23 think that this -- all of this belongs to the  
24 24 citizens, and they have the final say-so  
25 25 about who votes.



13 1 But my vision of a boat in Michigan  
2 City has sort of always been the harbor. And  
3 the only time I go to Michigan City, I don't  
4 go to the harbor, but I go to that shopping  
5 center, which is really a growing place.

6 And to think that that place can  
7 enlarge itself down into the harbor area  
8 somehow sits well with me. And so I think  
9 that the harbor in my estimation is the best  
10 place for it to be.

11 MS. BOCHNOWSKI: You know, I think  
12 some -- probably most of us -- I know I did  
13 see this. But before Lighthouse Place was  
14 ever built, that was not a very nice  
15 location. And nobody went there even though  
16 it was close to the harbor. That was an  
17 unclaimed site.

18 And I don't see why the Trail Creek  
19 Site, which is not that far from it, can't  
20 become, I think with vision, and that's what  
21 the people who developed Lighthouse Place had  
22 was vision. With vision, I think that a  
23 location that doesn't look so good to begin  
24 with can become very attractive.

25 And, again, they aren't that far

13 1           apart really. I mean, it would be great to  
2           see a boat in that harbor. I agree. That  
3           was my initial idea, too. But as time has  
4           gone on, I've been convinced that Trail Creek  
5           is probably the better option.

6                   MR. KLINEMAN: I do want to point out  
7           that I at least agree with Mr. Thar that we  
8           have an applicant who we have not  
9           investigated sixty-five percent. And it  
10          leaves me in a position where I don't know  
11          who I'm doing business with.

12                   And I appreciate Paul Rubeli's fine  
13          presentation. He's very candid with this  
14          Commission, and we consider you obviously a  
15          part of our family now and think you're doing  
16          a fine job down in Evansville.

17                   But I just think trying to put a  
18          certificate of suitability into a group that  
19          sixty-five percent has not yet been  
20          investigated, and that's not saying anything  
21          bad about anybody who might have come in this  
22          deal or who might be proposed to come in this  
23          deal. They're probably fine people, and I  
24          think I heard they've been licensed other  
25          places, etcetera, etcetera.

1 But we still have a problem in  
2 granting licenses to an entity that we really  
3 don't know who it is. And whether or not  
4 they would be found to be suitable under our  
5 investigation is a question that probably the  
6 answer to is yes. But I don't have the  
7 answer today, so I can't go forward and vote  
8 for an applicant that I don't know who I'm  
9 doing business with really.

10 MR. SUNDWICK: You know, Alan, I  
11 agree with you. That's one of the reasons if  
12 I look at this, they have obviously -- this  
13 particular group has a disagreement with this  
14 Commission. It seems to me what we ought to  
15 do is examine the disagreement, see if it's  
16 appropriate that we can put everybody back on  
17 the playing field, at least to -- if, in  
18 fact, there's a problem, and then relook at  
19 this.

20 I mean, sixty days will not change  
21 everything. We have three, at least three  
22 people on this Commission, that believe that  
23 that creek is not an option. So we're doing  
24 to have three people that are just going to  
25 be -- three of the Commissioners that are

1 just going to say, well, if that's not the  
2 option, then why vote.

3 MR. VOWELS: The practical side of  
4 that is, can there be an investigation done  
5 within sixty days without offseting everybody  
6 else that already stuck with the deadlines?  
7 I can do it.

8 MR. SUNDWIDK: No, I don't know if it  
9 can be or not. I think they can tell us  
10 that. But I don't want to prematurely vote  
11 for something just because we did not have  
12 the best options.

13 You know, if I really felt  
14 strongly -- I really feel strongly about this  
15 creek. A hundred and thirty feet? I mean,  
16 it's incredible to me that we would think  
17 that. I mean, that's just an opinion again.  
18 That's only my opinion.

19 So I guess if we can't, then I  
20 probably wouldn't be able to support the --  
21 and there's enough people on the Commission  
22 to certainly pass the -- put it on the creek.  
23 I guess that's the only thing I can tell you.

24 So unless we can come to some  
25 accommodation, I don't know if there's an

14 1 option. Maybe somebody can make a proposal  
2 to vote and we'll vote.

