

BEFORE THE INDIANA GAMING COMMISSION  
PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: August 19, 1996  
Morning Session

PLACE: Indiana Government Center South  
Auditorium

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

REPORTED BY: Rebecca J. Swinney, RPR

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INDIANA GAMING COMMISSION

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I N D E X

Presentation by Crawford County Casino Corporation	2
Crawford County Presentation	43
Questions to Crawford County Representatives	69
Questions to Casino Magic Representatives	114

CHAIRMAN KLINEMAN: I'll call the meeting of the Indiana Gaming Commission to order. And the first item of business is the presentation from the Crawford County Casino Corporation. And I guess Mr. Floyd will start the proceedings.

MR. FLOYD: Thank you, Chairman Klineman. Good morning, my name is Doug Floyd. I am an attorney and the owner of Land Rush Development Services in Noblesville. Thank you very much. Thank you for bearing with us for a moment.

Almost three years ago Casino Magic engaged me as their attorney and Land Rush Development Services to assist the town of Levenworth and Crawford County in determining whether the casino gaming industry could fit the town's and the county's long range growth plans.

The adjustment for the community was one that the community company felt that was important to measure before the fact. I find it significant that Casino Magic came to us before the referendum was passed. The effort was to endeavor to find a way to make

gaming fit in this community. Not to bring it in, place it, deal with the aftermath later.

We began conducting a series of quorums and inventory of community values and we began to develop a strategic plan for the community. Our planning sessions have given us an opportunity to work on a daily basis with community organizations, leaders, citizens of the town and the county.

The experience has made it obvious to us, that you are about to see and hear this morning a story of a good fit. This is a good fit between an Indiana gaming applicant, a community, and the State of Indiana.

Casino Magic is a Midwestern company that is guided today by its founder and board chairman Marlin Torgeson and its president and CEO, Ed Ernst. Marlin and Ed's careers brought them by different paths to the leadership of this company in establishing its current personality. Those paths established Midwest personality for the company and one that I think you will

find fits well as you hear the story unfold this morning.

During Casino Magic and Crawford County's presentation you will see and hear from community and business leaders with testimonials with regard to Casino Magic's commitment to saying what it will do and doing what it says. They are solid community partners and good corporate citizens.

A common sense and sound planning attitude are fundamental Midwest values, and in the next hour and-a-half you will be presented with evidence that the placement of the fifth license on the Ohio River in central Indiana fully satisfies all measurements of common sense, and sound planning. This is the definition of a good fit.

The geographic balance and the market satisfaction from the placement of this license in Leavenworth will result in maximized revenues for our state. Finally, I feel that I'm qualified from personal observation to tell you that Casino Magic

and the people in the town of Levenworth and Crawford County have benefited from this three-year period during which we prepared for this day. The parties before you understand each other. They understand each other's needs. They understand what will be necessary for a long-term and successful relationship. The efforts to secure this license began by people listening to each other. They continued by people working together. And today, you will see a partnership presentation that is the culmination of those efforts.

I'd like to begin our presentation by introducing to you Ed Ernst, the President and Chief Executive Officer of Casino Magic.

MR. ERNST: Good morning, Commissioners. It's great to be here. I'd like to thank each and every one of you in advance for the time that you're dedicating to listening to us telling our story about Crawford County.

What we'd like to do this morning is start off with a video and talk a little bit about really five things that I hope we can

accomplish today and can answer these questions for you. First really is who and what is Casino Magic in Crawford County?

Second, what are we looking to build? What's the project going to be? What's it going to cost?

Thirdly, what's the market look like? How are we going to be able to build the market? Is the market sufficient to be able to support two operators in the greater Louisville marketplace?

Fourth, how are we going to pay for it? How are we going to finance this project? And finally, what are the benefits to the town, to the county and state?

What we'd like to do is start off with our video. And if I could ask you maybe, we've cleared some seats down here. You might want to shift over here to be able to see it better. And after they get through that I guess we can turn off the lights and run the video.

MR. KLINEMAN: Will the video show on the screen we have in front of us also?

MR. ERNST: Yes.

CHAIRMAN KLINEMAN: I guess those commissioners who wish to go down and receive the full treatment can do it. Others might want to stay.

(The video presentation was shown at this time.)

MR. ERNST: Thank you, Genie. I'd like to thank you again for your time this morning. And spend a little time and tell you about Casino Magic. Who are we?

Back in October of 1995, the Board of Directors met for a two-day session led by Marlin Torgeson, our chairman, to really define what the strategic objectives of Casino Magic are as it goes forward into the future. They really laid out four things that they wished to accomplish.

The first thing was to focus Magic into its existing core properties, its Mississippi Gulf Coast properties. To build out those projects. Continue to invest in one of the key new markets in the country, the market where Magic first got its start and continues to be very profitable and contribute to the market, and to be able to



allow it to contribute to us on an ongoing basis.

The second thing they wished to do was really eliminate any future expansion in the international scene. We have four casinos operating internationally but the Board of Directors determined that they did not wish to expand that further, but rather to concentrate its efforts into its third objective. Which was to develop very limited and very selective markets within the U.S. Those were two.

The first was Bossier City, Louisiana. We have done that. We licensed that property. Received our license in April of 1996. That property was just completed, its financing on Friday which we're going to talk a little bit more about in a little while, and it's scheduled to open on or about September 15th of this year.

The total construction there will be through November 15th. So it's moving very, very rapidly. That was the development project No. 1.

The second development project that we're focusing on is Crawford County, Indiana. And here we are today to tell you about that. That was the direction the Board defined. Once those directions were set, Marlin and the Board went out to search to put together a new team to help implement that plan and really to maximize our shareholder value over the long-term for Casino Magic.

The new management team that was put together really under Marlin's leadership, we don't want to tell how old he is but he's been in this business for a long time. And as he's pointed out he's done eight openings in this business over the years. So Marlin is obviously the leader of our team.

In December of '95 I started. I've had the privilege of really growing up in the new venue casino business starting in it in 1991. I've had the privilege to lead eight openings. This would be my ninth. We think we know how to do it and know how to do it very very, very successfully.

Jay Osmond was added as our chief

financial officer two months before I got there. Jay brings a tremendous amount of strength in the financial aspect of the business and was very instrumental in our financing that we just completed for Bossier City.

Three new additions have occurred in the last two months. The first is our new chief operating officer, Gary Basins. Gary's been with me since 1991 and has had a vast amount of experience in running and managing new venue casinos. Gary has over 18 years of experience and has gone through 11 openings. He's been through all the ones that I've been with since 1991 as well.

The second addition to our team is Ken Schultz. Ken is the vice-president of construction and new development. Ken comes to us from d'Bartelo Corporation. Ken was senior vice-president of construction for d'Bartelo. And was very instrumental in building a number of projects for them and I had the privilege of working with him on three different casino projects. Very experienced and will be a great addition to

Magic obviously in building the Crawford County project.

The final new addition to the team is Dave Palsick. Dave Palsick is our new vice-president of marketing. And what you're seeing today is really the first time our genie has been introduced. That's our new focus. One of the side lights that the Board wished to see is that we take the concept of Casino Magic and expand it into something that we could become personified and identified on a very easy basis and be able to do the things that are, be able to market and to create promotions and things around a person. Well, the genie is what we've done and we think it's very exiting.

The final member of our senior management team has been with the company for two years now. His name is Bob Calloway. Bob is a vice-president of general counsel. Bob in his prior life for five years was the general counsel to the Nevada Gaming Control Board and has been practicing law representing the gaming industry for a long, long time and is a

tremendous addition to our team.

Let's talk a little bit about what that team can bring to Crawford County as it relates to the project itself. We're talking about \$155 million project. That includes the boat, the site, as well as all of the land site developments.

I'd like to spend a minute and focus on the site. The site has great access. We are 28 miles down I-64 from the I-64 bridge leaving Louisville which is our primary market. Two and-a-half miles off the interstate on state highways that are very, very good highways. And then you go immediately into our site.

With the traffic patterns and the access are extremely easy and we believe it's probably one of the easiest access of any site in the state.

Its absolute size. We have over 350 acres of, on site, and the size of that project is allows us to really create a world class resort destination. I'm going to go through what makes that up in a minute. I think that size is something

that's unique. It's all out of the flood plain. It's very, very exciting.

The property is out of the flood plain. We are not in the flood plain and we are not in the floodway. The property is constructed and actually you can see on the monitor right now that our lowest level is at the 416 level and the second level is at 431 which is the, above the 100 year flood.

We're actually excavating down into the floodway. So we're actually expanding the flood way for that lowest level so we're completely outside of that. Which should make the permitting of the process very, very, easy. We're very nonintrusive into the floodway or the flood plain. Really the only things that will be there will be our mooring facility and our boarding ramp.

We have a beautiful site. I think that's something that goes without question. I don't think there's a site that has better views on the Ohio River. Which obviously when we're talking about tourism and entertainment the natural beauty is a tremendous plus for this site.

We're obviously a cruise-capable site. We have a number of miles up and down the river which we can cruise that are safely in the Indiana water. Without worrying about getting in Kentucky's water. Very, very easily able to cruise.

What's on the site itself? We're talking about in from the land development side a 400-room motel. We'll be opening with 250 rooms with another 150 being added over the 14 months following opening. We're going to have a seven-story parking structure. The parking structure is designed up and down the side of the, the cliff on the river bank. It holds 2500 cars.

What's so unique about the parking structure is you enter at the mid level. You're literally going to be able to go in at the third level through a cut in the hill and be able to go up three floors to the entertainment and food pavilion. Or you can park on two floors up or down four. So that a customer doesn't have to drive around and around and around. Extremely customer

convenient.

When you get out of your car you literally walk to the elevator, take an elevator ride down to the boat and the ramp is 200 feet long. You're very, very close to the boat. It's very, very, customer convenient and access for those Louisville customers is very easy as they come to the market.

The property will include three restaurants, an 18-hole golf course. We're just completing our Arnold Palmer designed golf course in Bay, St. Louis. It will open this fall. We would intend to build a world class golf course on this location as well.

The property will obviously have retail shops. We're very excited about that. We think that that's additive and creates an opportunity to not only create revenue but it's a great form of marketing with the logo identification.

We'll have a banquet and entertainment area. We'll be able to handle convention space and entertainment on a continuous basis. We think that's very,



very important. All of the amenities really will be here to create a resort and really a world class resort. But at the same time creating easy access and convenient access for those customers which come from the local marketplace which is specifically Louisville.

Don't forget besides we have over \$6 million worth of infrastructure improvements that will be made for the town and county. We think that's very important as well. We're adding to the water systems and to the sewage systems and to the other infrastructure that's in the county and the town in order to be able to allow Casino Magic to open in Crawford County.

I think we've had a chance to see a few of the views of the property. I'd like to spend just a minute more and talk about the Crescent City Queen riverboat. This is a terrific vessel. It is arguably the number one gaming vessel that has been built to date. It has a twin sister, the Grand Polite Boat, which is operating now in Lake Charles, Louisiana.

This boat is fantastic. It has 88,000 square feet of interior space on three decks. It's 360 feet by 99 feet. It has a 3,000 passenger capacity. It holds, we've designed it to lay out 1900 gaming positions in a very, very spacious manner. The boat can hold substantially more if we determine the market will support it.

It's obviously on three decks. We think the access and the access between the two decks are via escalator. They have 18 foot high ceilings. It's a tremendously open area and feels very much like you're inside of a traditional land-based casino. And yet at the same time it's very cruise capable.

We have two escalators, as I mentioned, between the first and second deck as well as three elevators which service all three decks. You'll be entering the boat as designed during normal water levels at the second level and makes it very easy access to the third deck or down one to the main deck.

We anticipate that it will be a very,

very customer friendly facility indeed. It also has in its main foyer an entertainment stage area. We think that's very important. Obviously since we're going to be cruising entertainment is a key portion of the casino operations and we would expect to have continuous entertainment going on while the boat is away from the dock.

Let's focus a little bit on our development schedule. As we indicated in the video, we anticipate opening the main project nine months after receipt of the Corps permit. Our construction schedule is such that we can do that. We anticipate the completion of the entire project 23 months after receipt of the Corps permit. But we also have another option, which I think is a very unique to this site. We have the ability to open on an interim basis two months after receipt of the Corps permit using our permanent mooring facilities, the mooring facilities that we're designing and put in place are really fairly minimal compared to a number of our competitors. The site has already been permitted in the

past. The bank is, has the proper riprapping in place and there's plenty of water. We envision that we're going to be able to construct our mooring facilities very rapidly and should be able to have our permanent mooring structure in place within 60 days of receipt of the Corps permit.

We have as part of the 350 acres we've acquired at the river level, or at the level that the landing facilities is, we have some 12 acres that are an existing campground. That existing camp ground can be used for interim parking. We can put some 1200 cars on surface parking at that level as well as to add a spring structure for our land site services.

That is in the flood plain. We have included in our Corps permit the option to be able to do that. But it's important to keep in mind, I think at the time that the Harrison County licenses were granted you had an opportunity to tour the sites, the Harrison County site was underwater. The campground area was not. It's generally not. I think it's above the 25-year flood

level so you're really very, very seldom would that ever be wet. So we anticipate that would be a very good way to get in business. If you envision eight to nine months to get a Corps permit it would allow us to open early next summer rather than at the end of 1997 early '98.

So we think that would be tremendously beneficial both to the town and county as well as to the State by getting revenues rolling. And obviously to our employees to be able to get the business going quicker and generate employment and get them trained faster.

The permanent structure that would be open within nine months would include 250 rooms, all 2500-car parking facility. The main entertainment and restaurant and dining areas on top of the parking facility as well as all of the city infrastructure improvements. The complete project would include the golf course, the additional 150 room motel, the convention and meeting room space.

I'd like to spend a moment and talk a

bit about the market itself. The Louisville market is how we view this, was estimated by Irvine systems to be \$375 million in total. Our competitor Harrison County Caesar's estimates their revenue to be 220 million, which leaves 155 million of unserved market within the greater Louisville area.

Our projections are based on approximately 120 million in revenue. So that we, as a most likely scenario, so we believe there's plenty of room for the market to be able to absorb not only our operation and Caesar's operation but still have some unmet demand as well.

I'd like to look at it from a businessman's perspective and compare that market as it relates to the 375 million size to another market which is substantially similar from a demographic perspective. I'd like to look at the greater Tunica, Mississippi market, which is Memphis.

The Memphis market is approximately the same distance from the Tunica casinos as Louisville is from Crawford County. We're about 30 miles. The, within the 50 mile

radius of each site they have approximately the same population base. So that we have a pretty much identical populations. I think the Louisville market also, when you look at the disposable income per household is slightly higher than the Memphis market. So they have an actually slightly richer population base.

The areas are substantially similar. Before gaming came to Tunica it was rural had a relatively high level of unemployment, and really no infrastructure whatsoever. The same can be said of Crawford County. We've had a high level of unemployment. I believe it's the highest on the Ohio River and it continues to be that. It is definitely rural. I think it was said to me by one of the county commissioners that you can't buy a pair of coveralls there. So it is something that there is not a lot of retail or any other activities in place.

The infrastructure is lacking. They need to have revenues in order to be able to do that. And with approximately 30 percent of the land mass in the county held by the

State for tourist activities the ability to generate tax revenue is limited compared to other counties along the Ohio River.

If you look at the greater Memphis market, and look just on adults available within 50 miles per each gaming position which I think is a good way to compare these markets. The adult population per gaming position in the Tunica market is about 68 people per gaming position. The 1995 numbers that are up here shows about 1400 gaming positions in that market.

The trailing 12 revenue for that market, though, is 800 million dollars. So very, very substantial marketplace. Keep in mind demographics are very similar. If we take a look at the Louisville market, you look at the same comparison, you can look at what Casino Magic is proposing as well as Caesar's, we're looking at total number of gaming positions of approximately 5700. But look at our population base of adults per gaming position. It's two and-a-half times higher than the Tunica market. So from a businessman's perspective it's very



reasonable to say that 375 makes sense. We should be able to do at least that much. Because the, if the Memphis market is able to do on an unconstrained basis 800 million plus, we ought to be able to do 375 because after all everything else is the same except our people are a little richer and we have almost three times as many adults for each gaming position within the 50 mile drive radius. That doesn't consider the tourist business at all that's coming to the marketplaces.

From a marketing perspective we believe a couple other key points that I think need to be made is this market is stronger with two boats in it than it is with one. I think there's no question that when you have a cruising requirement in the state, having the ability to have boats offset schedules allows for the whole to be greater than the sum of the parts. It's a very synergistic relationship. We think it will complement each other. Our intention would be to offset our cruise schedules and to work very directly with our competitor,

Caesar's in the next county over.

Also, the increased number of activities creates a really much more of a tourist destination. Southern Indiana is a tremendous tourist location now, but it is not being taken advantage of. By adding Casino Magic as well as a Caesar's project we're able to increase the number of activities in the market place, and by doing so truly enhance the true definition of the area as being a tourist destination. Which will increase total market size and absolute revenue both for us as well as for the town, the county, and the State.

Most gaming patrons that do come in for more than one day obviously want to visit more than one casino as well. So the opportunity for them to come with two operations to stay overnight will bring additional nongaming dollars to the market besides what you see at the two properties.

Two other points we wanted to make was to deal with the cannibalization of the Evansville market. We don't believe that we will at all. We think that whatever

cannibalization that's occurred in the market will occur because of Caesar's being here. The drive time between the greater Louisville market and the Evansville market is longer than the cruise time that the boats are away from the docks. So once Caesar's is in business the customer would be able to literally wait for a cruise and get on a casino quicker than driving to Evansville. So we think that the impact of adding an additional boat in this market is pretty much minimized. Whatever damage has been done to that market has already been done by the addition of the Caesar's license.

Finally, from a legislative perspective, we think it was the legislative intent as it relates to the market to be able to spread the economic development throughout the region. We think that that will allow the market for the whole state of Indiana to be larger than just if it's concentrated in one or a few locations. We think that's very important.

We also think the Patoka Lake French

Lick area will be served by our location as well. We're very, very close to that.

We're 35 miles from French Lick. And our intention would be obviously to market to that group as well and to create a number of activities where we will work together to bring customers to both their market as well as ours.

The next area we'd like to spend some time on is the actual project financing. How we plan to pay for this project. We now know we've got a market that is substantial. That we have a project that I believe will be able to attract tourists for a long, long, time and generate casino revenue that we have estimated.

It also will generate cash flow. Substantial cash flow. We estimate it will be somewhere between 33 and 39 million on a going forward basis. This will easily allow us to finance this project. On Friday a team of Casino Magic executives as well as Wasser Steam Perella, Steve's company, put together a funding that we've been working on for several weeks for our Bossier City

project. We did a 115 million dollar project financing. But that I mean it's financing that is stand alone. It relates only to the Bossier City project. It is not collateralized by any other Magic assets, and it would be substantially similar to the type of funding that we would expect to do here.

If you compare the Bossier City project that we just completed on Friday to the Crawford County project, from a cash flow perspective again we estimate our Crawford County cash flow to be in the range of 33 to 39 million on an annual basis. Our Bossier City estimate was 38 million. So substantially the same.

From a revenue basis we're estimating that our revenue is 120 million, with the added amenities in Crawford County. If you look at Bossier we estimated that to be 136 million. But we also have the ability to expand our revenue here as we talked to the 155 million range. So very much the same as we move forward.

The project investments we're

anticipating Crawford County at 155 million in total. Of which some 35 million would be earned out of cash flow after the property's open. The Bossier City project is 137 million in total. So very, very similar as to what the initial funding requirements would be.

So we think that that project financing would be easily obtainable. We have available for question and answer representatives from Wasser Steam Perella as well as Jeffries and Company to talk about the ability to do that though moving forward.

We think this is also it's important to note that this is consistent with the type of financing of other Indiana project to date. The Wasser Steam Perella folks have got involved in and did the Majestic Star, which is substantially similar to the type of project that we just completed. Showboat in East Chicago was funded that way as well as Argosy in Lawrenceburg.

A number of other operators as well have focussed on the independent project

financing or using of the high yield market in order to finance it. So we're very excited about the ability to do that. And as a new team at Magic we have just done it and we believe we can do it easily again.

I'd like to spend the last couple minutes and focus on the benefits that we believe we're going to bring to the town, to the county, and to the State. The benefits really are in three areas. They're the employment. We think that's something that long-term is what the law was all about was to create new job opportunities. And we think we're going to do that.

I'm going to ask Alan Rachels to talk about the, the amount of dollars that are going to be generated for the town and the county and the state by this project.

And then finally, I'm going to ask Katherine Green to spend some time and talk about what it means to be a good neighbor. Katherine is our director of community development in the Bay, St. Louis area and is going to spend a little bit of time talking to you about that project.

From an employment perspective what I wanted to focus on we're going to have about 1500 employees when it's all said and done on a full time equivalent time. Those employees are going to earn an average of about 21,000 dollars on a full-time basis a year exclusive of tips. And these jobs are -- that's really the entry level positions. They have the opportunity to move up substantially from there.

Our goal is to create careers not just jobs. I think that by doing that we're able to create an environment where Casino Magic, within our corporate structure allows people to move forward within the community. Allows people to grow. There is a tremendous -- if you look at the Magic people today, and you spend time and talk to them, you'll see that a number of them like the four that was on the video have grown up with the organization entering at entry level position and are now at midlevel management. So we're very excited about that and we think that's very important.

We obviously have a focus on equal



opportunity employment. We think it's important for us to be focused in that area. And we will comply consistently with the requirements within the state and what's included in the legislation. It's been our practice to do so and to far exceed that.

We will seek out minority employees in the greater Louisville market. And we think, in fact, that through our recruiting, training and upgrading in the community, we think that we will be able to not only meet but far exceed the requirements within the legislation.

With that, Alan, I'd like to ask you to come up and spend a few minutes on the taxes.

MR. RACHEL: Thanks, Ed. Crowe Chizek was asked to do two things by Casino Magic. One was to do an updated market study on the southern Indiana market which is included in the packet that you have. And we hope that you'll take time to take a look at that and see how we view the entire southern Indiana market.

Secondly, we were asked to assist

Casino Magic in helping negotiate with the city or the town of Levenworth and Crawford County in putting together a revenue package and revenue sharing. The first light will show that Casino Magic has agreed to give 1.5 percent of the first 100 million dollars of revenue back to the county, and the town. Three percent from 100 to 150 million and 5 percent over 150 million.

Working with the engineering firms that the town and the county hired, we came up with a prioritized infrastructure program and put some dollars and cents to it and came with a package of contributions to the community of 6,480,000 dollars. And that includes water and sewer improvements, fire truck and fire fighting equipment, police and public safety equipment, police and emergency medical, life safety multipurpose facility, highway improvements and signalization.

And finally, the third slide will show total taxes and contributions that will be paid to both the county and the state. There will be, this is over a five-year

period and it's based on our market assessment of a minimum of \$104 million in revenue the first year, and an average of about 113 million over the next four years. 65,500,000 in county taxes, 103 million 6 in state taxes, adding on the 6.5 million in infrastructure grants, and \$9,250,000 in voluntary contributions. A total of almost \$185 million. The total revenue of 558 million.

So the taxes and contributions will be approximately 30 percent of total revenue. Now in addition to that, Casino Magic on its boat and complex will pay about \$2 million a year in property taxes in Levenworth and Crawford County. So you can add on another \$10 million that will be going to the governmental, and quasi-governmental units in the county.

In addition to that under the revenue sharing agreement that's been negotiated with five counties, Washington, Orange, Dubois, Perry and Switzerland County, there will be an additional \$10 million or \$2 million a year in revenue sharing money

going to those counties.

To tell you about another contribution Casino Magic will be making to the area, I'd like to introduce Katherine Green who is director of community relations for Casino Magic in Bay, St. Louis. Katherine.

MS. GREEN: Good morning. Again I'm Katherine Green, director of community regulations for Casino Magic. And this means that I'm responsible for insuring that Casino Magic maintains a very high level of community involvement where we operate.

It is my responsibility and my job to make sure that Casino Magic maintains a reputation as a good neighbor. And I truly enjoy doing this. I am very pleased with the relationship that Casino Magic has developed with the residents, business owners, and city officials in the community. We work very well together. We are constantly doing joint projects. And we serve the community in ways where they need help on a daily basis.