3 MR. VOWELS: Are you saying that your  
4 problem is that it only cruises a hundred and  
5 thirty feet?

6 MR. SUNDWICK: No. I think the whole  
7 intent -- I'm not going to be argumentative,  
8 and I certainly don't want to be  
9 argumentative with you. It's the intent.  
10 It's the way I feel about it.

11 It's not the hundred and thirty feet.  
12 It's fifteen hundred feet, blocking a boat  
13 between two bridges and calling it -- at  
14 least from my -- you know, these legislators,  
15 and I happen to agree with you, you put them  
16 end to end, they point in every direction.  
17 It doesn't seem to me that was the intent.  
18 At least I never got that as a citizen of the  
19 state.

20 And I certainly don't want to take a  
21 vote in this room. But I'll guarantee you, I  
22 think if you took a statewide vote, you'd  
23 probably find it out that they thought it was  
24 going to be somewhere around in the lake. We  
25 certainly have done that every place else

14 1 we've been. We didn't give anybody the  
2 option of going up a creek some other part of  
3 the state.

4 So we certainly -- and we've already  
5 heard from there. They don't like that.  
6 They don't like it. She told me point blank  
7 two or three times in trying to trap her into  
8 it. And she doesn't want it. Say, well, is  
9 she qualified even at the end.

10 I will guarantee you that if we put  
11 that in that lake -- and it does not have  
12 anything to do with the companies; it has to  
13 do with the lake to me right now -- in fact,  
14 they will support that. They won't like it,  
15 but they'll support it.

16 This gentleman obviously disagrees  
17 over here.

18 A VOICE: Very strongly.

19 MR. SUNDWICK: Okay. Good.

20 MR. VOWELS: You know, when we talked  
21 before, I think we talked about it back in  
22 the days after the Republicans took over, we  
23 talked about mandates, local endorsements.  
24 And I saw that harbor.

25 And I'm not particularly that

14 1 enamoured by gambling or what it looks like  
2 down there. And from a marketing  
3 perspective, I guess that will bring in more  
4 money. But McDonald's will probably bring in  
5 more money than the Tower of Pisa.

6 And the aesthetics of that harbor,  
7 and that's what I've heard over and over.  
8 And I think the mayor here is one of the best  
9 as far as her representation of her position  
10 and still maintains some objectivity that  
11 we've ever heard.

12 And I don't think that harbor is  
13 feasible, and I think it's shoving it down  
14 the locals' throats, and it's going to mess  
15 up the aesthetics of that area. So that's  
16 one reason along with no objection in  
17 reference to the statute on navigable  
18 waterways. I don't have any problem with it  
19 being in Trail Creek.

20 MR. SUNDWICK: Well, I don't need the  
21 last word.

22 MR. THAR: There are a couple of  
23 things Bob brought up, as a point of  
24 clarification. One, with regard to sixty  
25 days, I would agree that it's well within

14 1 this Commission's power to decide to defer  
2 making a decision today if that's the way the  
3 majority decides to go.

4 With regard to whatever time you set,  
5 we would have to reopen. We couldn't just  
6 open it for one applicant. Reopen it so that  
7 any of the present applicants could revise in  
8 whatever time period their plan, including  
9 Michigan City Casino and Lodge and any other  
10 group that decided to come in during the  
11 period that we left open.

12 It doesn't mean we'd get back to  
13 Michigan City in sixty days, however. We may  
14 not get back to Michigan City till some time  
15 in the fall at the earliest.

16 The second aspect, with regard to the  
17 creek and the ability of the distance to  
18 sail, recognizing -- I think everybody on the  
19 Commission recognizes it's within the  
20 Commission's power to put one on the creek if  
21 they decide to, although it's well within  
22 some of the Commissioners' own personal  
23 feelings that's not where they should  
24 probably put a boat. And that's good  
25 interplay among the various different



14 1 judgments of the different Commissioners.

2 I would simply point out that this  
3 Commission did give serious consideration to  
4 the Little Calumet Site for the city of Gary  
5 when it appeared that Buffington Harbor would  
6 not be available. That would have, in  
7 essence, created also a landlocked boat.

8 So it would not be the first time  
9 that the Commission has given consideration  
10 to an area where the boat would not be able  
11 to reach Lake Michigan.

12 MR. SUNDWICK: Well, I certainly  
13 wouldn't have voted for the Little Calumet  
14 Creek either.

15 MR. THAR: And that very well may be  
16 true.

17 MR. SUNDWICK: I kind of look at that  
18 as more of a leverage on the city of Gary to  
19 do something. But I don't have that problem  
20 here.

21 Now, like I say, that doesn't have  
22 anything to do with the applicants. This is  
23 location for me. It's a marketing issue for  
24 me. And I certainly -- what we need to do is  
25 vote.

14 1 MR. KLINEMAN: If we postponed it  
15 2 sixty days as Mr. Thar said, we would not be  
3 able to get back until some time probably  
4 towards, I believe, probably early fall as I  
5 look at the schedule we're now on.

6 And that would give all of the three  
7 applicants time to do whatever they wanted to  
8 do that they think could help sway the issue,  
9 including maybe -- I mean, the feeling I get  
10 about Blue Chip in the harbor is not so much  
11 that they abandoned it because the city  
12 doesn't want it so much as they don't have  
13 any place to go with it. I mean, you don't  
14 have a location as I see it in the harbor, so  
15 you have to abandon your harbor concept. So,  
16 you know, maybe sixty days would give you  
17 time to find a location in the harbor. But I  
18 don't know.

19 MS. BOCHNOWSKI: Well, I'd like to  
20 go ahead and make a notion. Then we'll see  
21 where people stand.

22 Based on experience and based on  
23 community involvement, I would like to put  
24 forth for the consideration of the Commission  
25 granting a certificate of suitability to

1 Riverboat Corporation of Indiana. And I  
2 would further like to give them -- if we do  
3 vote on this company, I would like to give  
4 them ninety days to get their financing in  
5 order, to make significant progress with the  
6 Army Corps of Engineers and with the Coast  
7 Guard, and any other permitting that they  
8 need done, and to have a viable plan in place  
9 within -- I mean, and to really have gotten,  
10 well, whatever the staff would consider  
11 significant progress within ninety days.

12 And we can, you know, make -- okay?  
13 And that would be my motion.

14 MR. KLINEMAN: Is there a second to  
15 Riverboat?

16 MR. VOWELS: I look at both groups as  
17 fairly even. But you made the motion and  
18 I'll second it so we can move.

19 MR. KLINEMAN: Okay. And how about  
20 some discussion now?

21 MR. SUNDWICK: I think everybody's  
22 confused as to what's happening. Do you see  
23 what's happening?

24 MAYOR BRILLSON: We're unsure who  
25 Riverboat Corporation of Indiana is. Is that

1 Isle of Capri?

2 MS. BOCHNOWSKI: I meant Isle of  
3 Capri.

4 MR. SUNDWUCK: Isle of Capri.

5 MAYOR BRILLSON: Thank you.

6 MR. KLINEMAN: That's their official  
7 name, Riverboat --

8 MS. BOCHNOWSKI: I've got that right  
9 in front of me.

10 MR. KLINEMAN: Well, if nobody else  
11 has any discussion, remember this is the one  
12 that is proposing a basin. The is the  
13 hundred and thirty feet cruise that Mr.  
14 Sundwick's talking about.

15 MS. BOCHNOWSKI: That's right.

16 MR. KLINEMAN: Also, as I see it,  
17 this is the one whose financing is in part  
18 based upon a temporary location which then  
19 generates money for them to roll into the  
20 additional development, which causes me some  
21 concern, because I do have this question that  
22 I brought up before which is how is it that  
23 we would allow them to operate temporarily  
24 even though we're not under the same  
25 constraints as we are on the Ohio River with

15 1 their Port Authority.

2 But I would not want to see them  
3 open, and I wouldn't want to delay the flow  
4 of tax money. But I would not want to see  
5 them open until we were assured that their  
6 permanent location was going to be available.  
7 It's just a matter of I don't want to revisit  
8 Michigan City again. I really don't.

9 MS. BOCHNOWSKI: Well, I understand  
10 that, and that's why I said we should have a  
11 tighter timetable on it, and all of this has  
12 to be ready to go. We've had temporary  
13 boats, or we've had temporary facilities  
14 proposed before. And those have to be  
15 approved by the Army Corps of Engineers.  
16 Normally it isn't even worth it. You might  
17 as well go ahead and get the Army Corps  
18 permitting for the permanent site.