Casino Magic supports more than 75

local organizations through employee participation and management involvement. And management involvement because our management members are involved with a community organization all along the Mississippi Gulf Coast. I mean each management member is actively involved in the community organization. And we have the support of our entire management team, and our corporate staff in all of our community support.

Some of the organizations that we're currently involved with are the Alzheimer's Association, where more than 100 employees participated in Memory Walk from Casino Magic.

The American Cancer Society, where we have had several bone marrow testings on our property where employees actually participated.

The AIDS Walk for Life where Casino Magic employees was the largest group in participation of any organization on the Mississippi Gulf Coast.

The Salvation Army Toys For Tots

program. Casino Magic has its own in-house program where we, we collect more toys each year for the Salvation Army toy drive.

The United Way. Casino Magic received, just recently received the award for the highest percent of increase in contributions for this past year.

The American Red Cross. We're having a blood drive and it's scheduled for September 21st.

Kids voting. Kids voting had Casino Magic's employee participation because we had employees at every precinct along the Gulf Coast assisting with the voting process for children.

The Muscular Dystrophy Telethon which is in two weeks. Casino Magic sponsored the most watched hours of the annual muscular dystrophy telethon on the Mississippi Gulf Coast.

And yes, we are a good neighbor. For our closest neighbor Casino Magic has an AYSE program that's been implemented and it's been going on for three years now, where local businesses and high school

students benefit from this program.

And AYSE, A-Y-S-E, Assisting Youth With Summer Employment, is where local businesses hire a high school student for 10 weeks during the summer months and Casino Magic reimburses those businesses one half of the wages paid to the student. And that's been received very well with our residents in the community.

I want you to know that Casino Magic is committed to taking an active role in the communities where we operate. And now, literally teams, churches, school groups, senior citizens centers and so on are very, very close neighbors of ours. The mayor's office, the police department, the sheriff department, the library, are all a part of what makes us a good neighbor. And that's because we work together in supporting the community.

Casino Magic is recognized for its role as being a good neighbor in the community. It's recognized because its concerned for the community, its contributions to the community. And Casino

Magic continues seeking opportunities to make life better for residents in the communities where we operate. And we would definitely make those same, try to, we would definitely seek those same opportunities in the community in Crawford County. Thank you very much.

MR. ERNST: Why choose Casino Magic? I think really it boils down to three or four key points. We have a quality project which fits Crawford County's landscape. And I don't just mean the site. Over the last three years we've had the opportunity to work, myself and my predecessors, with the community. And we fit. The people and our people have worked together consistently, and have delivered things that I think none of us believed are possible. You can see them sitting out here today.

We believe we're going to bring the best riverboat that possibly can be brought to Crawford County. We think the project, the boat, the people, are going to be terrific. So we will definitely fit the landscape. The experience for the customers



that are going to come to Crawford County are going to be unbelievable and will tremendously enhance the tourism in southern Indiana.

The south central market will support two riverboats. We think the Louisville market is very, very strong as I pointed out earlier. There's no question about that. As a matter of fact, I think our estimates as well as Caesar's are very, very conservative. We will be very synergistic in the marketplace and be able to create an environment where customers will be able to come and have a great time. We also think that it meets the requirement of the law. It creates economic impact throughout the Ohio River Valley not just in one particular location.

We're very experienced in opening new gaming operations. We have a management team that's been put together by Marlin Torgeson that has a history of designing, developing, financing, opening, and most importantly operating casinos, new venue casinos, I think more than anybody else in

the industry today. Our experience level is stronger than anybody else out there in the new venue marketplace. And we're very proud of, and I'm very proud to be part of a team. We have a reputation of delivering on time and on budget. We'll deliver what we say we're going to deliver. I'm very committed to that.

We are committed to Crawford County. We think that it is a tremendous opportunity for Casino Magic and for the county. We think we'll do the things that are appropriate in accordance with the legislation and legislative intent and do the things that you would wish to see us do. Please give us a chance. Thank you very much.

CHAIRMAN KLINEMAN: I guess according to our schedule we could now take a break. And we will be back here about 10:30.

(At this time there was a brief recess taken, after which the following proceedings were had:)

CHAIRMAN KLINEMAN: We're going to have the Commission down here to view the

presentation by Crawford County and after that we'll have a question period for the applicant. Before we get started I guess Representative Hekey would like to say a few words.

CHAIRMAN KLINEMAN: Representative Hekey says he will be a part of the county presentation. So, with that, I'll turn the proceedings over to you Mr. Lorenzo.

MR. LORENZO: Thank you, Chairman Klineman. That being said, we have asked Representative Hekey who is our state representative from District 73 in our area to lead our county's presentation. Dennis, if you would.

REP. HEKEY: Thank you and good morning and thanks to the Commission for scheduling the hearing for Crawford County, the future home of Casino Magic. I would just like to start out this morning by talking about Crawford County and being a state legislator. As I have run and represent Crawford County I know the statistics that you see that Crawford County is a county that's very high in

unemployment. I think that bears out when you think and you find out that the largest employer in Crawford County is the school corporation. There's very little industry. In fact, I think the largest is a small furniture plant that burned down this summer. About 40 employees lost their jobs.

I will tell you of my experience as state representative. I was very personally quite involved with the passage of the law that you're working with today. Take no credit for it. It was just that I saw the opportunity to do some things for all of southern Indiana at that time. I didn't know that I would come back personally and be involved for a particular location. But two years ago I had a primary point. And I traveled through Crawford County, was campaigning for re-election. And I ran into people that were 21 to 30 years of age. And even though they knew me they said, Dennis, what is your position for Crawford County for Casino Magic? I said, Tell me your position. And their position was simple. We want the opportunity to have a job here

so we don't have to leave our home of Crawford County to work.

Currently a lot of those people who live in Crawford County travel to Louisville in opposite direction from what we hope to bring the people from Louisville back to Leavenworth. We have people who leave there and come to Dubois County for the manufacturing. So they're all traveling on the road. And when I listen to those young people that asked for the chance to have employment in their home county I think that's what's so important about this project. They go to the Crawford County schools, get an education, and what can they do? They can either go to Louisville or Dubois County for a factory job.

Maybe they'll go on to further education and come back and apply for one of those \$21,000 a year jobs at Casino Magic. I think that's what we're talking about is the future of Crawford County. I've always been a legislator who supported all kind of funding to promote tourism in southern Indiana. I think this would be another

great tourism attraction in southern Indiana in Crawford County Levenworth. With that in mind I would like the Commission and the county for allowing me to speak first. But I probably stole someone's thunder. But I'm very supportive of this project.

I met with the Casino Magic people very early. Saw the design of the building and how it was going to fit on to the river. And I think it's magnificent how they can build that above the 100 year flood plain and yet be able to operate their boat.

I didn't know until this morning that they had three miles of river to travel in. I never was sure of that number. I'm glad to hear that. Because we did put that language in that law that the boat should travel. And I think this could be one of the first along the river that can really travel. So thank you very much. And to the Commission members we appreciate your kindest consideration for Casino Magic.

CHAIRMAN KLINEMAN: Thank you,  
Mr. Hekey.

MR. STUTSMAN: Chairman Klineman and

Commissioners, Mr. Thar, Mr. Hannon, and Commission Staff, good morning. I'm John Stutsman the president of the town counsel of Levenworth. I've lived in Levenworth 35 years. And on behalf of the people of our community, I want to thank the members of the Commission for giving us this opportunity to speak with you today.

This is a very crucial moment for us. For well over two years people from Levenworth have worked with many other citizens from throughout our county, as well as advisors from other parts the state to consider studies and then develop a viable plan for gaming in Crawford County.

We are convinced that this plan will provide vital benefits to the people of my community where the casino will be located, as well as people throughout Crawford County, surrounding counties and the State of Indiana. Additionally, a regional balance would be achieved as a geographic picture of gaming in southern Indiana is completed.

In the following presentation you

will hear a lot of facts and figures providing substance and reality to our plan. What you won't be able to hear is the intangible fusion of these facts with the needs and dreams of the residents of our community. People who have a heart and tenacity to make gaming in Crawford County not only successful but to carry that success forward into a vibrant reality of increased industry.

Scores of people from our communities have freely shared their knowledge and time in shaping this climate we present today. Our communities are committed to its success. So that we can honestly say to you today you can count on Crawford County.

We're here today to show you why you can count on us. To share with you all the completed ground work, research, and planning necessary to insure that gaming in Crawford County is a success for both the people of southern Indiana, and the entire state.

We carefully studied the long-term and short-term needs for Leavenworth and



Crawford County. We've worked with Casino Magic, the gaming applicant, in sharing information and goals. And we've developed a comprehensive plan that we believe will realistically allow us to meet our needs.

To help illustrate our plans we'd like to begin with a brief video presentation that will acquaint you with our beautiful county and our vision for the future. Then you'll hear from Jeff Lorenzo, a member of our legal counsel, and members of the Crawford County steering committee regarding various aspects of the plan. Now here's why the people of our county, surrounding counties, and even our neighbors in Kentucky, are in agreement that riverboat gaming in Crawford county is a great idea.

(Video presentation shown at this time.)

MR. PARKS: There is an additional two-minute video near the end of the presentation. If the Commission would prefer to return to the dias or stay where you are I'll give you the opportunity.

CHAIRMAN KLINEMAN: I think we'll

take here.

MR. PARKS: Hello, I'm Charlie Parks. I'm the Chairman of the Crawford County Steering Committee and a member of the Crawford County School Board. As you have seen, there's been a ground swell of support for gaming in Crawford County. And there continues to be incredible enthusiasm, and commitment throughout Crawford County. People have truly embraced this idea. They have volunteered their time and their energy to help make this plan a reality. And it has been very gratifying to see so many people from many different walks of life working together toward a common goal.

I think one of the reasons that support has been so widespread is that in most people's minds, there seems to be a natural fit between the recreational tourism that our county already attracts, and the enhanced tourism and commerce that will be generated by the addition of gaming.

With this in mind our steering committee has set a number of goals that we will accomplish via gaming in Crawford

County. We want to create an economic base which will support continued county development. And we want to attract permanent investments. We want to improve job opportunities and provide employment framework that retains the population and the youth in our county. And above all, generate income for the people in Crawford and surrounding counties.

The 1994 average wage level for people in Crawford County was \$15,659. Well below the State's annual average of \$24,754. A gaming license in Crawford County would bring over 1500 permanent jobs and 2,000 construction jobs to our area. Even when viewed with the employment projection of the Caesar's complex in Harrison County, additional employment opportunities in southcentral Indiana remain an absolute necessity.

The danger that yet another gaming license awarded in the Cincinnati market could exhaust the Indiana labor pool in that area provides another compelling reason to choose Crawford County. We want to enhance

the tourism that already exists in Crawford County. To assure that gaming helps us meet these goals, we've worked hard to study and understand the impact of gaming. We've looked very closely at the impact we believe gaming will have. This includes the revenue that will be generated, the anticipated influx of business, the potential jobs that will be created, the impact on an expanding county tax base. Quality, residential communities, in total, bringing an enhanced quality of life to a community capable and ready. All of these factors have been key considerations of the steering committee.

We formed subcommittees to investigate social needs, infrastructure needs, economic base development, and a contingency trust fund. We've talked with knowledgeable people from other applicant counties gathering information and benefitting from their experiences. County officials and interested citizens have traveled at their own expense to other communities to talk with law enforcement officers, and other officials in order to

truly understand the changes we should anticipate. We've held public meetings. We've commissioned studies by experts to help us gain the information we need for careful planning. We've conferred with the applicant as they have developed plans for a destination resort complex, featuring the riverboat, a hotel, meeting facilities, entertainment, retail shops and a golf course.

We have worked with Casino Magic to improve and refine site development plans, and we are convinced that the plans created provide a successful platform for gaming in Crawford County. There are, of course, a number of changes and improvements that must be made in our infrastructure and our support services in order to be ready for gaming.

As you've already heard, Crawford County has severe financial constraints. We're typically able to repair and maintain only what is required, which means we never seem to get ahead. With this in mind, we needed to prioritize the things that

absolutely had to be geared up in order for us to catch up and be ready for gaming. These items will be detailed as we proceed through our presentation. At this time I'd like to introduce Jeff Lorenzo. Jeff will provide a brief overview of the agreements that we have reached with Casino Magic. Thank you.

MR. LORENZO: Good morning, I'm Jeff Lorenzo. I have been working with the Levenworth Town Board, the Crawford County Commissioners and counsel, and members of the Crawford County Steering Committee, as well as many citizens of the community for nearly two years now as they have prepared their plans for riverboat gaming in Crawford County. I'd like to give you a brief overview of the development agreement we have with Casino Magic.

We have obtained Casino Magic's commitment to build the entire project not phased or staged as the company committed to do during the referendum of 1994.

Second Casino Magic will make an initial payment of 1.5 million dollars to

the town and county, \$750,000 each, to cover costs associated with various preopening infrastructure and public safety needs anticipated by both units of government.

Third, Casino Magic will make the following contributions to the infrastructure needs of the town and county as a result of the construction of its project. These are the same numbers you've even in Alan Rachels' presentation.

Water and sewer improvement 2.9 million dollars. Fire truck and associated fire fighting equipment 400,000. Police and public safety 125,000. Ambulance and emergency medical 235,000. Life safety and multipurpose facilities, really two buildings, \$650,000. And highway improvements and signalization, again, almost \$650,000 for a total of nearly 6.5 million.

The community has already decided to use a portion of the 1.5 million dollars in unrestricted funds for the extension of Levenworth's sewer line two and-a-half miles north of the I-64 interchange which will

enable the future development of an industrial park and other commercial centers near the interstate.

The multipurpose building will house the chamber of commerce and the tourism offices, as well as the county's information and welcome center.

And then finally and perhaps most significantly over the long term for the community Casino Magic is going to provide the local units of government with a percentage of the adjusted gross receipts from its operation. This program will provide the town and the county with 1.5 percent of the first 100 million dollars of adjusted gross receipts. 3 percent from 100 to 150 million dollars, and 5 percent over 150 million dollars.

We believe that this agreement is consistent with development agreements in other similarly situated communities, and an agreement that adequately meets our community's needs. We are satisfied that these financial arrangements will enable the county to achieve both its long and



short-term goals as established by the steering committee.

The work we've completed and the consensus we have reached with Casino Magic lays the ground work for a very successful future. But I want to underscore the idea that our vision for success for the county is vested in the future.

Our goals as outlined earlier can make a meaningful difference in the quality of life for the people of Crawford County and the surrounding counties. This is a long-term goal and it's dependent upon continued economic growth. Gaming is the financial, the essential financial catalyst to that growth.

One of the ways we envision continued economic growth is through a revenue sharing plan. We've developed a plan that we feel will truly make a significant difference in the future of southern Indiana residents.

County revenue from multiple gaming line items will be pooled and distributed to counties adjacent to Crawford County currently not receiving gaming revenues.

Crawford County will also include Switzerland County in this distribution, contingent upon the awarding of a gaming license to Crawford County rather than Switzerland County. The method of calculation for the revenue sharing plan was based on an inverse relationship in the counties of assessed valuation. And this was used to determine the percentage lobed.

Approximately 17 percent of the Crawford County gaming tax revenue, both the boarding fee and the wind tax will be distributed to Dubois, Orange, Washington Perry and Switzerland County.

As you recall, legislation authorizing riverboat gaming specifically named two of these counties Dubois and Orange, as well as Crawford, to receive revenue from the Patoka Lake gaming license. It now appears that that license will remain dormant. We're excited and confident that our plan for revenue sharing provides needed revenue to these counties and enhances the ability of our region to grow.

I'd like to introduce Glen Casilius

now to provide a brief overview of the infrastructure and support service plan. Glen is a county commissioner and also a member of the Crawford County Steering Committee. He has been involved in analyzing and evaluating needs identified with the advent of riverboat gaming. Thank you.

MR. CASILIUS: Howdy folks. Good morning. I'm Glen Casilius. I'm a county commissioner and also a right proud member of the county steering committee.

Since May of 1994, when Crawford County overwhelmingly passed the gaming referendum our county has been preparing for gaming in many ways. We hired the Indianapolis firm, Wabash Scientific, to work with our subcommittees to examine and formulate our strategic and comprehensive development plan for the county. In March of this year the county retained Crossroads Engineers of Beech Grove, Indiana to undertake a study to identify the needs associated with gaming in Crawford County. Subcommittee members from both the public

and private sectors enthusiastically teamed with Wabash Scientific and Crossroads Engineers to help compile the information needed to evaluate our county plan and complete the studies.

The purpose of this study was twofold. First, we wanted to apprise the immediate impact on the infrastructure and support services that would occur with the advent of gaming in the town of Leavenworth.

And secondly, we wanted to evaluate the support services throughout the entire county, not only to assess needs but to prioritize these needs and assign corresponding improvement costs. These priorities and their associated costs are described in detail in the reports which you recently received.

We have also identified these priorities in terms of both immediate and long-term needs over the next ten years. For clarity, I'll provide a brief overview.

The study detailed waste water, solid waste, and water service needs, that will be created by the addition of gaming to

Crawford County. The cost detailed on the screen indicates the dollars associated with upgrading, replacing and enhancing facilities to meet the projected growth in the county. This includes providing sewer and water services for the I-64 interchange.

Currently a minimum of 127 acres of land has been pledged for future development of commercial and industrial base at this interchange. There are several road improvement projects which would be undertaken. One of these is the realignment of the curve on State Road 66. As you can see this realignment would assure a safe corridor and create a more efficient flow of traffic from Interstate 64 to the riverboat. The existing somewhat severe curve will be replaced with a sweeping curve designed to accommodate speeds of 50 mile per hour.

In addition, traffic signals will be installed to facilitate traffic flow at the I-64-State Road 66 intersections.

Furthermore, signals would be installed at the entrance to the riverboat site near the intersection of State Road 66 and State Road

62 with appropriate lane additions.

And on a special note we're very proud to say that State Road 62 the first historic designated scenic road in Indiana was recently name a federal scenic route.

There are also general road improvements which have been identified throughout the county. These improvements include work on existing bridges, culverts and improvements in the capabilities of the highway department to maintain these roads.

We have also looked at the new needs that will be created for telephone service, electric utilities and natural gas. This examination includes future studies to determine changing rate structures. The study also described the needs for emergency and fire protection. Which includes the construction of a new fully equipped emergency facility to be located along State Road 62. This center will be staffed with qualified EMTs, support staff, additional ambulances, a new fire engine, additional full-time deputies, and additional police equipment.

We are convinced that this plan allows the department of our county infrastructure to act as a catalyst or a springboard for future development in Crawford County.

Now I'd like to introduce Tom Dodderidge to provide information about our community and educational needs. Tom is the Superintendent of the Crawford County School System and also a member of the County Steering Committee. Thank you, kindly.

MR. DODDERIDGE: Good morning, I'm Tom Dodderidge, the Superintendent of the Crawford County Community Schools. In addition to the work undertaken by Crossroad Engineers our social needs subcommittee took a long hard look at the various public needs which we feel exist in the county. And now with the potential of gaming dollars can finally be addressed.

For example, the subcommittee identified a need for a public assembly meeting place to hold public gatherings such as this hearing or other county or town meetings. We expect this facility will be

constructed at or near Crawford County High School so it could also serve as a facility for school and other public programs.

The most important aspect of our plan is the need for economic growth and enhanced opportunities here in Crawford County. Education is the key. Our plans call for the renovation and expansion of five existing elementary schools and upgrades to existing high school facilities. For several years we have struggled with financing these projects and now we may be able to address them. These improvements represent a long-term investment of 15 million dollars. The single largest expenditure in our plan. And we believe the most important in terms of the future of our county.

We have planned a school book supply program. Funding will be provided to purchase the needed school books for free student use of all elementary and junior, senior, high schools. This will eliminate the current expense for parents of paying rental and lab fees for their children.



Additionally, we have plans for the creation of the community development corporation to promote college education by providing scholarships for tuition and books to Indiana colleges, and provide trade school programs to enhance technical and vocational education.

We also recognize the value of nurturing the needs of our elder citizens through the creation of the a multiuse senior citizens and family center. And recreational park improvements to better preserve the character of the communities of Crawford County.

Our economic development subcommittee developed a comprehensive development plan which includes building a multi-youth center to house a number of county functions such as a senior and family center and the Crawford County chamber of Commerce.

The committee also formulated plans to create an industrial park as well as promoting augmented tourism in the county. And additionally we have established a plan for contingency trust funds. The work that

has been done by Crossroad Engineers and Wabash Scientific, as well as the members of subcommittees, has been thoughtful, thorough and comprehensive. We have learned from the experiences of other counties and are very confident that we have projected and prioritized our county's needs to the very best of our abilities.

And now I'd like to reintroduce John Stutsman. Thank you.

MR. STUTSMAN: We, the people of southern Indiana see beyond the financial benefits that gaming brings. We view gaming as an opportunity for a new future. One that provides better jobs, improves the quality of life and helps keep families together by reducing the pressure to move out of the county for gainful employment. These are the tangible rewards of all our efforts. And this is what the people of our community hope for the future.

(Video presentation is shown at this time.)

MR. STUTSMAN: Over the past few minutes we've outlined our efforts in

preparing for gaming in Crawford County. We've described some of the challenges we faced with approximately one-fourth of the county devoted to natural or state forest areas, reducing our tax base, and our opportunities for development. We've been faced with a diminishing population, high unemployment and below per capita income.

Yet there is tremendous enthusiasm for the future, and the opportunities we know can be created through gaming. Our county-wide referendum passed in every precinct with the largest victory margin in the state. We have a premier site for the development of a resort destination with quick and easy access from Interstate 64.

The scope of our development along the river is a good match for the anticipated market. And importantly Crawford County doesn't distract from other regional gaming operators. We have studied the needs gaming will create and what it will take to meet those needs.

We've established a positive relationship with the applicant, Casino

Magic, and have negotiated an agreement that we believe will enable us to reach our goals. We developed a revenue sharing plan for southern Indiana, and most significantly we have planned and placed for long-term economic growth. It.

All adds up to this. You can count on Crawford County. We're ready, we're committed to making gaming a success in Indiana.

I would like to take just a few seconds to thank the people of Leavenworth, Crawford County who are here today, and recognize their countless hours of preparation and hard work and the development of these plans. You're the reason you can count on Crawford County.

We would be happy to answer any questions you may have of us regarding our plans and preparations. Thank you very much.

CHAIRMAN KLINEMAN: Thank you very much. Maybe what we'll do far as the questions are concerned maybe we'll just use the podium down here, Mr. Lorenzo, wouldn't

that be the easiest thing to do?

MR. LORENZO: That would be fine.

CHAIRMAN KLINEMAN: And what we'll do is question the county first, and then we'll ask the Casino Magic people to be available for questioning. And if you'll be the moderator I would appreciate it.

MR. LORENZO: I'll be happy to.

CHAIRMAN KLINEMAN: I guess I could start off with one question, which is the accessibility of your site to the French Lick area, in particular the hotel. I heard it was 35 miles from the site to French Lick. Could someone describe the nature of the roads, how long it takes to get from --

MR. LORENZO: It's approximately 40 minutes, Mr. Chairman. I would like Chip Charles who is originally from that area and who has done our traffic design to respond.

MR. CHARLES: Chip Charles,  
Crossroads Engineers.

CHAIRMAN KLINEMAN: You're going to have to speak a little louder and into the mike.

MR. CHARLES: Sorry. I'm chip

Charles from Crossroads Engineers. As Jeff said I grew up in the French Lick area. I did grow up there. It is about a 40 minute drive as Jeff said. The hotel in French Lick has expressed considerable interest in this project in wanting to be a partner with the group, and arranging with Casino Magic tours and transportation for people staying at the hotel to go to the boat.

CHAIRMAN KLINEMAN: Okay. Could you describe the routing, how you would go.

MR. CHARLES: The route is to Paoli, and then you would head south to Levenworth from there.

CHAIRMAN KLINEMAN: On 37?

MR. CHARLES: Yes. It is a two-lane highway, but it's one of the best highways that we have in southern Indiana.

CHAIRMAN KLINEMAN: Which isn't saying much.

MR. CHARLES: Well, you work with what you've got. And -- but that would be the route that would be taken. And it is approximately a 40-minute trip.

CHAIRMAN KLINEMAN: Down 37 to 64 and

then across 64, is that what you're talking about?

MR. CHARLES: Probably.