19 MR. KLINEMAN: I think what they're  
20 doing in other places where that's a  
21 requirement, they do apply for their permit,  
22 but they have alternate temporaries where the  
23 Corps will basically look at both locations,  
24 but won't grant the temporary until they  
25 granted the permanent.

1 MS. BOCHNOWSKI: That's right. And  
2 so that would be the same situation here, I  
3 would gather.

4 MR. KLINEMAN: I don't know if we can  
5 deal on a sixty-day basis with that kind of a  
6 requirement, because I think it's a pretty  
7 lengthy process. I don't know if these  
8 people are really up to speed to get that  
9 done.

10 MR. SUNDWICK: It would be obvious to  
11 me that Mr. Klineman, Chairman Klineman has  
12 some reservations about financing and changes  
13 that we're talking about sixty days. And  
14 going on sixty days, it would seem to me if  
15 we have the reservations as far as financing,  
16 can we do what.

17 We ought to give everybody sixty days  
18 to put a better presentation together than I  
19 think we've seen. We've been told that this  
20 Board, this Commission, that we've had one of  
21 the best write-ups in the state. And I  
22 really believe it's as good as Evansville.

23 But, you know, the presentations that  
24 I've seen certainly haven't measured up to  
25 any other presentations. There's more loose

15 1 ends in what's going on the presentations  
16 2 that I've heard, unless I've just been asleep  
3 up here. I don't think that they were very  
4 good.

5 And I can -- we can vote. My only  
6 issue here is not vote on the creek, but give  
7 me another shot at this thing. There's a lot  
8 of other issues I have. And I'm just not  
9 very comfortable.

10 I'd much rather give everybody a  
11 little more of a chance to come back and make  
12 a presentation to these people. If we have  
13 some questions for you, if your support of  
14 the city will continue to be the same, these  
15 gentlemen we had some questions from,  
16 everybody we had questions from. We're not  
17 very satisfied.

18 It seems to me if I were this group  
19 of people, I would say, yeah, let's give us a  
20 few days and see if we can get our ducks in a  
21 row and come back and pitch just one more  
22 time.

23 I'm telling you, in my opinion,  
24 you're making a bad mistake in a decision.  
25 You can force a decision. You might not like

1 the one you get. As a matter of fact, I'm  
2 sure that some people will probably fall off  
3 their chairs. That's happened before, you  
4 know.

5 MR. VOWELS: My problem is all I  
6 would see in coming back is everybody starts  
7 one-upping each other. After the first one  
8 goes, the next one comes up and starts  
9 one-upping again.

10 MR. SUNDWICK: The only reason I  
11 disagree with that is it seems to me that if  
12 they're going to make a presentation and give  
13 us any additional information, they're going  
14 to have to give it to us and don't talk about  
15 anything else. I mean, you know, right where  
16 we have it now.

17 Short of that, we say, yeah, let's  
18 just pick it and let's go home. It's  
19 convenient for me. I'd just as soon -- you  
20 know, I wish everybody, you know, was a clear  
21 favorite for me. Then it would be easy.  
22 I could pack up my marbles and go back to  
23 Madison.

24 But it's not that easy. So I'm not  
25 willing to roll over on this thing and maybe



1 giving everybody else a better shot. Sixty  
2 days is not a long time.

3 MR. VOWELS: Except we won't be back  
4 till fall.

5 MR. SUNDWICK: Well, even in the  
6 fall. I mean, you know, I'd much rather  
7 have -- I'm sure the mayor would much rather  
8 have us give her some time than have an  
9 inappropriate decision on their part. They  
10 can all vote for me. At least I'm assuming  
11 that.

12 MR. VOWELS: Well, every decision  
13 we've ever made there's somebody who said  
14 it's inappropriate.

15 MR. SUNDWICK: I'm sure of that.

16 MR. VOWELS: That's why I don't have  
17 any trouble being on here and making  
18 decisions. I can make --

19 MR. SUNDWICK: Be careful.

20 MR. VOWELS: There's always going to  
21 be detractors no matter what we do. And our  
22 job is to make decisions whether they're easy  
23 like they have been in other places or in  
24 certain regards hard like this one.

25 And I don't see any point in putting

16 1 it off, because it's going to be the same  
2 thing. We had the second round of hearings  
3 here today. I asked my two questions and  
4 kicked back.