MR. DILMAN: Mr. Klineman and Commissioners, I'm Harold Dilman, an attorney with the county and the town. There are various exact routes, but one of them is Interstate 64-66 junction you can go north. You can go to Highway 64. Goes west, pick up 37, go to Paoli, pick up 150. Or you can take the interstate to intersection 37, go north on 37 to Paoli, through English into Paoli, around the circle, take 150 west.

It is very accessible. And I am proud to say that State Highway 66 in the recent past has been widened, and has been resurfaced and presently is in very good condition. And likewise, there have been recent improvements to State Highway 37 and to State Highway 64. So it's not a four-laner but we do have good access.

CHAIRMAN KLINEMAN: Okay. Thank you.

MR. VOWELS: In reference to one of the video presentations portions that we

saw, that hard turn as you're coming from 64 coming down there, and you showed that it was going to cut across somebody's land to make it more smooth a transition. You understand what I'm talking about?

MR. LORENZO: I do.

MR. VOWELS: Has there been any cost assessment in relation to that, fixing that turn and also who would pay for it?

MR. LORENZO: The improvements to that curve will be paid for by Casino Magic and that is the \$645,000 you saw on the screen.

MR. VOWELS: Specifically for that turn.

MR. LORENZO: Specifically for that. There are really no other significant road improvements. Their engineer is here. If you'd like him to describe any improvements that might be made from the interstate to State Road 62, and 66 in that area. But, those are the only significant road improvements we're going to have to make to get access to the site.

MR. VOWELS: Any idea of the time



frame? If Casino Magic earns a certificate of suitability how soon that could be in? When it would be finished? I've traveled down that a number of times and that's just a hard core left turn is what that is.

With the traffic that would flow down there and people trying to beat the clock to be there and people coming back with alcohol in their systems that's a real concern here. If you could answer that.

MR. FLOYD: Doug Floyd, Casino Magic, that is one of the projects that we would begin between the issuance of the certificate and award of the final license.

Steve Ferribach of A and F Traffic Engineers is here today. If you want to go into the details of that he's discussed that with Walter Land of the Indiana Department of Transportation who is also here. Let it be certain to you that that is one of the projects that we would begin immediately upon the grant of the certificate, making the access and the consumer friendly access that Ed described a while ago is priority No. 1 here as we come out of the box.

The improvements at 66, I want to make sure that Jeff and I are on the same page here is not all that's included in our highway infrastructure improvements. Mr. Land has been advised through A and F Engineers that we will also do improvements at the point of, entrance from our property on to the site, this is going to include signalization. All of those costs will be born by the company.

MR. VOWELS: In reference to that particular curve though, have there been any discussions with the land owner there on that, I guess it would be the east portion of that, the northeast portion? Because it looks like they're going to have to cut through that person's land or create an easement or start condemnation.

MR. LORENZO: Ed, don't want to speak for the land owner but I think from our side of the table it's fair to say it was determined that it was inappropriate to go further until we knew whether the purchaser of that land would be Casino Magic or the State of Indiana. We know that we're going

to put in the improvements. And we know that the funds will be made available through the company. That insurance has been given to you in writing. It's in the terms -- and also to Mr. Land. But the owner there is aware that we have a need. And we have not finally negotiated a price. We're unable to do that. We would ask the State to undertake that.

MR. VOWELS: The owner is aware that you have the need. But what's the owner's attitude by supplying the land.

CHAIRMAN KLINEMAN: At this point he has not agreed to sell the land.

MR. VOWELS: Okay. Under any circumstances except.

MR. LORENZO: No, we have not come to that point.

MR. VOWELS: Everybody has their price obviously.

MR. LORENZO: I think you've assessed the situation accurately.

MR. VOWELS: Now as far as, let me get these roads straight. I know Interstate 64. And then State Road 64 is that the one

that runs in front of the Overlook Restaurant and down the way.

MR. LORENZO: That's State Road 62. And it merges with State Road 66 very near the point of the entrance to the property. And State Road 66 runs north to Interstate 64.

MR. VOWELS: State Road 66 runs north of I-64 or State Road 64.

MR. LORENZO: It runs north and south between the Interstate 64 interchange and State Road 62.

MR. VOWELS: That's the road we're talking about with the hard curve.

MR. LORENZO: Correct, that's on 66.

MR. VOWELS: Because in Evansville 62 and 66 get really strange because on one side of the highway.

MR. LORENZO: Crawford County has it's own unique strange attributes and 62 and 66 are together for part of the route there.

MR. VOWELS: What's the total expenditure then of, if you know, to upgrade some of the state roads.

MR. LORENZO: Including the curve, signalization and improvements at the entrance to the property, we've anticipated the total bill will be \$635,000.

MR. VOWELS: I thought you said 640,000 for the curve. Was I mistaken?

MR. LORENZO: It was not just for the curves. That's where Jeff and I got together a moment ago. I told you that included the signalization. The total dollar indication 600 and some dollars includes signalization and improvements.

The improvements of the curve alone can not cost that much money. RQAW, the civil engineer on our project, Kurt Falkner is here today. RQAW in its Indianapolis office came up with estimates to provide to INDOT about the cost of all these.

We believe the total cost as estimated by our engineers to be 635,000 or in that neighborhood. And if it exceeds that, the company's commitment is to pay for all improvements required by Indiana Department of Transportation to provide safe access.

MR. VOWELS: Does that include a possible fair market value of what the easement over that land owner's property would be?

MR. LORENZO: It does not. Those are the construction costs only. It does not include our cost for acquisition of the site.

MR. VOWELS: So obviously his land would be worth a whole lot more if you got the certificate of suitability than it would be if you didn't get it, right?

MR. LORENZO: Again, you've assessed it accurately. I believe that's true.

MR. VOWELS: Back to the county just quickly and I'll let somebody else start asking questions. As far as zoning, is there a county area plan commission?

MR. LORENZO: We have just established a county area planning commission. This project however is within the corporate limits of the town of Levenworth. And the Levenworth plan commission has addressed this issue. We have created a planned development category

within our zoning code just recently, the plan development category is specifically for the casino's use. It is designed for that purpose. We have the approvals from the Levenworth town board.

But in addition to that the county has also looked at its need for zoning, and the various attendant land issues that may arise in the future as the county, hopefully develops. So zoning is in place.

MR. VOWELS: That's enough for me for now.

CHAIRMAN KLINEMAN: Just so I understand, the town of Levenworth does have zoning but the county does not yet, is that what I understood?

MR. LORENZO: That's correct.

CHAIRMAN KLINEMAN: Then you concluded that zoning is in place. It really isn't in place.

MR. LORENZO: The zoning for the town is in place and there's nothing more required at the county level. There's been a comprehensive study done for the county. They have created an area planning

commission just recently. They're in the process now of assessing their zoning needs.

CHAIRMAN KLINEMAN: Okay, but how far does the zoning authority of the town of Levenworth extend just in general?

MR. LORENZO: We have a two-mile print.

CHAIRMAN KLINEMAN: Two miles from the casino site, or from the corporate limits?

MR. LORENZO: From the corporate limits.

CHAIRMAN KLINEMAN: Generally, how far would that be in a circumference from the casino site just roughly?

MR. LORENZO: Virtually to, not quite to the interstate but almost.

CHAIRMAN KLINEMAN: Okay.

MR. LORENZO: In terms of landmarks you're familiar with it would encompass for example the Overlook and all the way virtually north to the interstate.

CHAIRMAN KLINEMAN: Okay. Other questions?

MS. BOCHNOWSKI: I have a couple but



one I'd like to stick with the roads for just one minute. As I recall from our visit and I was trying to find the map that shows exactly where it is, there's a bridge that goes across from Kentucky to Indiana. That's at Mockport. That's -- okay. Now would you anticipate people coming across from Kentucky on that bridge? Is that -- how would you anticipate them coming?

MR. LORENZO: We do anticipate people traveling across that bridge to Mockport and then over to Crawford County. It is our hope, and that's really within the scope of Casino Magic's marketing their casino, it's our hope to set up a shuttle service of some sort to make it convenient for those folks. It is not an easy drive from Mockport to Levenworth.

MS. BOCHNOWSKI: How else would they get over from Kentucky then if they didn't come across that bridge or would that be the main access?

MR. LORENZO: That would be the principal access unless you were talking about going from Louisville across the

interstate, which would be the quickest route.

MS. BOCHNOWSKI: It's my understanding there was some improvements due to that bridge. That there was some scheduled improvements there?

MR. LORENZO: The Mockport bridge?

MS. BOCHNOWSKI: Yes.

MR. LORENZO: Let Harold respond.

MR. DILMAN: Yes, the improvements are presently going on. They are replacing the surface on that bridge.

MS. BOCHNOWSKI: Not widening it or making it --

MR. DILMAN: No, ma'am. No.

CHAIRMAN KLINEMAN: I've been a little remiss in not asking people to identify themselves for the purpose of the court reporter, and I apologize to her, but if you would please identify yourself.

MR. DILMAN: My name is Harold Dilman, attorney.

CHAIRMAN KLINEMAN: I know it's very tempting to get up and start talking but it makes the record a little murky.

MS. BOCHNOWSKI: Okay. Then, I'd like to move now to the medical facility that you had talked, that had been presented by Casino Magic. And then you also mentioned an emergency facility, are those the same facilities or are those two separate facilities?

MR. LORENZO: We envision two separate facilities, but I'll let David Jones talk about our emergency medical and so forth. David?

MR. JONES: My name is Dave Jones. I'm a Crawford County Councilman. Also I'm a professional fire fighter for 17 years. I'm currently company commander for the City of Louisville Fire Department. And we have assessed our needs in working with the county and the town and we feel that the, what we call the life safety building, which will staff one ambulance that is ALM certified full-time, one police car with one full-time deputy on duty, and also the fire truck will be at that building. We feel that the two EMTs that are on duty can handle any situation that arises.

MS. BOCHNOWSKI: What if you needed to get somebody to a hospital, what would the nearest hospital be.

MR. JONES: That would be Corydon Hospital which is approximately 20 miles. But we've addressed what we feel is an adequate plan for the county. Within 20 minutes of this location we can have eight ambulances on site. Within 50 minutes we can have 42 ambulances on site in case of a maximum catastrophe. There are currently in the county 35 EMTs. There are 25 first responders. When the ambulance -- when Casino Magic goes on track we will hire eight additional full-time EMTs which will bring the total to 53. Providing a total of 62 people to respond to an incident that should be there in 20 to 30 minutes at the extreme.

MS. BOCHNOWSKI: I saw there was money there for the establishment of these facilities, what about the staffing and the ongoing maintenance, upkeep, whatever, payroll, all the expenses you have with maintaining these facilities. Where does

that money come from.

MR. JONES: After the first year that money would come from the county and the town out of the tax revenue. They provided \$235,000 for the ambulance, they provided up to \$400,000 for a new fire truck.

MS. BOCHNOWSKI: Okay. Was there any kind of helicopter?

MR. JONES: Yes, ma'am. The response time from two flights out of Louisville which will be Skycare or STAT Flight is 15 minutes. Fort Knox is also available. They would not give a commitment on a number of helicopters, but it would be more than one. But their response is 12 to 15 minutes air drive time.

Also Evansville is out approximately 35 minutes. We can also fly out of Indianapolis here which has response time of 48 minutes.

MR. VOWELS: What about helicopter pads?

CHAIRMAN KLINEMAN: Helicopter pads, where are the helicopter pads?

MR. JONES: The helicopter pad would

be located on the corner of Casino Magic's parking lot.

MR. VOWELS: What was the situation about the police force, again? How many sheriff cars do you have in Crawford County now?

MR. JONES: Currently we have one full-time deputy on 24 hours a day. With the addition of Casino Magic we plan to hire full-time deputies, which will have the effect of one full-time deputy on additional. So that will give us two.

We intend to split the county into two zones with the north zone above the interstate and the south zone below the interstate so there would be a deputy Sheriff on duty within just a few miles of this complex.

MR. VOWELS: So two Sheriff deputies total 24 hours a day.

MR. JONES: The town is also planning on hiring four full-time positions which would create one 24 hour position a day. We feel that is more than adequate to handle.

MR. VOWELS: Well, I didn't really

follow you on that. The city is going to hire how many?

MR. JONES: The town of Levenworth intends to hire four full-time deputies which will create one 24-hour position.

MR. VOWELS: At a given time, at any given time how many will you have on the road.

MR. JONES: At any time we will have two Sheriff deputies on the road and one from the town of Levenworth.

MR. VOWELS: Actually patrolling?

MR. JONES: Yes. Also there are four Indiana State police.

MR. VOWELS: But they have got a wider jurisdiction.

MR. JONES: They do have a wider jurisdiction. But they are based in Crawford County. If an emergency would come up their response time would be quick.

MR. VOWELS: In hiring these additional deputies, what are they going to drive?

MR. JONES: The town of Levenworth will receive one car.

MR. VOWELS: From where?

MR. JONES: From Casino Magic, from the number you saw on the screen, the \$125,000. The town of Levenworth will receive one car. The Crawford County will receive two cars out of that fund.

MR. VOWELS: Okay. Is there a jail in Crawford County?

MR. JONES: Yes, there is.

MR. VOWELS: Where is that?

MR. JONES: It's at English. The town, the county seat is at English.

MR. VOWELS: How far is that from where the boat would be?

MR. JONES: Approximately 17 or 18 miles.

MR. VOWELS: I don't have anything else.

CHAIRMAN KLINEMAN: Other questions?

MR. THAR: I just have one. How many people reside in the county today?

MR. JONES: 9,914 according to the 1990 census.

MR. SUNDWICK: What was your unemployment rate?



MR. JONES: 8.1 as of June.

CHAIRMAN KLINEMAN: Any other questions on the emergency response or law enforcement area? Mr. Thar?

MR. THAR: You indicated the town of Levenworth was going to hire one actual full-time deputy.

MR. JONES: Yes, sir.

MR. THAR: Would that be a town constable or another sheriff deputy.

MR. JONES: That would be a town marshal with three deputies.

MR. THAR: Who pays for that position?

MR. JONES: That would be the town of Levenworth.

MR. THAR: Who pays for the four full-time deputies for the sheriff's office?

MR. JONES: That would be Crawford County.

MR. THAR: Where would this money come from?

MR. JONES: We intend to set revenue aside from the tax money that comes in to cover personnel salaries. So it wouldn't

affect the property tax of the people of the county.

MR. THAR: With regard to the life support systems, the emergency support systems, who pays for personnel who staffs that?

MR. JONES: That many be staffed by town and county personnel.

MR. THAR: That's more county and town.

MR. JONES: That's the same personnel. There would be one ambulance on duty there 24 hours a day which will be staffed by ALS EMTs.

MR. THAR: But the expenses to operate it will be borne by the town or borne by the county?

MR. JONES: Yes, it will be borne by the town.

MR. THAR: Where does that revenue come from?

MR. JONES: The tax revenues.

MR. THAR: From the riverboat?

MR. JONES: Yes.

MR. THAR: What do you anticipate

that will cost for the increase in police services both to the town of Levenworth and the county?

MR. JONES: The initial cost for both is approximately \$300,000. About 153, or in that vicinity, to each.

MR. THAR: Then how much for staffing the life safety building?

MR. JONES: The staffing would include the deputy that's on duty as well as the two EMTs. So they were covered already in that cost. They're already covered in that cost.

MR. THAR: It's around 300,000 a year.

MR. JONES: Bit less than that, yes.

MR. THAR: Is there any plans at all for any type of a police holding facility in the town of Levenworth?

MR. JONES: No, there's no plans at this time. Actually what the second car is for we can use for transport. We can go pick them up, meet them at the scene and transport them back, so the deputy doesn't have to leave the scene, on the south side

of the interstate.

MR. THAR: Do you feel that the plan you have described is adequate?

MR. JONES: Yes, sir, we do.

MR. THAR: That's all I have on this issue.

MR. VOWELS: There was some discussion earlier that some of the officials had traveled to some of the other areas, along with other things. I guess my question to you, do you really feel that that police force, the additional that you're talking is really sufficient to handle the influx of the type of people here?

I mean if there's one incident and you've got two deputies on duty and one's going to transport one or two people to English, what if while he's gone there's two or three things going on?

MR. JONES: The deputy that's on the north zone will fill in for the deputy who's on the south zone as a back up. But in talking to our commissioners that have been to other locations, and I, myself, the

people from Bay City, St. Louis was in our county, and talking with the police chief. He said there was no noticeable need for any other police. That they actually went out and hired more than they needed. They didn't need the people that they hired.

MR. VOWELS: So you feel comfortable with that amount.

MR. JONES: Yes, we do. Also Casino Magic will also provide security who can assist down there on their complex.

MR. VOWELS: Okay.

MS. BOCHNOWSKI: What about, now this kind of falls in line with that, too. What about fire safety? What about if there was a fire on the boat in the water? What kind of provision do you have with that. I assume the security people could take care of a problem, an incident that you would have when the boat was out on the water, but fire would be a different situation.

How does your fire department get out there?

MR. JONES: Well, that's a two-step question basically. The boat, as I

understand it, is fully sprinkled. It has two fire pumps with the capability of 700 gallons a minute. And according to the American Insurance Association any structure that is sprinkled that's operational, the sprinkles will put out the fire in 98 percent of the time.

But in response to your question, we have, along the designated route, up the Ohio from the docking position, there are three locations that we designate as emergency response areas. The dock itself is one, halfway up the route there's a marina that has a ramp that's designated as a second location. And farther east along the river at the end where they turn around is another ramp into the river.

Those three locations have been designated as response areas, A, B and C. They can respond from the public safety building in three minutes to either one of those locations.

The captain on the boat can get the boat into any of those locations from any spot on the river within ten minutes.

So the boat will be staffed it have a paramedic on board in case of emergency with medical. And they can transport. And as far as the fire response there will be also a hydrant located at each of those spots in case the fire pumps for some reason do not work on the boat there's a Siamese connection that the fire engine can connect into and supply the sprinkler system on the boat.

MS. BOCHNOWSKI: If the boat had to pull into one of those emergency areas and you had a situation, how easy would it be to get a person to one of the hospitals? You've made arrangements for the docking site, but how difficult or easy would it be?

MR. JONES: It depends on what the paramedic assessed the needs of the patient. If it's life threatening they have the ability to call STAT Flight out of Louisville or Skycare and have them on the way. We can have an ambulance there within three minutes. The boat can be within in on the site in ten. They will offload off the bow plank. They can swing the bow plank

around and offload the patient and take them to the top of the hill and be there about the same time that the helicopter would be coming in from Louisville.

MS. BOCHNOWSKI: What is available currently, I know on the lakes and so on there are police that are actually out in boats. What kind of -- what's available for emergency response actually on the river?

MR. JONES: We, as a county did not deal with that. That is Casino Magic's, or the captain of the boat.

MS. BOCHNOWSKI: I mean on the river. Are there boats? Are there emergency response boats out there now?

MR. JONES: Not for the county. The Coast Guard is responsible for our emergency response to the river.

CHAIRMAN KLINEMAN: Well, aren't there conservation officers from Kentucky and Indiana that patrol the Ohio River?

MR. JONES: Well, I don't know how much patrolling they do, but they do have small boats that they can get out on the river in if it's needed.



MR. VOWELS: Was there any other applicants in the course of -- as far as Casino Magic, did the county have any other contact with any other potential applicant during, since the inception of the statute or even prior to that?

MR. LORENZO: There was some contact with Mr. Stutsman, who is the president of the town council a couple of years ago. It never amounted to anything more than a phone call. No one ever appeared. No one ever submitted an application.

Casino Magic was the only company that actually submitted an application. We had no other applicant at any town board meeting.

MR. VOWELS: When was your referendum?

MR. LORENZO: The referendum was in May 194.

MR. VOWELS: Casino Magic paid for that?

MR. LORENZO: Casino Magic paid for the referendum.

MR. VOWELS: There wasn't anyone else

involved? They were the only ones?

MR. LORENZO: No, they were the only ones. The margin was 62 to 38, I believe, on the referendum.

MS. BOCHNOWSKI: So the voters would have understood that Casino Magic, they were part and parcel of this?

MR. LORENZO: I'm sorry?

MS. BOCHNOWSKI: When the referendum took place people identified that with Casino Magic?

MR. LORENZO: Absolutely. That's why in the development agreement the commitment of Casino Magic to build the entire project was important to us because many of the folks who are here today on the steering committee used their political capital, if you will, and campaigned on behalf of Casino Magic's for the passage of the referendum on the basis of what was presented at the time by the company.

CHAIRMAN KLINEMAN: So the development agreement does cover all the points that were promised at the time of the vote?

MR. LORENZO: Yes, sir, it does.

MR. SWAN: Besides paying for the referendum has Casino Magic advanced any other funds or funding for the county maybe through the process that we're into today?

MR. LORENZO: Yes.

MR. SWAN: Could you describe those for us, please?

MR. LORENZO: I can tell you that the engineering, consulting, and with regard to planning and zoning, legal counsel, all of those funds have come from Casino Magic.

In addition, and they are paid to the county council or they are paid to the town treasurer depending on the nature of the claim.

The county has maintained a fund of \$100,000 continuously. The town has maintained a fund of \$20,000 constantly replenished by Casino Magic as needed. I can't tell you the specific dollar amounts that any individual consultant has earned. But in addition to that they have made contributions, for example, to our planning and zoning process, which is something that

has resulted in the passage of a planned unit development. Planning commission received \$5,000 in the event it incurred any cost related to studying the zoning change.

MR. SWAN: Are there any permanent positions in the county that Casino Magic is funding now?

MR. LORENZO: You mean with town or county government?

MR. SWAN: Yes.

MR. LORENZO: No.

CHAIRMAN KLINEMAN: Any other questions for the county?

MR. THAR: I have just a couple.

CHAIRMAN KLINEMAN: Mr. Thar.

MR. THAR: With regard to the immediate impacts due to gaming associated cost studies prepared by Crossroad Engineers, it shows there that water service to Casino Magic would be 1.2 million. Sanitary services to Casino Magic 2.54 million. That's before there's any expansion, the costs of the expansion to the I-64 interchange.

Casino Magic's commitment according

to their documents is only \$2.9 million which means it's around \$700,000 short of adjusted cost to their project. Where is that to be made up?

MR. LORENZO: Well, I think Casino Magic's commitment is going to be to pay for whatever is necessary. I can let Mr. Ernst speak to that if he'd like. But our engineers, Crossroad, and their engineers differed on specifically what was needed.

We have agreed to a mechanism by which the engineers will come together and make the final determination. Whatever that is Casino Magic is going to pay for it. We simply used the most conservative number to reflect our agreement with them.

MR. THAR: Is it then the county's position whatever the cost is for water service and sanitary service for Casino Magic or any other utilities to the project will be completely paid for by Casino Magic?

MR. LORENZO: Yes.

MR. THAR: That's the County's understanding?

MR. LORENZO: That's our

understanding.

MR. THAR: You talked about the unemployment in the county at about 8.1 percent. There's approximately 1500 jobs that will be created according to the presentation today. Where's the employment pool for those 1500 jobs?

MR. LORENZO: Well, there is an employment pool. Specifically as to the number I can't tell you. I would guess 3 to 500 people who are actively seeking employment in the county. But we also have an enormous number of people who leave our county on a daily basis. Three of the five members of our presentation leave the county on a daily basis to seek work in Louisville. We hope to bring some of those people back with good jobs.

MR. THAR: Assume for the moment they don't change, where do you look for the employment?

MR. LORENZO: The unemployment rates, I can let Mike Schafer from Wabash Scientific speak somewhat to that. The unemployment rates in the surrounding

counties are also, with the exemption of Dubois, also very high.

MR. SCHAFFER: Good morning. I'm Mike Schafer from Wabash Scientific. We are the economic development consultants that have assisted the county in developing its strategic plan. The specific, that specific issue did come up during the development of the strategic plan and there are several pieced to that answer. The first as Jeff has already alluded approximately 57 to 60 percent, depending on which particular time you measure, of the people in Crawford County leave the county to work elsewhere.

At the same time, the average income per household is substantially lower than it is in the rest of the state. In fact, the average income for multiple wage earner households is only slightly above, 10 percent above the average income for the jobs at Casino Magic. In other words, two people working are only making nominally more than an average job at Casino Magic.

So they do project that there will be some folks that will stop driving 45 minutes

for a \$15,000 job in order to drive 15 minutes for a \$21,000 job.