5 And it's not going to be any better  
6 in sixty days or next fall. They're going to  
7 one-up each other. We're going to have to  
8 listen to the same old song and dance again.  
9 And I don't think we'll be any less certain  
10 in the future than we are today.

11 MR. SUNDWICK: Well, I'd like to give  
12 the jury all the information.

13 MR. KLINEMAN: The other problem I  
14 have with the Riverboat thing is even though  
15 Mr. Goldstein said he'll guarantee that he'll  
16 develop so many square feet of ancillary  
17 shops and entertainment, etcetera, as Mr.  
18 Thar brought out, we really don't know what  
19 we're buying into as far as on-site ancillary  
20 type development.

21 And I've always felt that that was  
22 the really -- one of the really important  
23 things. Because to me, that is permanent  
24 redevelopment. Not redevelopment. Permanent  
25 economic development.

1 MS. BOCHNOWSKI: Well, that's why I'm  
2 saying we give them a specific amount of  
3 time.

4 MR. KLINEMAN: Different than the  
5 boat, which if things don't go well,  
6 obviously they're --

7 MS. BOCHNOWSKI: Well, we've had  
8 plenty of situations where there was going to  
9 be a strip mall or there was going to be  
10 shops or whatever, not specific shops,  
11 there's going to be theaters, there's going  
12 to be -- you know, nothing -- I don't see  
13 that as a big problem.

14 I do think that in this situation, we  
15 need to have as much -- we don't need to have  
16 a hundred and eighty day review. We need to  
17 have a much tighter review to make sure  
18 everything is just tied up, all those loose  
19 ends are tied up.

20 But I -- just look at this. This is  
21 the location the city wants. And I do not  
22 believe that we're going to get any -- I  
23 agree with Don. It's not going to be any  
24 different sixty days from now.

25 MR. VOWELS: It took me a few minutes

16 1 to come up with a response to you.

2 MR. SUNDWICK: We gave you too much  
3 time, didn't we?

4 MR. VOWELS: Judge Ito let the jury  
5 hear a lot of things, and you saw what  
6 happened there.

7 MR. SUNDWICK: Obviously I don't  
8 think they heard enough.

9 MR. VOWELS: They heard enough.

10 MR. SUNDWICK: You know, I think  
11 there's a motion, Mr. Chairman, in front of  
12 the Commission. And I think there's a  
13 second, and we've had some discussion. I  
14 think that we ought to vote.

15 MR. KLINEMAN: All right. The  
16 question's been called. All those in favor  
17 of granting a certificate of suitability to  
18 Riverboat Corporation of Indiana, L.L.C.  
19 raise their right hand.

20 (Ms. Bochnowski so indicating).

21 (Mr. Vowels so indicating.)

22 (Mr. Milcarek so indicating.)

23 MR. KLINEMAN: That's two.

24 MR. THAR: Three.

25 MS. BOCHNOWSKI: Three.

1 MR. SUNDWICK: I'd like to make a  
2 motion just to clear it off the floor so we  
3 can get on with this business.

4 I make a motion that we postpone  
5 these hearings, get the appropriate  
6 information from all concerned, all  
7 concerned, not just the gentlemen over here,  
8 the gentlemen over here, the gentlemen over  
9 here, to make the best decision we can, and  
10 try to come up with a sixty-day time frame or  
11 ninety days, as quick as we can do that, do  
12 the best thing for the city of Michigan City.

13 And, if so be it, if it goes on the  
14 creek at that time, up the paddle or whatever  
15 we want to call it, that's fine. What I  
16 think we need to do is vote on it. If that's  
17 not the issue, we need to get on with the  
18 next level of voting.

19 So I make that motion that we  
20 postpone for sixty days.

21 DR. ROSS: I second that motion.

22 MR. KLINEMAN: Any further discussion  
23 on postponing it for sixty days?

24 What would be the ground rules? I  
25 guess we'd have to set the ground rules.

17 1 MR. SUNDWICK: Jack will set the  
2 ground rules.

3 MR. THAR: Well, I'm going to need  
4 clarification. By postponing, are you saying  
5 that we're going to reopen and allow any  
6 group, including these three, to apply during  
7 the sixty-day period?

8 MR. SUNDWICK: I would assume that  
9 very few people could come back into this  
10 market within a sixty-day period and make a  
11 full-fledged presentation.