Secondly, there's not only an unemployment base in Crawford County, which is 50 percent higher than the State average. But the entirety of their strategy of the discussion that has taken place since Wabash Scientific came to the project was to develop a regional approach. Of the five counties that are involved in this regional approach, four of them have higher than, have higher unemployments than the state average.

We expect that the employment pool would come from there as well. And that employment pool issue goes hand and glove with the issue of revenue sharing that was alluded to earlier. They are proposing revenue sharing with a total of 20 towns in the area, and should they get the license, with two towns, I believe, in Switzerland County.

MR. THAR: Is that employment pool big enough to handle both Caesar's and Casino Magic?



MR. SCHAFER: Harrison County wasn't put into that employment pool that we studied. So I don't have the part about how Harrison County relates to Caesar.

We believe that the answer is yes. Especially if you go across the river to draw some people from Kentucky.

MR. THAR: So you have to look to Kentucky for part of the employment pool?

MR. SCHAFER: We believe that the employment pool is sufficient for both of them if you go across the river to Kentucky. We believe that the employment pool is big enough from the five counties to meet the Casino Magic requirements by itself.

It depends on how you end up splitting these. I'm trying to give you an honest answer but with the issues of how you compute the employment pools, depending on how far you go out from Harrison County. It ends up with the two of them together you can easily do it with Kentucky. With just Casino Magic they can do it with the five counties that they have got.

And inasmuch as Harrison County was

not regional in its approach, we felt justified in saying that those five counties, their employment pool would then be targeted as part of the project.

In addition, I'd like to point out that, that the poverty rate among single parent households is almost two-thirds in the county and sometimes it's above two-thirds and approaches three-quarters.

Single parent households, in many cases, would be a primary target as you saw in the presentation for new jobs. And those people are not reflected in the unemployment statistic by itself.

In addition, our research indicates that there are some 12 to 15 percent of the people in Crawford County have qualifying disabilities, but based on the numbers that we can get in the verifications that a number of those disabilities were toward high labor type projects, such as logging, which is one of the major industries in Crawford County and stone quarry work.

And we believe that there will be additional employment coming out of that for

folks that are physically capable of dealing cards and working within a casino but might not be able to operate machinery at a stone quarry or do heavy logging.

So with the combined increments that we just talked about we believe there are more than enough people within that five county region to handle all the jobs that Casino Magic has.

MS. BOCHNOWSKI: Where are you going to get your minorities? I didn't notice too many minority faces when I was down there.

And secondly, I guess once you tell me that, I'd like to know how often they would be in the county.

MR. SCHAFER: How often they're going to be the county?

MS. BOCHNOWSKI: Um-hum.

MR. SCHAFER: I don't think that's going to be an issue. Southern Indiana is not known for a high level of diversity and that part is just endemic. It's going to be the same all the way across the Ohio River basin. They're planning on trying to deal with that. The draw from the Louisville

market, I think is going to be the primary. Louisville, New Albany, Clarksville, Jeffersonville will be the primary determinant of the minority mix that ultimately we have.

The current 45 minute commute time for jobs. If you take as a matter of logic the current household income levels that were shown to you in the presentation, and say the people are 56 to 60 percent of the people in the county are driving to Louisville or elsewhere to get a job, for that kind of wage, you can then make the inverse argument that the people from New Albany, Jeffersonville, Clarksville and Louisville would be willing to drive in the other direction for a similar situation.

I'd like to leave the issue of the, their affirmative action programming and stuff to the folks from Casino Magic.

MR. SUNDWICK: In the five counties what's the longest driving distance in those five counties? I'm not familiar. If Harrison County is not part of the five counties that would be included, what would

be the driving distance? It would be closer to Louisville, wouldn't it, the farthest county?

MR. SCHAFER: The farthest county would be closer to Louisville?

MR. SUNDWICK: No, I mean, you know for the labor pool. You said there's five counties. Somebody's got to drive more than 30 minutes. You're going to drive an hour.

MR. SCHAFER: If I understand what you're asking me correctly. Harrison County is out of the three o'clock to 5 o'clock wedge in the circle. And the rest of these folks are, basically, around the other 75 to 80 percent of the circle.

And they, in fact are closer than they are, if I understood your question, to Louisville.

Also, the driving things, the State, I believe, has a program I guess I should leave this to Chip Charles, but the State is proposing the project to increase 145, which comes straight out of French Lick, and will hook to I-64 and be a direct route.

But at the present time it's not

completely approved, is that correct?

CHAIRMAN KLINEMAN: We keep talking about -- excuse me.

MR. SCHAFFER: I apologize, Mr. Klineman.

CHAIRMAN KLINEMAN: We keep talking about \$21,000 jobs but those are full-time jobs. Do you know the breakdown at Casino Magic proposes between full and part-time jobs?

MR. SCHAFFER: I'd have to leave -- I can give you what my number is and my number would not be as up to date as the people from Casino Magic could give you.

CHAIRMAN KLINEMAN: You don't want to give us your figures?

MR. SCHAFFER: I don't want to give you the answer that's wrong. That's my main problem.

CHAIRMAN KLINEMAN: We don't want to be faced with a situation where we are hearing about \$21,000 a year average, et cetera, when in fact, we won't be at that level except for whatever number.

MR. SCHAFFER: I understand. My

hesitance is not in -- what we use in order to do these projections and economic analysis that Wabash Scientific is responsible for doing is oftentimes more conservative than what some of the other people are recording. In many cases we'll see that they included something that we didn't think you could directly attribute to the project.

We use conservative numbers down around 60 percent being full-time jobs. To create a worst-case scenario. And in the creation of worst case, most likely, and best case scenarios I'm afraid I might give you the wrong numbers.

CHAIRMAN KLINEMAN: All right, we'll cover that later. Anything further?

MR. THAR: One last question. On the school board issues, there's a gentleman from the school board. What kind of a, I don't understand the commitments from Casino Magic with regard to any potential increase and in influx in population and new school children as a result of job creation. How will those elementary school improvements

and high school improvements be funded, and how big of an increase are you prepared to take?

MR. DODDERIDGE: I'm Tom Dodderidge, superintendent for Crawford County schools. We are proceeding ahead with upgrading our five existing elementary buildings, whether or not the development around Levenworth occurs or not. I did go down south to the Mississippi area. And in talking with a couple of the superintendents down there they did indicate to me that he had received as much as a 20 percent increase in the population for students as employees settled into new jobs.

We believe we have that covered with our plans for upgrading. You know, we are not planning on any revenue, per se, from Casino Magic. In our funding the programs that we're going to be doing to upgrade our facilities. The revenue that will come from Casino Magic. We hope, you know, we can pay down a debt and those kinds of things. But we have that already covered in plans that we are moving forward with in terms of



population increase.

MR. THAR: So those projects are going to go ahead regardless of whether Crawford County receives the riverboat license or not?

MR. DODDERIDGE: That's correct.

MR. THAR: And what is the increase you feel you'll be able to handle as a result of these improvements?

MR. DODDERIDGE: We believe we're going to be able to handle a 20 to 30 percent increase in student population.

MR. THAR: That's all.

CHAIRMAN KLINEMAN: Anything further of the county?

Well, I do want to acknowledge the large contingency of the people who have come here from Crawford County and we certainly appreciate your participation in these proceedings today and we thank you very much.

It's very helpful for us to know how the citizens in an area feel. So I do want to acknowledge your presence and thank you very much.

With that we'll move into the Casino Magic aspect of questioning.

Do we have a moderator?

MR. CHARLES: It's a joint moderation but I think Ed can handle most of these questions and where he needs to defer to me he can.

CHAIRMAN KLINEMAN: If we can sort of identify ourselves as we've been trying to do.

MR. ERNST: I'm Ed Ernst, president and CEO of Casino Magic.

MS. BOCHNOWSKI: You know, when we were asking questions of the county they indicated that you would basically do whatever it took as far as the utilities. I do remember when we were in our tour, that the conversation did come around to the water capability and that there really is a lot of work that's going to to have to be done in that area.

Were they correct in saying that you're willing to do whatever it takes?

MR. ERNST: Absolutely. How our development agreement is structured, the

dollar estimates that Mr. Lorenzo indicated earlier, that's just what they are. They're two different engineering statements is what the difference is.

We're committed in our development agreement to provide the water services that's required, the enhancements that are required to be there, not the dollars. It's not a question of here's X dollars. We're going to provide these enhancements.

The same with the sewer treatment facility. We're providing essentially a backup sewer treatment facility so there will be dual processing which is something that the City of Levenworth and the area has not had historically. We'll provide for the proper amount of force main structure and pumping stations to be able to handle all of the demand that's put on it from Casino Magic at the same time providing additional back up for the existing facility.

So it's a commitment. It's definitely a commitment to build the project not the dollars.

MR. VOWELS: The reports that we have

showed a project of \$132 million. And then here today I hear it's a project of \$155 million. The boat is a \$32 million boat; is that correct?

MR. ERNST: 34 and-a-half million.

MR. VOWELS: And is that included in your \$155 million project?

MR. ERNST: Yes, sir. I think the other difference is if you take a look and I could quote Greg for that, also we've included we have a lease purchase on our land which we pay for 20 years and then we own it after the end of 20 years. So we include in the 155 the actual purchase price of the land, present value.

MR. VOWELS: As far as the lease purchase now do you have an option on it.

MR. ERNST: We have a signed lease for the property that goes into effect on opening of the project. We have an option now, it's not exercisable until we actually have a license.

MR. VOWELS: So you're not stuck with it if you don't get the certificate of suitability is the bottom line.

MR. ERNST: No, sir.

MR. VOWELS: Of the \$155 million project, \$34 and-a-half million of that is the boat, right?

MR. ERNST: Yes, sir.

MR. VOWELS: Is there anything other than the boat that is Casino Magic's equity contribution to this project?

MR. ERNST: We're actually contributing, we have to date, that's one of the things Mr. Lorenzo indicated earlier, we have over \$4 million invested to date in this project over the last three years essentially as far as the infrastructure.

MR. VOWELS: Is the \$4 million part of the \$155 million project?

MR. ERNST: Yes. Yes, sir, it is. That's the current existing infrastructure payments that's in place. We have that included as equity. The boat will be leased or sold to this company. We will be putting additional equity in. I talked earlier about the project financing that we will do. We will need in the range of \$90 million worth of project financing to open it.

Which will, with that along with approximately 10 to 15 million of equity would be provided to the project which we have four contributed today.

MR. VOWELS: All right. So \$90 million will have to be financed, is that correct?

MR. ERNST: Yes, sir.

MR. VOWELS: Is that financing in place?

MR. ERNST: No, sir.

MR. VOWELS: Is that one of these situations we'll get it if you give us the certificate of suitability.

I could get it if -- I could get it myself with a certificate of suitability. Some folks going to lend me \$90 million.

MR. ERNST: Let me comment on that. We just completed \$115 million finance on Friday. We have representatives from Wasser Steam Perella and Jeffries and Company. I'd like to ask to come up and describe that project.

MR. VOWELS: Before we go into that real quick, let's go back to the boat. The

Crescent City boat is worth 34 and-a-half million dollars. It's a Casino Magic boat; is that right?

MR. ERNST: Yes, sir.

MR. VOWELS: You're buying it and leasing it, Casino Magic is buying it and leasing it from what entity.

MR. ERNST: It is part of the financing project we just completed as collateral. And if we were to use it in this market we will buy it out of the Bossier City project and put it here.

It was acquired as part of the Capital Gaming acquisition. We acquired a company that included that boat as well as a license. And that's the one that we're opening in Bossier City. It's excess asset for the Louisiana project because it won't fit up through the locks to get to the Bossier City project. The locks are only 80 feet wide and the boat is substantially wider than that. It fits here to get into this market place. It's what when we originally did the acquisition we anticipated the boat being here.

The financing that we just completed includes as collateral that boat as part of its collateral package. It has a mechanism by which we would sell that asset across to the Crawford County project as part of this development.

MR. VOWELS: I'm not an accountant, and I don't want to be an accountant we'll leave that up to Bob Swan. But you just financed something. And this Crescent City boat is collateral for that financing. Let's just take it a step at a time.

What was it that you finance?

MR. ERNST: We financed the entire Bossier City project which is one hundred and --

MR. VOWELS: \$15 million.

MR. ERNST: No, it's \$137 million project. Of which we did \$115 million finance. In addition to the Bossier City, its first mortgage note, 7 year notes with four year noncall. In addition to the first mortgage on the assets in Bossier City and the Bossier City boat, Crescent City Queen is also collateral under that package.



So what exists today is \$115 million notes with Crescent City Queen as collateral under that package. If we're successful here in obtaining the license the boat will then being sold to Crawford County because that's financing only related to Bossier. It's the same type of financing that we propose here.

MR. VOWELS: What other collateral. You've got a \$115 million loan with a \$34 and-a-half million boat as collateral. Is there additional collateral?

MR. ERNST: Absolutely. There's an additional boat.

MR. VOWELS: I don't care about that. I'm trying to figure out what your equity contribution is here and if this is just accounting shuffling of paper around.

Are you writing a check to somebody for \$34 and-a-half million to get this boat.

MR. ERNST: Yes, sir.

MR. VOWELS: Who did you write it to?

MR. ERNST: We paid \$50 million to the bond holders and creditors of Capital Gaming, a bankrupt corporation.

MR. VOWELS: For that boat.

MR. ERNST: For that boat and the license. We acquired those two things together.

MR. VOWELS: That boat has to do with the Bossier --

MR. ERNST: It will not fit into the Bossier project. It was acquired on the understanding that it would also be used in Crawford County or we would sell it. And it was financed under that understanding.

MR. VOWELS: It's got this big old lien on it then for \$34 and-a-half million. It's used as collateral in this financing for the project.

MR. ERNST: It has a nonspecifically that's correct. Its first mortgage, has a preferred ship mortgage on the whole 115 million.

MR. VOWELS: What has the arrangement been with the mortgage holder to release that?

MR. ERNST: That asset will be sold at fair value.

MR. VOWELS: To?

MR. ERNST: Either to ourselves or Crawford County which is another wholly-owned subsidiary of Casino Magic. It is wholly owned. It would be sold that way or to third parties. It would be treated as an asset sale which essentially means that the dollars collected would go back and we'd either invest it in the Bossier City project or offer it to the bond holder to redeem after 180 days. Okay.

MR. VOWELS: Are you getting this?

MR. SWAN: What he's saying the company is going to buy it out probably financing that side of it I would assume as well.

MR. ERNST: The project, the \$90 million project number we would need would include really the amount of the boat itself, the project development to give for a first, up to the appointed nine months completion where we have 25 parking spaces in place, 250 hotel rooms, all of the city improvements in place, all of the soft costs, all of the gaming equipment, all of the site acquisitions in place ready to go

forward.

CHAIRMAN KLINEMAN: Does this boat fit up the locks on the Ohio River.

MR. ERNST: Yes.

CHAIRMAN KLINEMAN: It doesn't work in.

MR. ERNST: It just won't fit through -- it's got essentially an overhang that's 104 feet wide. Basic hull is 99 feet. The locks going up the Red River are 80 feet wide so it wouldn't fit in Bossier.

MS. BOCHNOWSKI: It's my understanding that you've actually been attempting to get some kind of a partner in as we've had in other locations in order to help with the financing of this project. And apparently you haven't been successful in that. Can you kind of describe how that's gone and why.

MR. ERNST: After what you saw today I'm amazed the we haven't been able to. We've contacted virtually everybody in the business as well as a number of people out of the business who have expressed an interest in gaming. Not only to partner,

but to be a substantial partner. More than 50 percent and also to manage. With no results.

I mean, quite frankly we don't understand this. We think this is the best project that's going on the Ohio River. We think it's terrific. And I don't understand that but it takes two to make a partnership. It takes two to do that. And we have not asked for anything that has been unrealistic. As a matter of fact, we've essentially said you tell us what you like to do and they have not come to the party.

MS. BOCHNOWSKI: That kind of makes me question your commitment to Crawford County if you're willing to give up such a large portion of the project.

MR. ERNST: It's not a question of commitment, it's a question of commitment we have to the county. We wanted to do everything we possibly could do to deliver this project. We defined our project. When we went out and sought a partner we defined it as a 50/50 partnership of which we would operate. When we got no takers we opened

the door to be able to see what else is out there. Somewhat looked at it differently and look at just the exact opposite and willing to make sure you get this quality project no matter what it takes from our perspective. There has been a lot of time, effort and energy invested by these people to do that. We worked very hard to bring a partner to the party. We think the market's there. We don't understand why no one wanted to. Because they didn't we believe we're going to go forward and we're going to put all our efforts and energy behind financing this project and making it work.

MS. BOCHNOWSKI: The kind of financing you're talking about is expensive financing though. It would be kind of shocking to most of the people in this room, probably, the interest rates you have to pay. That increases the cost of the project.

MR. ERNST: It actually is very consistent with others in the State. It would be substantially similar to Majestic Star.

MS. BOCHNOWSKI: I know. I didn't like it then either.

MR. ERNST: Unfortunately, that's the way the industry financing --

MS. BOCHNOWSKI: What are you looking at in interest rates.

MR. ERNST: On our interest rate on the one we just completed is 13 percent coupon, plus 5 percent of the capital, gives an effective interest rate of 14 and-a-half percent based on anticipated cash flow.

CHAIRMAN KLINEMAN: I guess I don't see the Majestic Star and you being exactly in the same category, at least as far as the Commission, as far as I am concerned because Majestic Star was a commitment from the owner that he would invest up to 100 million dollars of his own money and he is investing, I think, 25 or \$30 million of his own money. And he then was able, of course to float a bond issue which was very favorably received in the market I understand. He could have sold double the amount or something and he did not. He just sold what he basically wanted to.

MR. ERNST: Our pricing is substantially similar to Majestic Star. Are capital structure would be substantially similar, Mr. Chairman. As well as we had the ability with the one we closed on Friday was oversubscribed more than twice. So I this we are clearly in that same position. If you'd like I could ask Wasser Steam Perella --

CHAIRMAN KLINEMAN: Well, why don't you give me the figures. I haven't seen anything pro forma on what your operating statements. Is it in the material?

MR. ERNST: Yes, it is.

CHAIRMAN KLINEMAN: With your high interest financing.

MR. ERNST: The interest rates that are in the proposals that you have right now are consistent with the financing structure that we're talking about here. They're broken in two parts. There is a construction financing as well as a capital lease which is how your materials are presented with a 14 and-a-half percent infrastructure included.



So it's consistent with what you're looking at today. And it's the same level of results that we've had in the past.

CHAIRMAN KLINEMAN: Other than the fact that these people just didn't understand, what were some of the reasons were given by the people who you approached to become partners in this project if you remember just in generalities.

MR. ERNST: In generalities, I guess the, I think there is a question about the, the access to the site, down the side of the hill. I think that was a question that was raised.

There was a general belief that the, or questioning as to the market size. What was the impact of Caesar's? I think that that was an issue. I think probably more than anything, there was a general, in our industry there tends to be less mutual trust amongst each other.

I guess what they didn't understand is why we were willing to give up a substantial portion. Yet when I came to Magic about eight months ago now we said

that we had the ability to do one Bossier or Crawford and then we'd have to go seek a partner. Which we did immediately upon getting Bossier and we are willing to proceed and to do Crawford as well.

We think we will be able to do that easily. I guess I would say that, respond to Commissioner Vowels comment that something you've seen in the past we believe we can do this, we've committed to do it. We've just done it for Bossier City. Magic has the capability to do it. We have the team in place. The marketplace I think will readily accept this on a manner substantially similar to what we've just done in Bossier. As well as what was done for Majestic Star. The execution are similar. In fact it was done by the same underwriters, I believe.

CHAIRMAN KLINEMAN: Your equity, where is your equity coming from and how much would it be.

MR. ERNST: We would end up on the same percentages we did Bossier. We've funded continuously from Casino Magic. We

have 4 million plus in it to date, and we would make up the remaining difference from corporate. And we have the ability to do that under existing notes.

CHAIRMAN KLINEMAN: Let me understand I'm not too sure I understood.

MR. ERNST: We'll put cash in the project from Casino Magic.

CHAIRMAN KLINEMAN: Which would be generated from your other operations?

MR. ERNST: That's correct.

CHAIRMAN KLINEMAN: It doesn't exist today.

MR. ERNST: We do have cash in the bank today. We have the capability today to put 11 million additional in the project. And if you look at the percentage equity in our Bossier project, 22 million to 115, versus about 15 million to the 90, they're very substantially the same. So we envision that that's a very similar type of project.

It is also the same type of project I believe percentage wise as Majestic Star was done.

MR. VOWELS: So as far as your

equitable contribution you say there's an additional 11 million you could put in it, is that right?

MR. ERNST: We have the capability to put in from Casino Magic.

MR. VOWELS: All right. I'm trying to follow you here. \$34 and-a-half million boat, 4 million that you put into the infrastructure so far.

MR. ERNST: The 34 doesn't -- it really, you're going to be buying that --

MR. VOWELS: Say what?

MR. ERNST: We're buying the boat. What you really have is the equity that's in there today, plus the commitment.

MR. VOWELS: What's the number of that?

MR. ERNST: A little over 4 million.

MR. VOWELS: In the boat you're saying?

MR. ERNST: No. The boat is an asset that will be acquired from the Louisiana, Casino Magic of Louisiana. So it is not equity.

There are \$4 million to date in

equity in our project in Crawford County.

MR. VOWELS: And you have another 11 million to put into it. That's 15 million.

MR. ERNST: Plus we have Casino Magic's current cash flow without Bossier is around 45 million with an ability to substantially fund that if we need to add additional funds. And we would anticipate financing the difference with project financing on a stand alone basis for the project.

MR. VOWELS: \$90 million you've got to come up with?

MR. ERNST: Yes, sir.

MR. VOWELS: I interrupted you earlier when you were going to have somebody come up to say where the \$90 million was going to come from.

MR. ERNST: What I'd like to do is ask that Andrew Shupak from Wasser Steam Perella as well as Steve Cruxman from Jeffries and Company could comment on the project we've just completed and similarities comparing this project to the project we just completed.

MR. SHUPAK: I'm Andrew Shupak. I'm vice-president of capital markets at Wasser Steam Perella. Wasser Steam Perella is a Europe-based investment bank with 180 professionals who among other things underwrote the Majestic Star financing of \$105 million.

CHAIRMAN KLINEMAN: That was pretty successful, wasn't it?

MR. SHUPAK: We think so and so does Mr. Gordon.

MR. VOWELS: I guess, let's cut to the chase, would you give these guys \$90 million?

MR. SHUPAK: Cutting to the chase, I think in talking to feasibility it makes sense to talk a little bit about the financing process of Bossier City. It was a very well-received offering in the marketplace and was sold on the strength of management and the strength of the Casino Magic's franchise and their ability to demonstrate that they're effective in marketing a Casino Magic product and operating profitably. Their ability to

develop quality projects on an on-time and on-budget basis.

These bonds were sold in light of unpredictable, an unpredictable regulatory environment in Louisiana and an uncertain future, relating to continued gaming operations. We don't have that here in Indiana.

I know that I did a financing here. Investors feel that Indiana is a very investor friendly environment and we are confident that given an appropriate capital structure along the lines of what Mr. Ernst has just described to you the financing is forthcoming from our market.

MS. BOCHNOWSKI: Now, there were, as they were looking for a partner in this project they came up against various arguments against becoming partner. And do you think that potential investors out there would have the same kinds of questions? Caesar's is going to be just down the road. Location, all those same kinds of questions that potential partners have. Do you think those will be problems?

MR. SHUPAK: I had no direct conversations with any of these potential partners. In their project in Bossier City they were going to be the new entrant in a market with considerable competition. We don't see this as being materially different. You only have one competitor here as opposed to three competitors and perhaps a fourth competitor in Bossier City.

And there are challenges to marketing any issue into the marketplace. And I believe, that the composure of this company and its project and the capital that it intends to put into it is, you know, what makes the company well poised to do a financing in the marketplace.

MR. VOWELS: Let's back up just a second. What is your function? Do you go out and find investors for them or the thing you work for actually loans the money?

MR. SHUPAK: We act as agent. We underwrite securities.

MR. VOWELS: If you feel so confident in what they have done how come you haven't done that before today. So then they come



in with financing in order.

MR. SHUPAK: Well, if you take a look at the Majestic Star situation which is a comparable situation.

MR. VOWELS: No. And I got to see Mr. Barton's bank account and I knew just what he had, too?

MR. SHUPAK: He's doing pretty well for himself. In any event, he went out and raised the financing after he had obtained the certificate of suitability. In Bossier City the company had obtained a license to operate Bossier City.

MR. VOWELS: The difference here, though, is like I said, I got to see what Mr. Barton had. And what he told us based upon what was necessary for financing was he could have done that himself. If he couldn't have gotten financing he could have done it himself.

I don't see that here now. And is this a situation where if we grant a certificate of suitability you're going to be able to run out and find people who are happy to invest in this? Is this why we

don't have it before the hearing today?

MR. SHUPAK: In this situation like many other situations where casinos were financed the preliminary certificates have been issued prior to going out into the public market.

This situation is analogous to many others including the one the company just completed in Bossier City.

MR. VOWELS: How analogous is it to the ones in Indiana, the nine we've had up until now? Are you familiar with those who received the certificate of suitability in the state of Indiana, what the financing had been prior up to today?

MR. SHUPAK: I'm generally familiar what other financing had been in place.

MR. VOWELS: Can you tell me any other situation other than Majestic Star where we granted a certificate of suitability to someone who didn't have their financing in place?

MR. SHUPAK: One situation in east Chicago, the Showboat. And I'm not intimately familiar with the financing

arrangements of other casinos. I do know there were financings completed in the public market for casinos in Indiana after certificates of suitability were ordered. Including Argossy and the financing for the overall Trump organization.

MR. VOWELS: I'm not talking financing --

MR. SHUPAK: I'm sorry?

MR. VOWELS: All right. Well, we're talking apples and oranges.

Jay, I want to stress to you has there been a similar situation in Indiana where we've dealt with where we gave a certificate of suitability where the applicant did not have the equity to back it up?

MR. THAR: Probably Argossy and Showboat certainly put forward a debt financing as part of the financing prior to the --

While you think about that may I ask a question?

MR. VOWELS: Sure.

MR. THAR: There was also a

description during the presentation, the video presentation by Casino Magic of an expansion in Biloxi. Will they also have to go to the public market for that?

MR. SHUPAK: I'm going to defer the answer to that question to the company.

MR. ERNST: Ed Ernst. No, our intention is to fund that out of cash flow from the company.

MR. THAR: At the time our report was put together they indicated the expansion would be funded by a planned \$125 million public debt offering?

MR. ERNST: The offering that you're looking at we modified it to do a Bossier only financing and commit our entire cash flow upon the development, or to the development of the gulf coast, and do project specific financing which was subsequent to the time that you had that report.

MR. THAR: Come again to the present. You've done a public debt offering for Bossier City?

MR. ERNST: Yes, sir.

MR. THAR: How are you going to finance Biloxi?

MR. ERNST: Out of our existing cash flow.

MR. THAR: That would limit your cash flow to Indiana.

MR. ERNST: It would limit it but we would be able to fund our minimum equity requirements here consistent with our Bossier City plan.

MR. THAR: What's the figure, dollar figure for minimum equity?

MR. ERNST: We think that in the range of \$15 million is what it would take for the proper funding. If it were the same type of equity position it would take, I mean as it relates to a \$90 million borrowing, versus the one we just completed in Bossier City was 115 million with 22 million in equity. So it's a similar one.

I think also if you look at what the Majestic did as relates to equity versus borrowing that's a substantially similar percentage.

MR. SUNDWICK: It certainly gives us

a real uncomfortable feeling when you hand us this great project and nobody wants to participate for whatever reason, whether they don't understand or in fact they may think the market is somewhat saturated and want to see the outcome. Or in fact they don't want to participate because they're going to be large equity contributors. Makes us very uncomfortable.

MR. ERNST: I don't know why they didn't want to be involved. It's the same question I asked myself many times is the project the right project. Absolutely every time we turned around it is. There is nothing here that I believe that should scare anybody. Other than the fact that it isn't their project.

Our industry historically has not been good partners. We have seen people come in and do other projects. But at this point, unfortunately, we've not been able to bring someone in. We don't see the project, we think it's the right size. We think the market is there. We think the commitment is there from the community.

We think that clearly the structure that we're designing and the way we're delivering it is the most customer friendly of any of them out there today, including our competitors in Harrison County.

So we don't believe that that's it. We don't understand why they don't want to participate. We understand your concern. We had the same concerns. We're convinced that they are concerns that are not with substance, and that we have the ability to deliver this project. And that's the bottom line.

And I think we can finance it just like we've done the Bossier City project with stand alone financing just like we did in Bossier City with the capital that's necessary to do that.

MR. SWAN: Mr. Ernst, as far as your cash flow projections are concerned at what level of gross revenue is your break-even point on this project?

MR. ERNST: This project would be somewhere in the 80 million dollar range of total revenue from a break-even perspective.

We anticipate our cash flow margin would be in the light 30 percent margin at the revenue levels we're projecting.

It's fairly consistent with the Louisiana market as far as the tax structure slightly higher here in relation so your margins are slightly compressed. But if you're within a percent or so on expectation of margin based on revenues which we've had prior experience with.

MR. SWAN: So even if the Crowe Chizek projections are accurate you're not going to be killed on your projections. I think they in 104 to whatever, 113 per year. Your projections are using 120 I think you said.

MR. ERNST: We used 120. We think there's substantially more available. As we talked our urban systems estimates 375 initially was what was there. As you, I tried to explain in the presentation from a business perspective I think this market is clearly constrained by capacity. It has a lot of similarities to the Bossier City market we just completed.



And look at the greater Memphis market versus the greater Louisville market. They are very clearly similar markets and revenues that's coming out that versus what is anticipated here we don't think there's any problem generating revenue in the 120 plus range.

MR. SWAN: But to keep it simple, at 80 million you will not go bankrupt from a cash flow perspective?

MR. ERNST: That would be break-even cash flow, that's correct.

CHAIRMAN KLINEMAN: Maybe, we've been going pretty hard since 10:30 and it's almost 12:30. Maybe we will break for lunch now, and if it's all right with the Commission we'll come back and finish the questioning of Casino Magic and then move into the presentation for Pinnacle.

MR. THAR: The only problem we had was set up time.

CHAIRMAN KLINEMAN: We'll take ten minutes now and try to finish up. We'll come back about 20 of 1. Okay.

(At this time there was a brief

recess taken, after which the following proceedings were had:)

CHAIRMAN KLINEMAN: I have a couple questions. One is about what you were talking to the proposed partners about. Were you talking about giving up the management side of the business, too, or are we just talking about pure investment from some of these people.

MR. ERNST: We never did get to complete the comments from Mr. Shupak and we didn't get Steve up here at all. I wonder if we could finish on that if that's all right.

CHAIRMAN KLINEMAN: I'm sorry, you want to get the financing people.

MR. ERNST: I wanted them to just finish. We never had a chance to finish. There were a couple unfinished things.

CHAIRMAN KLINEMAN: Bring them up.

MR. SHUPAK: I want to make a couple of comments. I want to give Steve Cruxman from Jeffries and Company an opportunity to say a few things. My firm and me personally did the Majestic Star Casino financing.

There are a lot of similarities between that proposed financing and this financing.

The first is the cost of capital for the Majestic Star Casino is substantially the same as what we just did for Casino Magic in Bossier City. The cost of capital, the interest rate is identical. Casino Magic is a well-known accepted public company with many alternatives for financing in the public markets. The type of financing that we're proposing which is the same as which was done for Majestic Star is the most attractive for the company and that's why they asked me to come up here and talk about it.

The financing that was just done for Casino Magic's despite the Louisiana regulatory uncertainties and despite the future of gaming uncertainties was done at the exact same cost and had a broad base of investors come to the table to back this management team and this company based upon the strength of its franchise and strength of its marketing and operating abilities.

And I want to give Steve Cruxman from

Jeffries and Company an opportunity to say a few words as well.

MR. CRUXMAN: Good afternoon, my name is Steve Cruxman with Jeffries and Company. I worked in conjunction with Andrew and Wasser Steam Perella in raising money for Casino Magic in Bossier City, Louisiana. I want to see if I can leave the Commission with a couple of thoughts that may give you a little more comfort in terms of this company's ability to go out and successfully access the capital markets in this country. Because of the --

The capital markets look for a couple of things when they're providing funds to a company. They're looking for a strong company, they're looking for a strong management team, good projects, good rates of return. All of these, I think, are very strongly identified here in this particular project and that's what gives us as underwriters a strong comfort level that unlike an individual such as Mr. Barton, who also was able to access the capital market, a publicly traded corporation with existing

casino operations has a long successful track record in accomplishing that type of thing has much more eminent credibility with the public markets.

And so as a result I think you see that in your state already the Majestic Star, the Showboats of the world did project financing similar to this. Trump Hotels, Empress, Argosy and Aztar all also accessed the public markets in a comparable fashion.

We feel very good that this is a project that is eminently financable and would be happy to answer any questions to alleviate any concerns you may have on that aspect.

CHAIRMAN KLINEMAN: Well, the question is not should you or should you not access the public markets. I mean, this commission certainly understands the real world out there and the real world includes accessing the capital markets.

We are somewhat concerned about equity-to-debt ratios because of the carrying cost of the debt today. And I guess I would have another question.

The Bossier City debt offering, did it get off at exactly the same interest rate as the Majestic Star. Was there any difference in the market at that time.

MR. CRUXMAN: It was effectively the same interest rate. I'll let Andrew.

MR. SHUPAK: The fixed coupon Majestic Star transaction is 12 and three-quarters. And the fixed coupon for Casino Magic is 13. The cash flow participation on the Majestic Star deal was 5 percent of the cash flow. The cash flow was estimated to be between 30 and 45 million dollars. In this case 5 percent of cash flow, and cash flow is estimated to be \$38 million. So if you look at the cash flows coming back to the investor from the company based upon fixed rate and the participation rate, the all in cost is identical.

CHAIRMAN KLINEMAN: But the debt-to-equity ratio?

MR. SHUPAK: The Majestic Star total capitalization is approximately \$146 million of which \$24 million is equity. I think

that gives you a tad over 16 percent. The Casino Magic Bossier City transaction was done at approximately 15 percent and the capital structure that Mr. Ernst is proposing is 15 percent as well. So they're all done within a very narrow band and they are all comparable in that respect.

CHAIRMAN KLINEMAN: Okay. But, we also, we still have a little concern or I have a little concern about the source of the equity.

MR. ERNST: Let me address that. Thank you, guys. I wanted to have them complete their comments. Ed Ernst, President.

CHAIRMAN KLINEMAN: Beg pardon?

MR. ERNST: I'm Ed Ernst, president of Casino Magic. What, the equity, Casino Magic is a public company. It's been a public company since 1992. We have tremendous access to capital if we need it. We also have the ability to do not only that but the ability to do stock transactions as well. We also have within our company funding under our existing indentures, our

debt that we have on our corporate, with the ability to pull from all of our sources an additional 11 million in this project which would bring our percentage up to that which would be substantially similar to what we just completed in Bossier.

If that falls short, if we need additional, it is not uncommon, in fact it's very common in the industry to combine debt with equity in an offering, which we would do. We modified our offering as Mr. Thar indicated earlier.

The offering we originally contemplated going out with was a corporate finance for Bossier City. The marketplace wanted too much money for that. When we went forward that's what the bottom line was. We believe we could do project financing in a better manner to protect our shareholders. So that how we looked at it.

So we went from being a corporate financing to be project financing for Bossier. But we have the ability to raise funds if necessary. I mean, I think that that is clearly something that we are



looking at. It's not what we're contemplating here. We are not contemplating that at all.

We're contemplating funding that with Casino Magic's assets to own this company 100 percent. To manage it, run it and develop it as it's defined here. We think we can finance it. We have done it a number of times. The new management team that's here is a strong management. It's very respected. We have the ability to do that. We believe, and I think our investment bankers believe that we can do that. And we're committed to deliver it.

As Mr. Barton says, you can see his check book. You can also look at our stock on NASDAQ and we have the ability to deliver that. If necessary, we would do what's appropriate to deliver that project. I think that's --

CHAIRMAN KLINEMAN: Well, our concern is not, maybe, the initial delivery of the project. Our concern is the ongoing viability of the project if it doesn't meet the expectations. It's a lot easier to

have, add a large equity which therefore reduces the carrying.

MR. ERNST: I fully understand that. That's right. But I think the point I'm getting at is a I think we're substantially consistent with other operators in the state who are currently operating at a percentage.

CHAIRMAN KLINEMAN: I can understand how the ratios ended up. And I hear the Majestic Star and so forth. But this commission at least heard some representations and relied upon some representations, particularly with the Majestic Star, that would indicate, you know, there was a substantial amount of equity available if it was necessary.

MR. ERNST: I'm not arguing.

CHAIRMAN KLINEMAN: I guess -- anybody else have anything on the financing?

If not, I would like to ask a question about your foreign exposure. What are the nature of your Greek operation and your Argentina operation and those things. Are you a managing, an investor, what are you?

MR. ERNST: Yes. We have four operations internationally. We have two operations in Greece. Our Greek operations are owned 49 percent, one of them, by us which we are also the manager. We have another operation which we are solely the manager on. We have approximately, to date, net invested in Greece about \$20 million of which our cash flow from there is about \$10 million, over a two and-a-half year pay back period. It's a very nice return for us.

We have been operating there successfully now over here a year in Port Acoras and since Christmas in Zenthe. It's going well. That is a very, very teeny piece because obviously it's just a management. We have no financial risk at all. And our risk in the Port Acoras is limited to our investment that we have in place.

In Argentina we have two cost keys. 725 miles to the south west of Buenos Aires. That is a Casino Magic that we own. We have a, we operate it in effect under a concession agreement. It's a 12 year

agreement from the actual province or the state there. We own 100 percent of that concession. We do very, very well there.

Our total investment in that market is 12 million. And again, we're receiving between 5 and 6 million of cash flow or again about a two and-a-half year pay back on that steady as a clock work.

Our last casino is San Marino de Los Andes which is a very small casino which is about another two hour southwest of the Niocamses in Provonce. It's in the Andes Mountains. It's a very nice, it's a ski resort. Very, very teeny. It has 70 slot machines and seven tables. It's a very minor facility but it does very well again with a similar type of paycheck. From an exposure invested capital is about 132 million. There's no future commitments.

We're actively marketing to sell those. That's one of the things we're doing. We don't intend to give them away. They have a good return. But anytime you want to try to manage something that's a 24-hour plane ride away it's difficult. So

one of the things when the board met they made the decision to sell those.

We understand that they are there but managerially they probably don't make sense for the long term for Magic, just because they are difficult to manage. And I think that's really it.

I think our exposure we have no future commitments to them other than that and we're hopeful that somewhere along the line we'll have the opportunity to sell them and concentrate around the U.S. solely.

CHAIRMAN KLINEMAN: Okay. A couple other questions not related. The motel, you continuously talk about 250 rooms and then an additional 150 yet we hear that the development agreement says that the staging of your investment is not to be allowed. So why don't you say I'm going to build a 400 room motel?

MR. ERNST: We're building what we are over the three months after the Corps permit. That's exactly what we're doing. All I was describing on the 250 is what would be there nine months after we open.

We have really three time frames we're working with within this operation.

One, the ability to get open on an interim basis which is something that we're still working with whether that works or not. We think we can clearly build the mooring facilities and get open within two months.

It's consistent with other operators in the state. We're going to be at a permanent mooring facility and be able to do when we have a Corps permit. Since our site is unique, barges used to work out of there, they have plenty of water. And it would have worked as a terminal. So our mooring facilities could be constructed very quickly.

The next stage really is the process of building the parking structure, the entertainment and dining facilities on top of the parking structure, as well as the hotel. We would have 250 rooms constructed immediately upon that. With the completion of that we would open the parking garage as well as the 250 rooms. Then the intention

would be to expand the additional 150 rooms, and the golf course next to that, immediately upon opening. So that it would be entirely completed within 23 months is what our construction schedule shows from receiving Corps permit.

CHAIRMAN KLINEMAN: The last question I have is about the payroll full and part-time. 1500 jobs you say.

MR. ERNST: About 80 percent is full-time. That's consistent with what we've experienced historically. You have about 20 percent that's part-time. There is a fair amount of job sharing that goes on in the casino. Opportunities to do that. We are nontraditional hours, of course, because we operate around the clock seven days a week. So it's an opportunity to create nontraditional employment for second jobs as well.

Obviously this is a very good as far as compensation. Bring to the area the ability to have additional part time work that amounts to about 20 percent of the total. Of the 1500 you figure 80 percent of

those would be full-time long-term.

CHAIRMAN KLINEMAN: I don't understand the job sharing. You'd share a job. One could work 20 hours, the other work 20 hours?

MR. ERNST: A job share is where you would see sort of the part time, the mother would work during the day, not a full-time job, but while her children went to school so she didn't have to get a babysitter. Someone else would come in to finish out her shift which would qualify for a full-time basis. Actually it's 32.

You see that in many cases where people do that where for instance there will be a single parent that will work during the day. And then come in in the afternoon and not work the total shift. To be able to do that there will be another part-time individual that will.

Augment the income but in that way you really, that's where the part-time predominantly come from.

Our desire, obviously, is to maximize our full-time employment. But you end up



with about 80 percent that do those types of activities.

CHAIRMAN KLINEMAN: The people that are part-time don't receive insurance and other benefits.

MR. ERNST: Greg, I think it's 34, 32 hours. Once they're over 32 hours they do, yes. And then they receive a prorata.

MS. BOCHNOWSKI: Do you feel comfortable given the fact that Caesar's is going to be there, you're going to be competing among a limited number of people as far as the labor pool goes. I know the unemployment rates are high but that's given a very small population. Do you feel comfortable that you'll be able to find enough people to work?

MR. ERNST: Yes, ma'am, we do. I think there is one of the things that, a key thing you think you can focus on is one of the individuals that was talking said the population in Crawford County in 1940 was, I think, 19,000 or something along that line. This is a great place to live and it's a great place to work. We're going to renew

opportunities to bring people back in the area.

One other thing. Keep in mind having Caesar's and ourselves working together from an employment perspective creates more opportunity for individuals wanting to go to work in the casino industry. We use an example.

If we hire someone that is a dealer, and a year from now or a year and-a-half from now that person is ready to be a floor person and we don't have a place for them, Caesar's may. And the same thing applies for the Caesar's dealer. We'll be able to complement each other. Casino operators see from time to time the opportunity to move within the industry to be promoted as within. So we think that that's complementary. We think, in fact, it will be a much stronger industry. Having two of us there rather than just one.

MS. BOCHNOWSKI: You know, and I'm trying to remember exactly when we went through there all the details, but it seemed like it was a, it is a beautiful spot, and

it does have a beautiful view and lots of trees, and it looks just lovely. Have you thought much yet about, have your construction people thought much yet about how you're going to come in there and build this project without tearing the whole place apart?

MR. ERNST: Absolutely. It will be very much noninvasive. Most of the construction will be below the hill going up which is what you'll see you'll be excavating back into the hill.

The project is designed to be the minimum amount of impact in local surrounding. The picture it shows of the sunset looking over the horseshoe bend in the river we designed to be that way. You'll see the Outlet Restaurant. You'll not see us. I mean, that's the top of the hill is 640 feet elevation. Wayne, I think right. And if you look at the top of our buildings you're at about 620. So clearly, that's trees on top of that which would probably be 50 feet.

MS. BOCHNOWSKI: And you'll be able

to save those trees?

MR. ERNST: Absolutely. Our intention here is to fit with this. We're putting hiking trails into the site. 100 acres of the side use probably. I don't want to understate this, but maybe 15 of those 100 acres is all we're use for development. Okay. You'll have 85 acres that are essentially going to be in its natural state.

If you remember our drawing you have hiking trails going through and an exercise path we're going to complete. The state park which is right next to us there's several hundred treed acres right there. You fit into when you're leaving Casino Magic property and the State park.

MS. BOCHNOWSKI: Would somebody be there to tell the contractors not to tear --

MR. ERNST: Absolutely. We're very good about not doing that. That's Ken Schultz's job. So he's very, very good about that. By the way, keep that in mind when you open a project that's like this, the structure, we will be very careful about

doing that because one of the things that's key here, that's our natural beauty. If you tear it down you've got to build something back. We'll be very focused on that.

Our management team is very focused about expanding the existing properties we're literally building while other properties are going on around us. That's what we're intending to do with the completion of this project as all the operators in the state have done. And I think we're very good about that. We know how to minimize the impact on the customers and we think we will be able to do that with minimum impact on the whole environment.

MR. SWAN: I have a couple quick questions, please. As to the cruise path. How much Indiana water space do you have to deal with?

MR. ERNST: Mark, up and down the river I think we have about a 1.2 up and 1.2 down. Is that correct? That's the total that's Indiana waters.

MR. SWAN: How wide a space does it run?

MR. ERNST: The width, about 300 feet as relates to that. Our cruise route will be essentially from our project up towards downtown Levenworth and back. We don't want to imply we what we showed on the slide was our insider capability we could go. We would not go into the horseshoe bend. We think that would be dangerous from an operations perspective because that's where the barges will be turning. It's also with the current would want to force you into the bank because the water always tries to go to the outside.

We're really above all those. We're in a very stable pool area where we're doing, we will go up the river and then settle back to our site. So we'll have a 2 and-a-half mile cruise up essentially and back.

So we'll be able to go up and take advantage of it going by old historic Levenworth. As we come up we talked about the emergency exits on the way. We have three of them that are there. So it would should be a very, very pretty cruise in

addition to being a good casino route and very, very safe.

MR. SWAN: One more question if I may. Is Mr. Torgeson actively involved in the management of the business? He's here?

I would really like to hear your perspective, sir, on how you see this project.

MR. TORGESON: I'm Marlin Torgeson, Chairman of the Board. I started with this project just about three years ago with our development team that we had on staff at that point. Which we probably had 25 people working in our development team on different projects.

We've always looked at this project as a gorgeous project, a very nice project. And I was very fortunate last fall to get Ed Ernst to come to work with Casino Magic as a team member, and in turn, he's brought a couple more of his guys that he's worked with over the last four or five years. So I think we can bring this project home.

I'm willing to do whatever it takes as far as me to make sure this project

works. If I have to guarantee part of these bonds, or all of the bonds, I'll do that to make the project work. This is very, very important to our company. I'm the largest shareholder of Casino Magic and I'm willing to do that.

MR. SWAN: Are you personally guaranteeing some of the other bonds now, Mr. Torgeson?

MR. TORGESON: No, I'm not. I've never been asked to.

MR. SWAN: Thank you.

MR. TORGESON: This project I would.

MR. SWAN: That's all I've got.

MS. BOCHNOWSKI: I just have a quick question on the boat. That boat that you got, you originally talked about building a new boat. How old is this boat?

MR. ERNST: This boat has been used nine weeks total. It's brand new. It was opened in late April '95 and closed the first week in June of '95. It has been in storage since then. It was a vastly oversized boat for where it was operated, along with its twin sister. We're very



fortunate to be able to acquire that for both our Bossier City location, and the boat, itself, for this. This is a terrific boat.

MS. BOCHNOWSKI: So it wouldn't require much in the way of changing?

MR. ERNST: No, ma'am. It's brand new. It's just been held -- our biggest issue is to keep the air conditioners going and keep everything so it stays in like new condition. It's ready to go.

MR. MILCAREK: Would you be using a temporary boat at all?

MR. ERNST: No, sir. This is it. We would be able to have this in business to open, if we open temporarily this boat is it. We'd be open with a permanent casino immediately.

MR. MILCAREK: Is all the parking garage above the flood plain?

MR. ERNST: Yes, sir. It's not only above the flood plain but we are actually excavating down the lowest level where we have our waiting lounge for boarding. It well be in the new floodway will be created

since we'll be excavating from 430 down to 416.

MR. MILCAREK: Going the opposite of high water, what about low water? Can you still cruise Indiana in the low water?

MR. ERNST: Absolutely. We have -- the river is very, very deep there. We have no issues as it relates to that. I don't think our width of our channel changes substantially at all because it's almost a 1 for 1 down the bank there. Am I correct? I don't want to overstate that.

CHAIRMAN KLINEMAN: Mr. Thar.

MR. THAR: Staying with the boat. You say you have room for 3,000 patrons but only 1,900 gaming positions. How many people do you intend to put on the boat in a given cruise?