12 I think Michigan City is a pretty big  
13 community, or a pretty small community. It  
14 would seem to me all the area is locked up.  
15 So you could open it up to everybody, I would  
16 assume. They probably would --

17 MR. THAR: Let me just explain how  
18 this would happen. With a sixty-day  
19 postponement, we will not get back to  
20 hearings for Michigan City during the  
21 sixty-day period based upon the present  
22 schedule.

23 Consequently, whatever they file  
24 within sixty days, we couldn't get back to  
25 Michigan City for a hundred and eighty.

17 1 There's a hundred and twenty days in which  
2 whatever they file is going to change.

3 If we open it for sixty days to see  
4 what, if any, applications remain, including  
5 the present three if they decide to stay or  
6 any other groups that come in, then we close  
7 it. That's the deadline after you had the  
8 completed applicaton on file with their  
9 thing.

10 That then gives us time to  
11 investigate whatever is presented to us  
12 during that sixty-day period. When those  
13 investigations are done is about when we'd be  
14 able to get back to Michigan City.

15 MR. SUNDWICK: I'm not trying to  
16 propose that we open this back up, Jack. I  
17 want to give people that have stuck this  
18 thing on through to give an opportunity to  
19 remix, if you will, their presentations and  
20 positions and meet the requirements of  
21 this --

22 MR. THAR: Are you proposing that we  
23 extend the deadline for these three  
24 applicants only?

25 MR. SUNDWICK: Yes.

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MR. THAR: For sixty days from today?

MR. SUNDWICK: Yes.

MR. THAR: These three.

MR. SUNDWICK: Yes.

MR. THAR: Change their proposals, and we'll take a look at them and get them ready for fall consideration.

MR. SUNDWICK: Absolutely.

And do it here in Indianapolis, and don't give us anything after the fact. If you hear anything else, just never -- don't listen to it. So we got to put a stop to this deal. One time. That would be my proposal.

MR. KLINEMAN: Okay. Anything further on discussion on the motion that's been made and seconded? Does everyone understand what we're into?

Okay. All those in favor of the motion raise their right hand.

(Mr. Sundwick so indicating.)

(Dr. Ross so indicating)

(Mr. Swan so indicating.)

MR. KLINEMAN: It looks like three in favor of that motion.

MR. VOWELS: Then I would have a



1 motion. I move to award the certificate of  
2 suitability to Blue Chip with a ninety-day  
3 limit on the certificate of suitability for  
4 review.

5 MR. KLINEMAN: And what's to happen  
6 in ninety days?

7 MR. VOWELS: For the Commission to  
8 review to see if certain criteria have been  
9 met in reference particularly to the Coast  
10 Guard and Corps of Engineers.

11 MR. KLINEMAN: And Blue Chip at what  
12 location? I think they have abandoned the  
13 harbor.

14 MR. VOWELS: Trail Creek.

15 MR. KLINEMAN: Trail Creek.

16 MR. SWAN: How many days?

17 MR. VOWELS: Ninety.

18 MR. MILCAREK: I'll second that.

19 MR. KLINEMAN: Okay. Any further  
20 discussion? Call for a question then.

21 All those in favor of awarding the  
22 certificate of suitability to Blue Chip to be  
23 reviewed in a period of ninety days raise  
24 their right hand.

25 (Ms. Bochnowski so indicating.)

1 (Mr. Klineman so indicating.)

2 (Mr. Swan so indicating.)

3 (Mr. Vowels so indicating.)

4 (Mr. Milcarek so indicating.)

5 MR. KLINEMAN: It looks like we have  
6 a certificate of suitability. I thank you  
7 all.

8 Is there a motion that we adjourn?

9 DR. ROSS: You got it.

10 MR. KLINEMAN: We are adjourned.

11 (At this time, the proceedings were  
12 adjourned.)

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STATE OF INDIANA )  
                          ) SS:  
COUNTY OF MARION )

I, Kathleen L. Cast, a Notary Public in and for said county and state, do hereby certify that on the 17th day of April, 1996, I reported the foregoing Public Meeting; and that the transcript is a full, true and correct transcript made from my stenograph notes.

Dated this 29th day of April, 1996.

*Kathleen L. Cast*

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Kathleen L. Cast, Notary Public,  
Residing in Marion County,  
Indiana

My commission expires:  
February 9, 1999