MR. ERNST: Generally what you do is you put on something slightly more than the total number of gaming positions. There are a certain amount of people that will be moving around. This vessel because of its size we also have an entertainment area, and some areas where you can sit and enjoy

having a drink, relaxing and listen to the entertainment as well. So we would envision probably putting on somewhere in the neighborhood initially of probably 2200 people.

MR. THAR: With regard to the project in the parking garage, my view of the schematics it seems like an awkward people movement situation. Particularly based upon the people movement received in other places. You're coming into a level and you have to go up to get in the pavilion. Other places you have to go down. You have to take elevators. How many people do you expect these things to move? It just seems like you're relying a lot on elevator capacity to move people throughout the project.

MR. ERNST: Let me comment first on the awkwardness of the development. We think the development itself is extremely customer friendly. It's in fact designed for the day trip casino which we believe will compose our number one market. Which is a guy who is going to drive over, going

to park his car. He's going to ride down in the elevator. He's going to know when the boat is there. He's going to do gown and be in the waiting area and go immediately on the boat, if the boat is there.

If the boat is out then he has the opportunity to go up to the restaurants or entertainment area and to wait and then to go down. We have done a, what we designed the elevator capacity, we obtained a letter from the elevator company to look at volumes. The ability to handle effectively all, handle 3,000 people in a period of 30 minutes each way. So 6,000 in total as it's presently designed they could all move from the top to bottom. So we have the opportunity to be able to do that.

We think it is actually is very customer friendly. You're going to able to park literally within at most a couple hundred feet of the elevator. You take the elevator down and you enter the boat. You go on the ramp which is 200 feet in length. It's very, very customer friendly.

And we think by entering at the mid

level in the parking garage, it allows you -- one of the things many people don't like is that we had to go, we entered, for instance, at the top with seven levels of parking. If you were going to be the last car to park at the bottom you'd be driving forever. In this situation it minimizes the drive time from the top and you actually fill the ramp from the ramp in the center both ways.

We think it should be the most customer friendly type of design. We also think it also allows us to take advantage of the views. Clearly the restaurant and entertainment place on top of the parking facility is the best views anywhere in southern Indiana. And we think that that will be hugely powerful. We think we can move people. We're committed to do that. We're committed to make it customer friendly. And I think the elevators will do that.

MR. THAR: In the course of your presentation you indicated the opening, if Crawford County was to get and Casino Magic

would get the certificate, there would be no damage to Evansville because the damage would have already been done. As I looked at your numbers, if Caesar's would leave 135 to 55 million dollars?

MR. ERNST: 155, right.

MR. THAR: If we don't put you there that's still then available for Evansville?

MR. ERNST: It is. But the difference is do you really grow your market? I think it's much more capacity constrained Mr. Thar. If you look at, if you use the example of the one we just completed, Bossier City. Bossier City market is capacity constrained because of the number of gaming positions. People don't drive on past Bossier City to go to, for instance, Vicksburg because it's at the practical limit of drive time.

I think when you have a market that has a casino the market becomes constrained by its capacity and its local service. Certainly people that would go for a weekend to Evansville would go but again they're going to one casino. They've got a project

in Harrison County that I believe is a terrific project. The time that it takes to wait for the next boat versus drive, if you're going to go you might as well go to Caesar's. So I don't really think we're impacting that market. I really believe that. And I think from a business perspective it's been borne out in a number of substantial markets around the country.

MR. THAR: It's true that we can increase the south central Indiana market. By the same token we can make an operator suffer with regard to his particular market where he presently is and that's our concern with regard to the location of either of these last two licenses. I think what Crowe Chizek had to say in their report which was submitted to us at the end of last week. It would seem that they're saying there would be less of an impact in Switzerland and the market's may be maximized. But there's still a concern about the overflow effect on either Evansville or Ohio County, depending on which way it is. I mean, I think they would anticipate a 40 percent revenue drop?

MR. ERNST: From having us?

MR. THAR: From having the two casinos.

MR. ERNST: Versus having one.

MR. FLOYD: Thank you. This is Doug Floyd. I just wanted to remind you of a portion of the Crowe Chizek report. There was reference there at the time that this body considered the application from Evansville about the measurement of the market at the time Aztar measured it. They anticipated the developments in the Louisville area to reduce their numbers. That's specifically referred to there. And I think the point here is that that has been anticipated in advance, not only by the operator but by the Commission. And what we've shown here is we would not change that scenario at all.

MR. THAR: That's true. That it was anticipated in advance certainly by Aztar in its presentation, certainly by the Commission. But I think the Commission has new considerations to take into place, and that's the overestimation of the market. As



may very well have been seen in the New Orleans market. And as we may be seeing presently in the Kansas City market. That is people overestimated the market.

So, you can't be sure at this point in time whether or not the market's even as strong as your conservative numbers indicate it is. That's all I have.

CHAIRMAN KLINEMAN: Anyone else have anything? What's your pleasure on lunch. Should we come back in an hour.

MR. ERNST: If I may just have a final comment. I really appreciate the time and I appreciate you taking me over and staying for lunch. It's helped us to be able to go through it. We're committed to this project. I think the people of Crawford County as well as Casino Magic, we will build a terrific project and hope you give us consideration.

CHAIRMAN KLINEMAN: Thank you very much. And you will certainly be given consideration. Quarter after 2, would that be -- okay. We'll recess then to 2:15.

(Lunch Recess)

BEFORE THE INDIANA GAMING COMMISSION  
PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: August 19, 1996  
Afternoon Session

PLACE: Indiana Government Center South  
Auditorium

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

REPORTED BY: Rebecca J. Swinney, RPR

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## I N D E X

Presentation by Hilton Boomtown	180
Army Corps of Engineers Presentation	216
Indiana Department of Transportation Presentation	226
Presentation by Switzerland County	232
Questions to County Representatives	251
Questions to Hilton Boomtown Representatives	293

MR. SELIG: Good afternoon, Chairman Klineman, Members of the Commission, Executive Director Thar, and staff members. My name is Bud Selig, and I'm president of Hilton Gaming Corporation.

I bring you warm greetings today from our chairman, Baron Hilton, whom I believe most of you met on a previous occasion such as this. Mr. Hilton, as you may know, has substantially reduced his role in the operation of Hilton Hotels Corporation. He is, however, an ardent supporter of the Hilton Boomtown project, and is confident that when you have had the opportunity to examine it you will share his optimism.

We're grateful for the opportunity to visit with you today, and to present the details of an exciting new destination report in Switzerland County. The Hilton Boomtown resort fully addresses all the criteria set forth by the legislation, and incorporates the objectives this Commission has tirelessly pursued throughout this extensive licensing process.

Our project will be an addition to

this new industry that we can all be proud of. Before I begin, let me point out one important fact. This is not the same team, nor the same project which was previously presented to you by the former owners of Pinnacle Gaming Development Corporation.

What we have to present to you today is a stunning new project on an ideal site created by an experienced and financially rock solid team. Our project, will be the third license in the eastern Ohio River market, an enormous market, estimated at a billion dollars of revenue potential.

We appreciate this opportunity to present the Hilton Boomtown Resort and look forward to what we hope will be a favorable decision in trusting us with this important gaming license.

Hilton and Boomtown is a powerful combination of over 100 years experience in hospitality and 75 years in gaming. With the depth of resources, financial strength, and commitment to excellence, to create a quality project like the one we're proposing. And most of all to make it

happen.

Hilton Hotels Corporation has been a global hospitality leader for 77 years. We opened our first casino at the Cariba Hilton in Puerto Rico in 1949, 47 years ago. We currently operate more than 240 hotels around the globe, including such world famous landmarks as the magnificent Hilton Hawaiian Village, the award winning Conrad Hotel in Hong Kong, and of course, the greatest of them all, the Waldorf Astoria.

In the exciting world of casino gaming Hilton owns and operates ten gaming properties around the world including some of the most famous casinos in the world like. Our flagship property the Las Vegas Hilton, home to Andrew Lloyd Webber's magnificent musical extravaganza Starlight Express, and soon to explore new horizons in the gaming galaxy with the opening of Star Trek, the experience, early next year.

How about the fabulous Flamingo Hilton on the strip in Las Vegas. A tropical paradise within the third largest hotel in the world. And Australia's first

major casino resort Conrad Jupiter's on Queensland's magnificent Gold Coast.

We know the casino gaming business. We also know more than a little bit the hotel business. The current inventory of hotel rooms available under the Hilton umbrella worldwide numbers more than 895,000 hotel rooms. Our human assets are equally as impressive. Worldwide we have more than 48,000 dedicated employees.

And with Hilton that dedication works both ways. Both Hilton and Boomtown have long and proud traditions of providing equality and employment opportunity for everyone, including minorities and women. The combination of these assets has helped Hilton maintain one of the strongest balance sheets to be found in the business world.

In 1995, our revenues were \$1.7 billion, driving the market value of our company to some 5 billion dollars. All with the industry's highest investment grade credit rating.

And when it comes to available capital, Hilton has 1.5 billion dollars

ready and waiting to invest in quality projects like Switzerland County.

As you all know, we recently announced that we were acquiring Valley Entertainment Corporation. When that acquisition is consummated later this year we will add five additional gaming resorts to our portfolio, including two of Atlantic City's premier properties, Valley Grand and Valley Parkplace.

Let me stress the importance of this dramatic acquisition relative to our efforts here in Indiana. These two Atlantic City properties link us directly to the enormous East Coast market from which we will tap into an established Hilton-base gaming customer, many of whom will be potential visitors to Switzerland County.

Our worldwide sales and marketing network, our reservations system, which we call Hilton Reservations Worldwide, and Hilton Honors, our frequent traveler program, are without question the most powerful tools of their kind in the entire industry. We will bring the power of all of



these resources to bear on our Switzerland County project.

Finally, we have the power of the Hilton name. The 21st most recognized and esteemed business name in the world. The Hilton name is not only synonymous with hotels and gaming, but with guest confidence, financial strength and integrity.

Our partner, Boomtown, is widely acclaimed for their success as owner and operator of highly themed gaming resorts in the middle market sector of the gaming industry. Founded in 1970 they were taken public in 1992 under the leadership of and Chief Executive Officer Tim Perra.

Over the past three years the company has grown from one property located in Reno, Nevada to four properties, including Boomtown Las Vegas, Boomtown Biloxi and Boomtown Westbank in Louisiana.

The unique and distinctive theme of each of the Boomtown properties incorporates a bit of local flavor blended with strong historical Design elements to give customers

a sense of the fun and excitement of the 1800s.

The Boomtown brand is respected for its clear identifiable look. And for the friendly and open down-to-earth welcome the Boomtown family extends to its guests. That same hospitality will be recreated in Switzerland County.

Boomtown is also a growth-oriented organization. As you are aware it was recently announced that a merger would take place combining Boomtown with Hollywood Park. One of the most renowned and well-respected owners and operators of parimutuel racing facilities in the country. This 500 million dollar merger brings additional financial strength and operational expertise to our partnership. We at Hilton welcome the addition of Hollywood Park to our team.

At this point I'd like to shift our attention away from the statistics to take a look at the heartbeat of our two companies. The shared corporate values of two world class organizations centered on integrity

and commitment. Commitment to our shareholders, commit to our customers, commitment to our employees, and commitment to our community.

Here's a brief video in which a variety of community leaders around the country have offered their impressions of the Hilton Boomtown teams.

(A video presentation was made at this time.)

MR. SELIG: Those endorsements truly tell the Hilton Boomtown story.

Ladies and Gentlemen, if you don't recall anything else that I've said today, please, remember this. The Hilton Boomtown team brings to the State of Indiana an unparalleled history of success in this industry. A depth and breadth of operating resources that no competitor can match. And financial horsepower that is beyond question.

Ladies and Gentlemen, there is no gamble here. This Hilton Boomtown team is your insurance policy. We will get this project completed, and we will make it a

smashing success. We guarantee it. That's right. Hilton guarantees it.

At this time let me turn the podium over to Mike O'Brien, Executive Vice-President of Development for Hilton Hotels, thank you.

MR. O'BRIEN: This is Bud's special podium, I'm not quite as tall so I don't need it. Thank you, Bud.

Chairman Klineman, Commissioners, Director Thar. You're familiar faces to us now and we're pleased to be here before you again. Following the Lawrenceburg license awards last July, we commenced a thorough evaluation of all of the remaining Ohio River opportunities. Our analysis included a dated review of the demographics, the highway infrastructure, the population centers, and the locations of competitors throughout the region.

While we were conducting our evaluation, we were contacted by the representatives of several companies with projects not only in Switzerland County but also in Harrison and Crawford counties, to

solicit our interest in participating in their projects. We could have done any one of them. It's a question to us of the market and the site.

We chose the opportunity in Switzerland County because from a business point of view it is the one location that far and away makes the most sense. The facts speak for themselves. Our market evaluation ranked the revenue potential of the remaining counties where gaming referenda had passed. Our research indicated, not surprisingly to you, I'm sure, the remaining county, Harrison County had the greatest revenue potential closely followed by Switzerland County, and then by Crawford County as a distant third.

You ask the question with its revenue potential why didn't we pursue Harrison County. Well, quite frankly we didn't like the odds. Four well-established and entrenched competitors representing several of the industries' well known names were better positioned for the Harrison County license. We concluded correctly, I think,

that we had simply missed our window of opportunity and did not want to try to play catch up ball.

Our market evaluation and particularly our studies of the highway network and the project access dynamics in the region identify two distinct gaming markets along the Ohio River. The first such market contains the Cincinnati, Lexington, Dayton and Indianapolis populations. We refer to this as the eastern Ohio River market.

This market has a gaming, a composite gaming revenue potential of somewhere between 900 million and 1 billion dollars, which I think you would agree by any standard is enormous.

The second market group consists of the Louisville and Evansville market and we call this the western Ohio River market. This market in our view has a composite capacity to generate approximately 350 to 400 million in revenue annually.

As to Crawford County our choice was clear, had we chosen to team with the other

folks in the Crawford County project, in our view we would have been seeking the third boat in the western market with its comparatively modest 400 million dollar revenue potential.

By pursuing Switzerland County we had the chance to become the third boat in the east river market with its enormous 1 billion dollar market potential. As they say, folks, you don't have to be a rocket scientist to understand the Switzerland County calculus.

In virtually all markets, save for perhaps Las Vegas, the success of a gaming operation is determined by its locals market. Local people. In defining a local market, some analysts look at a 25-mile radius, other look at a 50 or 100-mile radius. In this case no matter how you slice it, if you compare Switzerland County with Crawford County or the other areas, the figures strongly favor Switzerland County.

Further, if you take Louisville out of the Switzerland/Crawford equation, due to the fact that in our opinion Caesar's will

absolutely dominate the Louisville market, the figures become downright staggering. The base of business so essential to making one of these operations a success is clearly in the east river market. Let's talk for a moment about competitive impact. I'm sure that's on your mind.

Credible market research indicates that approximately 15 to 20 percent of the business accommodated at the Aztar operation in Evansville originates directly out of the Louisville area. When Caesar's opens, the reality is that these people will preferentially choose Caesar's and will be permanently lost to the folks in Evansville.

In our opinion, the Crawford County market would siphon off additional business to the substantial detriment of Evansville.

Incidentally, this is not just a Hilton conclusion. A clearly disinterested third party, a noted gaming analyst at Doesh Morgan Renfield, the respected New York investment banker, was quoted in the Louisville Courier Journal just three weeks ago as saying that if Crawford County is



granted a license, I quote, Evansville will get hammered, end quote.

As you saw a moment ago the close and local market for Crawford County is very small. Approximately 87,000 people within 25 miles. An operation in Crawford would be forced to compete for business from exactly the same customers who are currently patronizing Aztar and who will later patronize Caesar's. The fact is that Crawford is sandwiched directly between Evansville and Louisville in an area where there is no unique proprietary market base, and little access to markets outside of Indiana.

And I want to talk to you about proprietary markets and the markets outside of Indiana because they're very important to all of us. Virtually all of Crawford's business would come from Indiana markets which are currently or adequately served by currently authorized gaming facilities. With no significant local base to draw upon we viewed Crawford as a marginal investment.

An examination of Switzerland County

on the other hand, reveals a very different competitive picture. The billion dollar eastern river market is immense and a substantially greater revenue potential in our view than can reasonably be accommodated by the three authorized boats, the two authorized boats, and potentially the boat in Switzerland if you saw fit to grant that license.

I think with respect to that dialog of paramount importance is the fact that the sources of demand from Lawrenceburg and Rising Sun are separate from those of Switzerland County. I'd like to underscore that. We use a proprietary Hilton developed computer based model for conducting market feasibility research which is the most sophisticated in the industry.

We go well beyond the basic tenet of tabulating local populations and take into consideration actual drive times and the convenience of travel for our potential guests. It's an integral part of our market analysis. We use the term proprietary market to describe that customer base.

This term is used to describe a population which is both closer and more convenient to a specific project than to any other actual or proposed project. Our Switzerland County location has a proprietary market of 1.5 million people.

Said another way, there are 1.5 million people within a 150-mile radius who are closer and more conveniently located to our Switzerland County site than to any other gaming venue. This includes the 400,000 people in Lexington who are a full 20 minutes closer to us than they are even to Harrison County.

The principal reason for the convenient access is the access afforded by the Markland dam site. It is impossible to overemphasize the fact that 85 percent of the proprietary market for Switzerland County lives outside of Indiana. This will be our business base. It represents new dollars coming into Indiana from foreign sources. I repeat, real new revenues for Indiana.

We conclude that this 1.5 million

people are a deep and independently sustaining base of business for a successful gaming resort in Switzerland County.

Conversely, we calculate that the proprietary market for Crawford at approximately 200,000 or approximately 1/7th the size of the Switzerland County market.

Let's for a moment take a look to the north of us. Because of common road patterns and similar access routes to Lawrenceburg and Rising Sun their proprietary markets are impossible to meaningfully separate from one another.

What is not difficult to see is that the 4.3 million people in the proprietary market for these two operations is roughly three times the size of the proprietary market for Switzerland County, and nearly 20 times the size of Crawford County's market.

The proprietary market for Rising Sun and Lawrenceburg is a completely different group of people from the 1.5 million people in Switzerland County's market. They simply do not overlap.

This is not just a Hilton opinion.

Last year in an answer to a question from Mr. Thar one of the principals in the Rising Sun project dismissed the impact of a casino boat in Switzerland County, and I quote, we don't think it has a material effect because most of the traffic that we are focusing on would reach us through Lawrenceburg. End quote.

With experienced operators like Hyatt and Argosy these two projects operating with a separate demand base of 4.3 million Indiana, Kentucky and Ohio residents will have an extravagant base of business and a unique market of their own. Any assertion to the contrary in our view is simply uninformed.

Let me illustrate this point even further, and this will sound familiar to you after this morning. Tunica, Mississippi is a gaming market that I believe most of you are familiar with. You certainly are after this morning. But it really does serve, I think, as a relevant model to some of the discussions we're having here today.

A quick comparison of Tunica to the

eastern river market draws a very direct comparison of the ability of a market of this size to very comfortably support three gaming operations. Tunica is located approximately 35 miles south of Memphis, Tennessee. It draws the majority of its business from the surrounding markets of Memphis, Nashville and Little Rock. Within 100 and 200 miles the population is 2.2 and 6.9 million people respectively. There are 11 casinos, a total of 570,000 square feet of gaming space.

For this market in 1996 the total revenue generated will be approximately 845 million dollars or approximately 1500 dollars per square foot of gaming space. That's an important number and we'll get back to that in a minute moment.

Within the same distance of our eastern river market the population is roughly three times the size of the Tunica market. Yet including our project the market will be served by less than one quarter of the amount of total gaming space. As we've shown, our estimate for the total

potential for the east river market is 1 billion compared to roughly 850 million for Tunica. With a limit of three licenses including Switzerland County this equates to about 7100 dollars per square foot of gaming space. Compared with the 1500 dollars per square foot for Tunica, this market demonstrates that it can easily support an additional casino.

Let me reiterate, please. We have three times the population, yet one quarter of the gaming space. We have three times the population, yet one quarter of the number of casinos.

As a result, this market, the Switzerland proprietary market, has a market potential of five times the amount of gaming revenue per square foot than is currently programmed into the market by all of the projects that have been brought before you.

By any standard, there is a far more business potential in this market than can be accommodated by the three gaming operations that we're talking about. We are projecting first year gaming revenues for

our permanent operation of about 130 million dollars. Total passengers at about 2.9 million, and an average win of \$45 per passenger. Incidentally, Aztar is winning today in the high 40s so we believe our numbers are conservative. We believe they're achievable.

These estimates represent a dramatic departure which the figures our predecessors in Switzerland put before you a year ago. The reality is a project is substantially larger with double the investment and offers a far broader scope of facilities. It will be co-managed and promoted by Hilton. Hilton, the largest gaming company in the world. It will be co-managed by Boomtown which has a long and enviable reputation as a locals market operator of themed casinos.

We believe the facts are clear and irrefutable. Not only can our financial objectives be achieved but they can be achieved without any measurable impact whatsoever in our view of any other competitor in the market.

At this point, may I present to you



Tim Parrot, chairman and chief executive officer of Boomtown.

MR. PARROT: Good afternoon, Mr. Chairman, Members of the Commission, Executive Director Thar. Staff Members. We're very happy to be back again. We're very proud to be here representing our friends and allies from Switzerland County who are en mass behind you if you can't feel that already.

Before I tell you about the project let me just reiterate that we are completing a merger with Hollywood Park, a company with a 58 year history of public ownership. Boomtown is eagerly looking forward to a closing around year end. At this point it is my great pleasure to introduce the Chairman and Chief Executive Officer of Hollywood Park, D. Hubbard, who is sitting over here, if he would just identify himself. Who is here to enjoy this presentation and our hopeful success.

In addition I would like to introduce a couple of other people. Phil Bryan is sitting behind a director and the new

president of Boomtown with over 30 years of history in gaming. Phil, if you'd just stand up.

Bob List who you know as senior vice-president and director of the company. Thank you, Bob.

And Mary Shick behind you is senior vice-president of marketing.

If we were successful with this operation Hollywood Park would immediately apply for a license as they have done so in Nevada, Mississippi and Louisiana.

My presentation will address three things. First our site, second the facilities we will be constructing, and third our community relationships.

First let's look at the site. From an environmental standpoint, there is legitimate public need to protect the waterways, wetlands, wildlife, fisheries and other resources which are especially significant along the magnificent Ohio River Valley. We feel an abiding personal responsibility to the area that is not about bureaucratic red tape or rules or

regulations. It is simply about respect for the environment. It is by no accident that this site with its minimal environmental challenges also makes incredibly good sense from a business standpoint. This is a sensible site environmentally, and a sensible site developmentally.

These factors coupled with the market data just explained by Michael O'Brien shows why we chose this location and why you can feel comfortable that this project makes good sense from the State's point of view as well. It can be permitted, built and operated with a logical common sense layout and configuration that works for the customer, and it works for us.

We are on flat, high ground where we can be operational during all water conditions with the complete ability to cruise in Indiana waters. This is made possible because of the Markland Dam, which creates a stable water pool with minimum fluctuations even during flood conditions. We believe we have the best site in the state of Indiana.

As some of you have not had the opportunity to see this new site for yourselves, we'd like to take you on a brief tour.

(A video presentation was made at this time.)

MR. PARROT: I hope you like it. No matter how good the property is it doesn't mean a thing if your guests can't get to your location. Access is key. Our site has excellent access from throughout its primary market area. Our proprietary market consists of 1.5 million residents, most of whom live in Kentucky or Ohio.

Virtually all of these visitors will utilize Interstate 71 for some portion of their trip to our complex. From Interstate 71 to our site there are three separate routes which all handle approximately equal amounts of traffic. Patrons from the east, from the Florence, Kentucky or Cincinnati direction will utilize Exit 62 and approach the site via routes 127 and 42, a total distance to the site of only 14 miles from I-71.

Patrons from the greater Lexington and Frankfort areas will likely approach via route 35, a total distance of 12 miles from I-71. From the west, patrons will get off at I-71 Exit 44 and approach via federal routes 227 and 42. A total distance from the interstate to the site at 18 miles.

We can tell you from firsthand experience all these feeder markets are well within acceptable drive times. Three independent traffic studies all reached the same conclusion. The roadways can handle the anticipated flow of traffic in their present form and will not be burdened by our project.

And as many of you may know, the State of Kentucky is also proceeding with the development of a new interstate spur which will directly connect I-71 to the Markland Dam bridge. This project, which is in their current plan will make access to our site even easier.

Let's now turn to the issues of river navigability and vessel safety. Once again, our site is problem free. We have no less

than 300 feet, and in some areas 600 feet, of Indiana waters to cruise in along our entire proposed excursion route. We will cruise two to three miles upriver before turning around and then returning to our private inlet.

Cornblower Services has conducted a detailed risk analysis and concluded that a riverboat operation located at this site is one of the safest they have ever evaluated. The site is also a developer and an operator's dream.

What do we intend to build? I think you'll best see that for yourselves.

(A video presentation was made at this time.)

MR. PARROT: We'll try to act big for all of you for Conrad. This has been our preview of what the Hilton Boomtown resort can be. The total development costs of all the facilities outlined in the video is 122 million dollars. Broken down as you see here. This is not a phased development. The project components we have presented to you will be built as part of the permanent

project.

With our flat site, our investment is a revenue producing amenity. As a consideration of proper planning we have designed the complex to be expandable as has been shown allowing for additional hotel rooms, food, beverage, entertainment, retail parking and parking components.

The budget does excludes 15 million dollars which we will spend for our temporary operation. Our gaming vessel will be 282 feet long and 94 feet wide with a total gaming capacity of 35,000 square feet. As stated in the video, it will have 1685 games positions, including 1300 slot machines and 55 table games.

Between us, Hilton and Boomtown have built five of the industry's finest gaming vessels. We know how to do it and we know how to do it right.

We are well advanced in the status of our permitting. Our Army Corps of Engineers application is filed and deemed complete. Our construction in a floodway permit has also been filed. We have completed our

wetlands, Phase 1 archeological, and environmental surveys. And have also completed state boundary and navigation risk analysis. There just are no impediments that will prevent us from commencing construction as quickly as the Army Corps is able to complete our permitting.

It is also noteworthy to know that the current owners of the property have an advanced application with the Corps for a permit to operate a commercial marina in our inlet. We will piggyback on that effort, thus expediting our own time line even further.

I'm also pleased to tell you that we have prepared our application for permits and tailored our site plan to allow us to open for business with a temporary vessel within 90 to 120 days following issuance of the necessary permits. This will jump start the jobs, revenues and taxes some ten months in advance of the completion of the permanent land based facility and vessel.

Finally, let me touch briefly on our community relationships in Switzerland



County. In all our years in business we have never encountered a more eager, cooperative and professionally well prepared group of people. Mike Jones, the president of the Switzerland County Council will explain our commitment of \$4.3 million in up front payments and also additional continuing grants to Switzerland County which over the first five years will add another 6.3 million dollars.

Additionally we have joined with Switzerland County to establish a revenue sharing program under which Jefferson, Ripley and Crawford counties will all be winners. Jefferson County, which has not been included in any revenue sharing program by any other applicant or county on the Ohio River will receive fully one half of the funds. Mike Jones will elaborate on this innovative program.

A vote for Hilton Boomtown and Switzerland County truly promotes regional economic development. With a tourist attraction that will draw new visitors to the state time and time again.

Now Mike O'Brien will present the financing arrangements for our project.

Thank you.

MR. O'BRIEN: Thanks, Tim.

The ability of an applicant to raise the capital necessary to get a project built and to maintain a strong financial position once operations have commenced, is obviously a critical predicate to any application.

Hilton and Boomtown are individually committed to provide a minimum 22 million dollars in equity for this project.

This total 44 million dollar equity commitment represents a full 40 percent of the required capital required to build the project. By any standard this is a very conservative financing structure.

I am here to tell you today, that Hilton -- with Hilton and Boomtown financing simply is not an issue. This is a pledge to you. A strong pledge to you. Simply stated, Hilton Hotels Corporation will guarantee that the funding package, both debt and equity, necessary to develop and complete this project is available. It is

available today.

We have a formal resolution, approved by the Hilton Hotels Corporation Board of Directors at its July 18, 1996 meeting authorizing management to proceed on exactly this basis. Our project has a total budgeted cost of 122 million. This includes all of the facilities which Tim Parrot just described for you. It includes the hotel, the golf course, the RV park, and all of the entertainment facilities.

We have, of course, designed in the capacity to grow this project as the market warrants. It will expand the hotel, it will expand the food and beverage, it will expand the entertainment facilities and all other aspect of the project.

We have budgeted an additional 19 million dollars in capital investment bringing a total project cost to 141 million, again not including the \$15 million earmarked for the temporary boat.

The alternative for other groups to this unqualified and categorical Hilton commitment is expensive project financing

through private placements, public offerings, reliance on reluctant banks and other financial institutions. When you deal with a company with Hilton's financial strength, financing definitely is not a gamble.

Hilton Hotels Corporation as Bud mentioned maintains one of the few investment-grade credit ratings in the business. With over a billion five in available bank lines available for this kind of a project today.

To reiterate, July 18th, Hilton Board of Directors passed a resolution to guarantee 100 percent of the financing for this project through our existing bank loans. This is a full-blown corporate commitment from a New York stock exchange company with a value in excess of 5 billion dollars. That is something that the Commission can take to the bank, no question about it.

Now Bud Selig will briefly underscore and summarize the important points and commitments that we have described for you

this afternoon. Bud?

I always feel like I'm standing in a hole next to you.

MR. SELIG: Act big, Mike.

Well, there you have it. The Hilton Boomtown Resort. I hope you've enjoyed hearing about it as much as we've enjoyed showing it to you.

Now let me recap just a few of the critical points which we believe will make our application your choice.

First, there's the combination of two great names in the casino gaming industry, Hilton and Boomtown. Hilton possesses a powerful combination of worldwide brand recognition, financial muscle, high integrity and industry expertise.

Boomtown's a company with the experience and the know how to create the style and quality of themed resort that makes this project match its environment so perfectly. The combination of the individual strengths of these two fine companies will guarantee the success of this project.

We stated over and over again, simply because it's so important, and because it is a fact, the eastern Ohio River gaming market has enormous revenue potential. And is without question more than large enough for three gaming projects. In fact, the distance of a third river boat in this market will maximize the tax revenues to the benefit of not only the State of Indiana and Switzerland County but also Crawford, Jefferson and Ripley counties.

Our project will create 1400 desperately needed jobs with all the ripple-down effect that such a major addition to the local employment roles creates. The benefits of the Hilton Boomtown project to the economies of the local communities are just immense.

Ladies and Gentlemen, this project belongs to Switzerland County. It belongs in Switzerland County and no place else. This is no better site along the entire Ohio River than ours. Our private inlet is unique, and creates an environment of safety for our guests that no other site can match.

And lastly, but definitely not least, you have a guarantee from the gaming industry's largest and most financially solid institution, Hilton Hotels Corporation. We will make this project happen. Hilton Boomtown has the total package, the right team, the right market, the right location, the financial horsepower, and the unequivocal unwaivering commitment to make this project happen. One last time, Hilton and Boomtown will make this project happen, thank you.

CHAIRMAN KLINEMAN: After we come back we're going to reorder our agenda. We'd like to hear from the federal and state agencies that are present. Is somebody here in the Corps of Engineers? Well, we would be pleased to hear from you when we take back up which will be about 3:30.

(At this time there was a brief recess taken, after which the following proceedings were had:)

CHAIRMAN KLINEMAN: We have the privilege of having with us here this afternoon a representative of the Corps of

Engineers, Leanne Devine has gratuitously come here to Indianapolis to give us some information concerning the status of the applications of the two applicants, the one in Crawford County and the one in Switzerland County. Welcome.

MS. DEVINE: My name is Leanne Devine and I'm with the Department of the Army regulatory branch. And I feel pretty sure by now you are pretty familiar with the applicant's need to obtain a Department permit prior to construction of the river facilities, but let me go briefly over what a Department of the Army permit authorizes.

A Department of the Army permit authorizes activities under Section 10 of the Rivers and Harbors Act and under Section 404 of the Clean Water Act. Now, when we're talking about the Section 10 authorization, that would include any activities on a navigable water that's in, on or over that waterway and in the case of riverboat casinos in the Louisville district the Ohio River is considered a navigable water and therefore they do need authorization under



Section 10.

The Section 404 authorization is considered a discharge of dredge or filling material into the Ohio River. Of course their again when we talk about the casino, the discharge is in the Ohio River and would include such things as dredging that is needed to make sure there's enough depth for the boats, maybe mooring sites that are needed to secure the boat or some type of bank protection, all that would need the Section 404 authorization.

Luckily, both the Section 10 and 404 authorizations are processed simultaneously by us to come up with the one Department of the Army permit. Now, if we briefly look at the handout I gave you we can look at the two projects in particular that we're talking about here today. If you notice at the top we consider noncontroversial applications to take about 90 dates to process. And I can say it's been our experience that the riverboat casinos haven't met the not controversial. I guess all of them we've had so far have all had

some controversy so that can extend your processing time by a couple of months.

Also, items that can extend the processing are the site resources that are noted at the, on this sheet. Both of the two applicants have a high rating, in our opinion, on coastal resources. We feel that they both have a high potential of having some type of archeological reconnaissance necessary before we could consider issuance of a permit.

The Casino Magic we haven't really reviewed anything really specifically, but we did have reason to believe that there is a potential for that site to have wetlands on them.

And then the Pinnacle Gaming, we thought, we know they have some special aquatic sites on their property. And a special aquatic site has the same rating as a wetland. The criteria would be to first avoid the special aquatic sites, then to minimize the impacts before we could allow any type of construction on those special aquatic sites.

So really, that's about all I had on them. If you had some questions about the two sites I could see if I could answer them. Or anything else I'd be glad to help if you could.

MS. BOCHNOWSKI: Can you describe a little bit more what a special aquatic site would be?

MS. DEVINE: In the case of the Pinnacle Gaming, there is like a vegetative bed that's growing out into the river, maybe ten feet or so. And it's, we don't call them wetlands because the water that its growing in. But it has the same criteria as a wetland where the plants have special protection and have a lot of value to wildlife and to the fish habitat. So we try to protect those the same as we would the wetlands.

CHAIRMAN KLINEMAN: Do you happen to know where it's located? Is it located on the river or is it on the peninsula?

MS. DEVINE: There is some located at the mouth. But the great majority of them is at the back area of the slue, which I

think you're going to avoid. Which would be a thing we recommend they could try to do is avoid those sites.

MR. THAR: Do both the sites present about the same issues? I mean about the same number of issues even though they might be in different areas, or does one site look like it has a lesser number of issues?

MS. DEVINE: I'd say right now from what we know that they have about equal value. Where the potential for wetlands and the potential for special aquatic sites probably balance out and both of them having the high potential of the cultural resource concerns. So I'd say they're pretty balanced on our concerns in those areas.

MS. BOCHNOWSKI: Do you know whether either of these companies have done any of those initial surveys on cultural resources? Have you been informed of that?

MS. DEVINE: I don't think we've gotten any reports from the Crawford County on any Phase One that they have done. They might have done it. But the Switzerland County, I think we do have the Phase 1

reports already in hand.

MR. THAR: Would you say the permit processing time then for each applicant is relatively the same?

MS. DEVINE: I would have to say they would be pretty close to the same.

MR. THAR: Are you aware, it's been represented that Pinnacle Gaming, that the owner of the land, I believe it's Daniel Webster, may have an application already on file with the Army Corps of Engineers for the development of a marina in that slue?

MS. DEVINE: Yes, I'm project manager on that one so I know about that one.

MR. THAR: How far along is that?

MS. DEVINE: We've been processing that for over a year. But they have had some -- well, the things we're working on right now is cultural resources. We've directed them to do some additional testing in the areas. They have ended up changing some of the original stuff they originally proposed. And the disposal site for the material that's going to be dredged out of the slue and that sort of thing. Because of

some of the changes they have made is why the processing has extended as long as it has.

MR. THAR: To the extent you've already started on Mr. Webster's permit application to what extent does that benefit, if any, the Pinnacle permit?

MS. DEVINE: I guess the benefit I could see would be that -- I don't know how long you'll take to make your decision. In the meantime we will be working with the people that are processing the Dane's Marina to do more of the cultural resources that need to be done. And that time that it takes you to make the decision will be gained in that area. Where they could be out there doing the actual testing that we would recommend if Pinnacle did get the license.

MR. THAR: Does that then mean Pinnacle may be a little bit ahead because of Mr. Webster's permit?

MS. DEVINE: I would have to say on the site it may be a little bit ahead but I don't know what all Casino Magic would have

to do. Maybe they would not have to do as much cultural resource type work. But I would think that Pinnacle might be just a little bit ahead because of the work that's already been done by Dane's Marina.

CHAIRMAN KLINEMAN: Did you hear Casino Magic's presentation this morning?

MS. DEVINE: No, I missed that.

CHAIRMAN KLINEMAN: Well, they were talking about a temporary site where there's already an application for a --

MR. THAR: I believe they represented that their site had previously been a marina. It was a work barge site.

CHAIRMAN KLINEMAN: It wasn't a marina, it was a barge site in Crawford County. Do you know anything about that? Have they ever talked to you about that?

MS. DEVINE: I don't know enough about what's all in the drawings they have submitted to see if they have submitted something for a temporary site. Even though it might have been authorized in the past for barge mooring or something like that it would still have to go through the whole

public interest review. They couldn't just pull in there in 50 or 60 days or whatever just because they got the license from you all because we would still need to review it for all of our concerns for passenger safety and that kind of thing. A barge mooring facility, they wouldn't have taken that into consideration at all for the number of people that are going to be on those kinds of boats.

CHAIRMAN KLINEMAN: That's my understanding in other instances that it was permitted for one use it's going to it doesn't mean that it's going to be permitted for what they're talking about.

MS. DEVINE: That's exactly right.

CHAIRMAN KLINEMAN: Do you have any information, tomorrow we're going to be considering Lawrenceburg and Rising Sun sites. Do you have any information on those at all at the present time that you want to --

MS. DEVINE: What, you mean on the permitting process? Rising Sun got the permit.



CHAIRMAN KLINEMAN: Right.

MS. DEVINE: And far as I know the dredging is going along just fine for their slip. I think they had a couple problems but I assume they're working through those. They're keeping in real close contact with us and any kind of modifications that they needed to make.

So, to me, I mean that project is going on as best as they can. We've been able to modify the permit in the areas that have come on.

The Lawrenceburg site we're still working on the cultural resources. And I think we're estimating that it's still going to be October or November before we'll have a permanent decision on that.

CHAIRMAN KLINEMAN: All right. Anything further from any of the commissioners?

Okay. We thank you very much for coming, appreciate it.

MS. DEVINE: Glad I could be there.

CHAIRMAN KLINEMAN: And the cooperation of your office has been

outstanding.

MS. DEVINE: Well, great, thank you.

CHAIRMAN KLINEMAN: All right. I think Walter Land is here from the Indiana Department of Transportation. Walter, I lost you.

MR. LAND: Yes, sir.

CHAIRMAN KLINEMAN: Would you like to give us a little information, please, and welcome again.

MR. LAND: Thank you. Mr. Chairman, Members of the Commission, Mr. Thar. I represent the Indiana Department of Transportation for those of you who do not know that. And my charter as project manager for all of the riverboat sites in Indiana is to make sure that road improvements are made for safe travel for the public to the sites of the development at no cost to the taxpayers of the state of Indiana.

What we try to do to facilitate the work quickly and to not have any misunderstanding, and we have learned this from experience, is that as you're well

aware, Mr. Chairman, we have to note and agree with the developers on the scope of work to be performed to have safe highways to their site, and also, we want their engineering firms that they have contracted to tell them and us what the cost will be. And then we want to know, and have a commitment from the developers for that scope, and that amount of monetary reimbursement to the State.

We are not very comfortable with the, with the two applicants today in a minor way, and it's primarily because of lack of communication. I didn't learn a couple of the major players until Thursday and Friday of this week in that Pinnacle.

And so what we have here, we do not agree with the numbers of the scope, but I think it's a lack of communication among the parties. And I haven't talked to all of them. Some of them have talked to me and some have talked to other people. So the numbers just don't gel. And I can't really say they don't due to the fact, but on the other hand, I don't know what the scope is

that the numbers represent.

So, what I'm suggesting is that we have a meeting of the people of Pinnacle. Mr. Charles represents the county there. RQAW is the engineer, A & F did the traffic study. And I would like somebody from the developer to also meet with us. And we would like to meet next week if that is possible so we can have a meeting to iron out these minor differences and come up with a scope, a budget. And then we'll ask for a commitment, Mr. Chairman, from the developer.

Now, our differences with Levenworth and Casino Magic, I was glad to hear the presentation because we have real difficulty of talking about 85 percent of the people coming across the Markland Dam. You know, you still got 12-18 miles to go through in Kentucky and that road improvement is not going to be done for the next decade, maybe.

1.5 million were referred to as a proprietary customers. That still leaves 1.4 million coming from somewhere. And they say, you know, what we don't understand and

we don't understand the marketing studies. So we want to be educated and assured because if they don't come across there, if it's not 85 percent, if it's 60 percent or 40 percent, whatever that number is, that will impact other roads. 156 and 56.

Right now we're having trouble as you know with slide directions on 56. We have one several miles north of Madison. Estimated cost on that is 4 million dollars which we are petitioning the federal government to aid us in.

We have two new slides in Ohio County just this side of the county line before you go into Switzerland that weren't there in the spring. And though they may not be of great expense like those others. And you're well familiar with what we know as Willy's Hump, which was in Dearborn County and that's the tune of almost 3 million dollars.

The thing is that we want an agreement with the developer here to know that, and we want to be fair about this but, but when you have a major thing there, these developers, gaming developers, want

something done and they want it done now.

And we expect them to participate in any road improvements that have to be made. And we can work that out in a meeting.

I would like to ask that they also meet with us, Mr. Chairman, to enlighten us on the marketing studies, and how it relates to our traffic studies. And that we also talk about the scope of work, and what we need to do with respect to that and the time frame we would consider that.

And I would like for HMTV, their engineer, and Geupel Lamars, their construction managers, also to meet with us. And a member of them who can agree to these, and make a commitment for the developer for whatever we decide. I'd like that next week also, please.

CHAIRMAN KLINEMAN: Okay. Well, Walter, will you be back in the back of the room so these people can come find you and make appointments with you?

MR. LAND: Yes, sir. I'll just give them my phone number. It's area code (317)233-3699. If I'm not there, somebody

will find me and get in touch with me. But I'll be here, and you can talk to me. And I want to get this thing straight right away.

The other thing, lastly,  
Mr. Commissioner, I would ask that these solutions be, that we come to, be made part of their certificate of suitability.

CHAIRMAN KLINEMAN: Well, we have been doing that in the past, as you know. I again state publicly you have been a tremendous help to this Commission and to the citizens of Indiana and to the licensees. Because you have cut through all the red tape that sometimes exists in some areas of government, not in your area, but, and enabled us to move forward, and the licensees to move forward and we're all in your debt for that.

And the fact that these people aren't meeting with you causes this Commission some concern. And I urge the people to meet with you and to work out whatever needs to be worked out. And it should be done next week. And it should be reported to our office as to where you stand on that. Okay.

MR. LAND: Thank you.

CHAIRMAN KLINEMAN: Anyone have any questions of Mr. Land before he leaves?

I did notice them taking down your phone number, Walter. Thank you.

I guess that probably concludes the section on federal and state agencies. And so we are ready for the presentation of Switzerland County.

Mike, are you going to start off?

MR. JONES: I think Representative Duncan -- she had talked to Representative Thar.

CHAIRMAN KLINEMAN: I'm sorry, I did overlook that a moment. We would like to welcome Representative Cleo Duncan, who is the representative of that area.

We've seen you before and we great you back again. We thank you for being there.

REPRESENTATIVE DUNCAN: Chairman Klineman, Members of the Indiana Gaming Division, Executive Director Thar and Staff. I'm Cleo Duncan, State Representative for Switzerland County.



In 1993, when the legislature passed the bill that authorized the establishment of riverboats in Indiana, part of the intent of the legislation was that economic development be spread along the Ohio River to enable growth for a lot of the smaller counties.

And in 1995, I authorized legislation that insured that no more than one riverboat be awarded per county. Last year, Switzerland County's largest employer Randall Textron announced that they were closing their plant. And so, that also increased the need for more economic development. And I come here today to requestfully support the petition of the citizens of Switzerland County for a gaming license. Thank you.

CHAIRMAN KLINEMAN: Thank you for being here.

Is it the desire of the county that we move back to our places?

MR. JONES: Mr. Chairman, we are going to have a couple short videos, so I thought it might be. If you want to move

now.

CHAIRMAN KLINEMAN: Yes, we probably ought to move now if we're going to move.

Thank you. Are you ready?

MR. JONES: Chairman Klineman, Executive Director Thar, Members of the Indiana Gaming Commission. My name is Mike Jones, and I'm president of the Switzerland County Council. We are pleased to be here before you today again, and I might add, I was going to say deja vu, but it is good to be back and appearing in front of you. And we are happier to be here with better partners in Hilton and Boomtown.

You have seen this spectacular bigger and better project for the 8,000 residents of our county. It means more taxes and more jobs. We are proud of the fact that Hilton and Boomtown selected Switzerland County. We know they could have chosen either Harrison or Crawford Counties.

World class companies like Hilton and Boomtown do not invest in an area because they like the local people. They pick sites the old fashioned way, based on solid

economic sense they bring to all their endeavors.

Hilton Boomtown has taken a quantum leap forward in what they offer to our community and our region. As you will learn, they have added millions of dollars in additional payments for the most crucial needs of Switzerland County, education, medical services and fire protection.

Switzerland County has been very busy since our last visit. We are ready. We completed and signed our development agreement with Hilton Boomtown before your hearing in Corydon, and incidentally, before any of the agreements were reached in Harrison County.

We have completed and signed our revenue sharing agreements with Jefferson and Ripley Counties. We have secured written endorsements from our neighboring counties. We are implementing a program with Kentucky authorities for a regional emergency response plan resulting in a mutual aid agreement that will increase safety both at our site and at major new

industrial developments along the other side of the Ohio River.

Within Switzerland County, we have completed our spending plans for the distribution and use of the first year's anticipated taxes and grant money. We will provide you with those detailed plans, plans so specific we have identified which of our many condemned bridges we are going to replace first.

We think we did better than better ourselves, we became the best. And while we were disappointed a year ago together we have saved the best for last. To help you better understand our situation allow me to introduce Sherry House, president of the Switzerland County Chamber of Commerce. Sherry?

MS. HOUSE: I told Bud Selig I needed his speech booster to stand on so you could see me above the podium. I want to talk to you today directly about economic hardship. I want to talk to you directly about social need. I want to talk to you directly about Switzerland County's losing battle to catch

up. Too often it is difficult for people from other areas of the state to fully appreciate what it is like to try and operate a county on a budget of less than one million dollars.

The school system can not afford driver's education; we have one doctor, who practices medicine full-time and resides full-time in our county. And currently, we rely solely on wonderful volunteer fire fighters and EMTs for all our emergency needs. Our newest fire truck is seven years old.

We have never been able to purchase a truck solely using public funds and we're fast running out of bingos and bake sales. It takes a lot of five cent cookies to buy a fire truck. Right now we use a converted gas station as a fire house to protect us and our surrounding townships. While our state highways are fine, more than a dozen bridges will be closed by the State within three years, and one bridge has been condemned since the 1980s. They even call four of our bridges culverts just to prevent

state inspections. We can not afford matching grants to finance their repairs.

Under a court mandate a prisoner can not be held in Switzerland County jail for more than 72 hours or our sheriff is in contempt. What funds we might be able to use to build a new jail we have to pay to Dearborn County to house our prisoners. Our judge has no law library and our county records are all still written by hand. We have no microfilm, no microfiche, no central computer systems.

We can not afford a cafeteria for our elementary school and the female athletes can only use the one gym we have in the county in the morning. We would like to have sidewalks and paved streets in Patriot, Indiana, that's our county's second largest town. Vevay is the biggest town in Switzerland County. Vevay has a wonderful library, but the library in Patriot is a donated 16 by 20-foot building that is heated by portable electric heaters and we have no summer reading programs.

We have a wonderful riverfront park

but are unable to provide public restrooms. Prosperity depends on employment as we all well know. This past winter the Randall plant closed resulting in 125 layoffs and the disastrous loss of the county's largest payroll. Jobs would be needed anywhere where the largest employer only has 130 workers.

Yes, this picture shows the four row parking lot of our largest employer. That's about half the size of this auditorium. We know how difficult things are in Crawford County because our needs are similar. Our neighbors and friends in Crawford County are correct when they say they have the highest employment rate in the remaining eligible riverboat counties. Let me remind you though that if it were not for Crawford County Switzerland would have the second highest rate. The only thing keeping us from being in Crawford County's shoes is that one employer you saw. The one with a four lane parking lot.

Actually, as this chart shows the number of unemployed persons and the

unemployment rate for the two regions are practically identical. The riverboat developments would each draw their employees from Switzerland and surrounding counties. And when unemployment in surrounding counties without riverboats are compared our economic situations are extremely similar. Now a video is going to show you more on this situation.

(A video presentation was made at this time.)

MS. HOUSE: There is no doubt Switzerland County has suffered through some hard times, but now on behalf of its residents I stand before you with great pride, and hope. I want you to fully understand, and make no mistake, we are fully prepared to maximize this once-in-a-lifetime opportunity.

Now Mike will further detail exactly how prepared we really are.

MR. JONES: Let me first summarize the sources of revenues which we expect will result from the project. Hilton and Boomtown have committed to pay 4.3 million



dollars in one time up front initial grants and payments to Switzerland County. These grants, the largest of which will build our medical clinic, are outlined here on this slide and will provide much needed funds to prepare the county for the growth and development expected as a result of this exciting new project. The total of these grants again is 4.3 million dollars.

In addition, Hilton and Boomtown have committed to contribute on an annual and ongoing basis a percentage of their gaming revenues to a variety of worthy recipients in our community. These ongoing contributions include, the Switzerland County School Corporation, a first year contribution of \$540,000, and a five-year total of 2.9 million dollars. The Vevay, Switzerland County Foundation, and the Vevay Town Board, each, receiving \$2780,000 in the first year, and 1.5 million dollars over five years.

Finally, the Patriot Town Board will receive \$95,000 this year one, and \$507,000 over five years.

In summary, these annual grants total 1.18 million dollars the first year, and over the first five years, amount to 6.34 million dollars. Now let me talk to you about taxes.

Based on the Hilton Boomtown business projections, the amount Switzerland County will receive in adjusted gross revenue taxes will be 6.5 million dollars or 34.5 million dollars over five years. From head taxes we will receive 5.8 million dollars in year one and 29 million dollars over five years for a total tax income of 12.3 million dollars in year one. As you can see, over a five-year period this totals 64 million dollars.

Citizens from throughout the county have spent several months carefully prioritizing our needs, and determining how these funds would best be allocated. As you see here in this partial list, the allocation of these funds over a five-year period will directly benefit all the citizens, and the public subdivisions within Switzerland County.

In addition, please appreciate the

fact that each of these recipients has also prepared a detailed spending program which addresses specific needs. Let's spend a moment discussing how we intend to use our grants, donations, and annual gaming revenue.

Our schools will be the major recipient of funding. The county will assign 15 percent of our annual gaming revenue to our schools. And we expect the Hilton Boomtown to make additional voluntary payments of 2.9 million during the first five years. These funds will add 12.5 million dollars to our school system during the first five years of operations.

We can expect our school corporation to add classrooms, cafeteria space, and also something we're very proud of, a plan to fund medical school scholarship program to encourage young people to go to school, go to college, medical school, and to come back and practice in their home town.

Youth will also be a major recipient of new gaming revenue. Hilton Boomtown will initially donate \$400,000 for improvements

to our county. And the county council has assigned \$500,000 a year to fund programs for our youth.

One of the biggest recipients of new funds will be our fire departments. An initial grant from Hilton Boomtown totaling \$525,000 will fund a new fire house and equipment for the riverboat development area, and for all the county's township fire department.

Hilton Boomtown will also buy an EMS ambulance for the county.

The sheriff will receive \$150,000 for additional staff. Annually the county will fund ongoing additional emergency services from the new gaming tax revenues. These funds will help us build a desperately needed jail, upgrade our 911 service, fund the services in our medical clinic, and fund additional police officers for the county and the town of Vevay.

The medical clinic will provide the foundation for our doctor recruitment plan which will also be funded from gaming tax revenues. In combination, we will finally

have emergency care and topnotch emergency care that we will see to in Switzerland County.

I am very proud of our local officials who devoted such time in planning the future. We do not have time to talk about many of these plans but I wanted to share with you one decision that shows how responsible we will be. You have learned of our fire safety requirements. Our fire departments will be receiving the necessary funds to meet those needs. But you know, when it came time to plan for the future, those fire fighters organized their upgrading program not on new fire trucks but used fire trucks. That's responsible local government.

We wish to tell you about a new form of sharing with our neighbors that we are very excited about. Many counties share revenue. We will share revenue and in an innovative program we call the triple play we intend to share commerce, and tourism dollars with the area.

The Switzerland County Tourism

Commission will organize a bus system that will share visitors of the Hilton Boomtown site with the other two riverboats in the area. We intend to expand this bus system to include all the tourism sites in the area, such as Madison.

Our proposal has already been endorsed by the tourism committees in Dearborn and Ohio counties. I am proud to say that we have also made a decision to share our good fortune with our neighbors. Over five years we will contribute \$800,000 to the Area 12 Council on Aging for senior citizens. This money will be used for meals, medical transportation, and program improvement for the elderly.

The recipient counties are Dearborn, Ohio, Ripley, Jefferson and Switzerland. We have also earmarked ten percent of our tax revenues or approximately 6.4 million dollars over five years for revenue sharing. Hilton and Boomtown are adding a percentage of their revenues to form an estimated 2 million dollars per year revenue sharing fund. One half of those funds or about one

million dollars every year will go to Jefferson County.

It is particularly noteworthy that no other riverboat operator or county has chosen to share their bounty with Jefferson County. The Jefferson County commissioners have unanimously accepted this proposal and endorsed the Switzerland County application.

The Jefferson County commissioners also have agreed to allocate 80 percent of the contribution to the county general fund, 10 percent to the economic development commission, and ten percent to advance the historic preservation of downtown Madison.

Ripley County will receive 25 percent of the revenue sharing funds. They are also slated to receive Rising Sun funds and have unanimously endorsed our plan and our project.

Finally, 25 percent of the money will go to Crawford County. That's if a license is granted to Switzerland County. Crawford County will receive almost 2 million dollars per year from Switzerland and Harrison counties combined. This will approximately

triple their current general fund budget.

Incidentally, we have noticed something during our research of all the revenue sharing plans along the Ohio River. If a license is granted to Crawford County Switzerland will receive only one-third the amount Crawford County would receive if Switzerland County were licensed.

Similarly, if a license is granted to Crawford County other counties getting revenue sharing funds from all projects on the river will receive 6.6 million dollars per year. However, if a license is granted to Switzerland County the other counties receiving revenue sharing funds will enjoy more than 8.6 million dollars annually.

To explain the significance of the proceeds of revenue sharing to our neighbors, let me present these representatives of Jefferson, and Ripley counties to tell you for themselves.

(A video presentation was made at this time.)

MR. JONES: Mr. Chairman, before I leave the stage there's one more thing I



wish to do. This license is the last eligible license this commission will issue. That means that today's presentations have been the last the Commission will enjoy, or depending on your own point of view, endure. We did not plan it this way months ago when we thought up our little slogan, Saving The Best For Last.

We know that we are the best because of the revenue that will be generated by the market that our county serves.

We know that we are the best because of the partnership we have with Hilton and Boomtown.

We know that we are the best because we are prepared and ready to quickly turn these revenues into benefits for our community.

For all those reasons, we are able to say, we have saved the best for last. This is truly the last, and I am the last elected public official representing his or her jurisdiction in the search for your approval.

As an elected office holder I can

appreciate what you, the Commission and staff, have gone through the last three years. Countless hours in preparation for these hearings, grueling long sessions, and tough decisions. And certainly, and I guess coming from experience, I know not a lot of appreciation.

So I think it's only proper that the last person or the last presentation for the last license expressed to you on behalf of the people of Switzerland County and Crawford County and the State of Indiana, our thanks for the hard work, long days and tough decisions you have made. Thank you Chairman Klineman. Thank you. Commissioners. Thank you Director Thar and Staff. Thank you.

CHAIRMAN KLINEMAN: Well, thank you, Mike, for a very interesting presentation, and thank you for the surprise ending. It's not very often that this Commission gets recognized except by recognizing ourselves. So we appreciate it very much.

I do get a little tired of praising what we've done so it's nice to have a thank

you from someone else. And I do want to recognize the large contingent of people here from Switzerland County.

We, of course, know the decision we made last June 30th was a great disappointment to you, but as we indicated shortly thereafter, we wanted you to hang in there, and that if you felt so inclined that we would be glad to consider your county again. And we are here and you will be given very fair consideration. And we thank you for everything you've done for us.

I guess we'll try to follow the same format that we had this morning which is to try and see if there's any questions of the county first, and then we'll go into questions for the applicant. Does anyone have any questions for --

MS. BOCHNOWSKI: You know what, I have a question. Let's start right off with since we just heard from Mr. Land I'd like to get your response on that. First of all, your applicant had indicated that a majority of your, the patrons, would come across the Markland Dam. And yet it sounds like that

may not actually be the case because of the condition of the road. So do you feel that more is going to need to be done with your roads as far as improvements on --

MR. JONES: Commissioner Bochnowski, I know that since the beginning of the, this process, we have looked at where most of our people would be coming from. And the studies have not changed, that 80 to 85 percent of the people would be crossing the bridge. And I haven't had a chance to talk to, to the gentleman from INDOT either, but, I guess for right now I'm kind of standing on that, on that until I can see something or maybe here from this meeting.

As far as the conditions of the roads, I think, and I know Hilton Boomtown will address this, it was in their presentation, currently right now there is a considerable amount of traffic using all three of those roads. And based on the statistics that I had seen neither of the three roads are even close to capacity. So I guess maybe some more will come from that when they meet next week.

MS. BOCHNOWSKI: Well, you can understand our concern. It's the same concern we had when we were in your part of the state before. If you have people coming from the Lawrenceburg area, they're going to be stopping at Lawrenceburg, possibly then going on to Rising Sun and then coming on, let's say to your location. And the communities in between are just going to have that a mess. And people trying to commute to work and all those kinds of things. It all comes into play.

MR. JONES: Yes, and there has been some slide problems on 56, which is actually heading east from Madison. There was a problem, of course we had a lot of rain this spring. But again, all the statistics that I have seen substantiate the fact that most of our people will be coming across the bridge. But again, I will have to, I guess, yield that to the Markland people are the ones that can better answer that.

MS. BOCHNOWSKI: We can address that issue when we get to the applicant later, also.

CHAIRMAN KLINEMAN: The revenue that is to be paid to the county, is it just the, the statutory percentage, or have you negotiated some amount over and above the statutory percentage coming from the particular applicant to you?

MR. JONES: Mr. Chairman, I'm happy to say that we feel we have a very strong development agreement. Above the statutory funds that would be coming into our county, we were, in negotiation and talks with Hilton Boomtown, we were able to get over a million dollars more for traffic control and infrastructure. These are initial grants. Emergency services 1.2 million which will help us establish a medical clinic. 125,000 for an ambulance, I'll go through these quickly for you. Over 525,000 dollars for fire departments, 150,000 for law enforcements. Another 750,000 to the county for infrastructure. 400,000 to the 4H fairgrounds, 25,000 to the town of Vevay for their park. And then also, about 539,000 dollars a year over five years for the school. 271,000 over five years for the

foundation. That same number for the town of Vevay, and 94,000 over five years, that's each year for five years for the town of Patriot.

So we feel that we have negotiated a very good development agreement and one that will bring in a lot of funds to Switzerland County over and above the statutory.

MS. BOCHNOWSKI: Could I ask for some clarification. There was one slide that you showed that showed an amount going to the general fund and then you had numbers under that. Were those added up or did the numbers under the general fund add up to, what was it, 16 million dollars?

MR. JONES: Yes, Commissioner Bochnowski, that would add up to that amount.

MS. BOCHNOWSKI: That's what I thought.

CHAIRMAN KLINEMAN: The amounts you say you're going to get over and above the statutory amounts, those are set amounts. They are not percentages of adjusted gross or anything of that sort, is that correct?

MR. JONES: Right.

CHAIRMAN KLINEMAN: And what happens after the end of five years, have you got any plans beyond that?

MR. JONES: Yes. That would be negotiated and we feel that by then we're going to be very much stronger. And we will even get, we'll have more revenue coming in and we'll get a better agreement. That's our intentions.

CHAIRMAN KLINEMAN: I'm just, you know, basically the statute really kind of puts this commission, or our successors, as far as our concerned successors five years from now in a position where they don't really have much leeway in respect to renewing the license. If the applicant is operating in accordance with the law it's almost an automatic.

So I don't think we're going to quite have the, I hate to use the word, leverage that we had today five years from now. So if you're going to do something I think maybe it has to be done.

MR. JONES: Right. I agree with you



100 percent, Mr. Klineman.

MR. SWAN: who sits on the Board of Directors of the Vevay Foundation?

MR. JONES: Commissioner Swan, I don't know that I can answer that question. Chuck Overby, the director of the foundation is here. May I yield to him to answer that for you?

MR. SWAN: Yes. I'd also like to know what the purpose of the foundation is.

MR. JONES: Sir, would you -- I'd like to clarify to see if I know what you're talking about. I see the slide found. The 16 million was over a five-year period into the general fund. And then, of course, that's only 25 percent. Then we have 15 percent going to the school, et cetera. But I think what you might have seen is what we were intending to pay out of that, use that general fund money for the first year.

MR. SWAN: Okay. Because it added up to it I think -- I wasn't sure if it was one plus the other?

MR. JONES: That's 64 million over the period.

MR. OVERBY: Mr. Commissioner, Chuck Overby, Switzerland County Foundation. In answer to your question, Commissioner, the foundation is a, an 18 year old private foundation that was begun in 1979, primarily through the efforts of Paul Ogle. Paul Ogle is a native of Vevay who was very successful in the bottled gas industry. And when Paul sold his business in the early 1980s he used the foundation as a mechanism to give back to his home town community.

Since 1979 I am very proud to say the foundation has invested in community projects throughout the county and the town of Vevay in excess of 12 million dollars. The largest investment is represented through our ownership in the Ogle house and that continues to be a focal point of tours throughout our county.

The well diversified based group of our community forks. The town of Vevay, the Switzerland County Commissioners, in addition to plant representatives, industry and commercial development, civic groups including Kiwanas as well as the historical

society. And we feel we have a very good group of people who have and will continue to make a contribution to our community.

MR. SWAN: Are there spending limitations in the foundation, what you may spend the funds for?

MR. OVERBY: Our limitations are based on rulings as I understand it, and we would be required to spend not less than 5 percent of our net asset base to meet those compliance regulations.

MR. SWAN: Then you're basically spending for the community of Vevay?

MR. OVERBY: It has to be for charitable purposes, 501C3 recognized activities. I'd be glad to cover some projects that we've invested in the past if you're interested.

MR. SWAN: Not necessary. Thank you.

Before you go are you concerned about the impact of another hotel on your hotel?

MR. OVERBY: Not in the least.

MR. SWAN: I'll bet Mr. Hilton isn't scared either.

MR. SUNDWICK: Has anybody done

anymore work with the Department of Transportation, I guess the highway Department of Kentucky, talking about the possible road between 71 and the dam?

MR. JONES: Yes, Commissioner Sundwick. Not as far as from the county. Boomtown, Hilton Boomtown has had someone working with that and I know this is a county question, but may I yield to him to answer that?

MR. SUNDWICK: Certainly.

MR. WENZEL: My name is Dave Wenzel with HNTV Corporation. We have been involved in the engineering of the project. We met with the Kentucky Cabinet of Transportation George Hoffman with the Florence, Kentucky district, which this district includes. They have this project, this spur from I-71 to the Markland Dam in their six-year capital plan.

MR. SUNDWICK: I understand it's the plan. But you know that, you've heard the condition of the roads in Indiana. Kentucky is not much different. They don't have a lot of money to spend on this road, and

they're supposed to do it because of their steel plants, I guess. But do you know when that's going to happen? You know --

MR. WENZEL: Well, it is in their six-year capital plan. As you mentioned that there's nothing to necessarily say that next year the six year capital plan will be there, but in the past capital plans that we have seen it has been a big issue and has been maintained, and has been identified for funding of various environmental studies right-of-way acquisition.

CHAIRMAN KLINEMAN: David, did you see any estimate of what the cost of that spur would be in discussing the matter with the people in Kentucky?

MR. WENZEL: Yes.

CHAIRMAN KLINEMAN: How much?

MR. WENZEL: It was in the neighborhood of about 4 or 5 million, as I recall. That's excluding the interchange. They had a couple routes they were looking at.

MR. SUNDWICK: Not wanting to be accused of being Monty Hall, have you ever

talked with them about sharing the revenue with them, sharing the cost of that particular road?

MR. WENZEL: Mr. Sundwick, I went to the representative of the engineers to find out --

MR. SUNDWICK: That's right. I'll wait for the next group.

MR. WENZEL: If I can, I would like to talk about the three roads, as was mentioned in the presentation. In our assessment of the traffic, we looked at the, there were two other traffic studies that had been done. We looked at those studies. We met with Mr. Land. We met with Kentucky Cabinet to develop our conclusions.

85 percent of the travel, if you will, is projected to come from Kentucky. I think it's important that we kind of have an analogy here of the amount of traffic that is going to be generated. The amount of traffic that's going to be generated from this facility is analogous to a community retail center, if you will, of about a quarter million square feet with a Marsh or

Kroger or other facilities.

CHAIRMAN KLINEMAN: You don't mean 4 million square feet. You mean something less than that. A community center you said.

MR. WENZEL: I said a quarter million. 250,000 square feet.

CHAIRMAN KLINEMAN: Sorry, I misunderstood.

MR. WENZEL: Generates the same amount of traffic. This site obviously disperses that traffic over an 18 hour period of the time, period of day in different times. And we project that the three roads that will be coming into the site from Kentucky are two U.S. highways, and one state highway. And they would have roughly an equal distribution of that traffic.

And in reality, we're only talking about 3,000 vehicles in an entire day on any one of those, any one of those roadways. So we feel very strongly that those three roadways can handle the capacity, and have discussed this again with Kentucky Cabinet

representatives in terms of our numbers and what the levels of service are. And I won't bore you with those details.

Those roadways currently are, as was mentioned, well under capacity. And that the additional travel is very unique to this site. And that there are five different ways of getting to the site, five different state and U.S. highways, and would distribute the traffic very easily.

They have asked me to explain level of service, I think many of you are familiar with that term. Level of service is an engineering term that takes into account not only traffic but speeds of the roadway, conditions. These roadways are currently, and with the projected travel, will all have a level of service including 156, between the Markland Dam and our site, will all have a level of service of either an A or B. With the improvements on 156 that are proposed, and for a two-hour segment between 3 and 5 o'clock which is the peak travel time, they would have a level of service of C, which is still a very, very adequate and



under capacity, if you will, volume of traffic.

The beauty of this site honestly is that you have five different directions or state highways or federal highways that bring the traffic into the site.

CHAIRMAN KLINEMAN: But the volume of traffic is judged by the As and Bs and the Cs and so forth. It is just the volume, it is not the difficulty of accessing the road.

MR. OVERBY: No, the level of service takes into account highway speeds and the safety of the roadway in terms of whether it has medians, et cetera. It's not solely based on volumes.

MR. SUNDWICK: Highway 56 between Madison and Switzerland County, how would you characterize that usage? What level would that be?

MR. WENZEL: No, it is an A level of service between, again, Markland Dam and the site. It would go to a C for that two hour peak travel period.

MR. SUNDWICK: When you start talking about it, maybe I'm confusing you or you're

confusing me, from Madison County to Switzerland County, that particular highway stretch of 56, you characterize as five state highways getting to the site, that's one of them?

A. Yes.

Q. What kind of road traffic on your A B C definition is applicable to that?

MR. WENZEL: My understanding it is an A.

MR. SUNDWICK: Oh, is that right? Is that good or bad?

MR. WENZEL: That's good.

MR. SUNDWICK: You got a bad scale.

MR. WENZEL: It has a travel, I mean we have in our materials that we submitted to Mr. Land.

MR. SUNDWICK: I understand. You answered his question.

CHAIRMAN KLINEMAN: Next.

MS. BOCHNOWSKI: On the emergency services issue.

MR. JONES: Yes.

MS. BOCHNOWSKI: I think this is something that we need to make sure is

covered. You have a clinic that is going to be built.

MR. JONES: Right.

MS. BOCHNOWSKI: And then how, how will you staff that? What money will you have to make sure that it's run well and that you can actually attract a doctor with a decent salary? I'm sure people have to pay fees.

MR. JONES: Right. Commissioner Bochnowski we on the council have set aside half a million dollars a year that we have set aside for emergency services. And that money will be used both for EMS and also to help staff and start the clinic.

We've also set aside money, at least preliminarily \$70,000 to start working on doctor recruitment. And our intention is to have a topnotch emergency clinic with Hilton Boomtown's 1.2 million, and also with the half a million a year, 2.5 million over five years that we intend to apply to emergency services.

MS. BOCHNOWSKI: What about emergency response? I don't know if that's considered

the same but --

MR. JONES: Yes.

MS. BOCHNOWSKI: We've been asking other people about helicopters. What about policing, fire, all those kinds of issues?

MR. JONES: Yes, we have -- as far as from the county, we are looking at a much more aggressive emergency medical services. Of course, Hilton Boomtown is going to purchase an emergency unit that will be located at the site with what will be the new Florence fire department.

And also, if I could, we have been in the process of putting together an emergency response plan in our county. And John Wagner has been working with the county and also with the applicant. I would like to yield to him at this time to further discuss emergency management.

MR. WAGNER: Good afternoon.

MS. BOCHNOWSKI: We keep seeing you.

MR. WAGNER: Yes, we do. I think that's a good thing by the way.

Captain John Wagner. To answer your question, Commissioner, there will be a

grant of \$300,000 up front to the Florence York Township for the volunteer fire department. There will also be a grant of 125,000 for a new ambulance.

In addition to that, to answer part B is that currently there are four ambulances in the county that can respond that are located right there and can respond between a 15 to 20 minutes. There are also over 30 EMTs. In the surrounding counties there are an additional 11 ambulances. There are also four hospitals that are located in adjacent counties. Two of them that we can respond to within 15 minutes. And three Medivac services, two out of Louisville and one out of Cincinnati. And yes, we will build a helipad on our property.

CHAIRMAN KLINEMAN: There was some discussion, Captain, about some kind of an arrangement with Kentucky to --

MR. WAGNER: Yes, sir. When we first came in and looked one of the things we mentioned was possibly establishing mutual aid agreements with Kentucky because there are, the Carroll County Hospital is very

close to that, as well as other resources in Warsaw. And so, they have established the mutual aid agreements. Are working on them.

MR. JONES: They're in the process of being worked out. And that would include Kentucky counties of Boone, Gallatin, Carroll, Owen. Indiana counties of Switzerland, Ohio, Jefferson and Ripley. That would include EMTs, police, fire department, water rescue. Boone county has a water rescue team and also the air care from University of Cincinnati and the two from Louisville.

CHAIRMAN KLINEMAN: And you were just in the process of discussing that. That is not anything that's in place.

MR. JONES: We have been, we are to the process where I'm talking to the government agencies over there. And also the emergency people in Switzerland County talking to those in Kentucky. And hope to have that put together in the next, I don't know that we've set a time span but the next.

CHAIRMAN KLINEMAN: Six months.

MR. JONES: No, sir. 60 days, 90 days.

MR. VOWELS: Where's the closest hospital to Vevay?

MR. JONES: From Vevay to the site?

MR. VOWELS: The site?

MR. JONES: The site would probably -- John, I'll --

MR. WAGNER: John Wagner, Hornblower Ring Services. The closest hospital is Carol County Memorial, which is approximately 15 miles from the site. And then we have Kings Daughter Hospital which is 25 miles. Dearborn County Hospital, which is 35 miles. And Owen County Hospital approximately 30 miles.

MR. VOWELS: There's no hospital in Switzerland County, right?

MR. WAGNER: That's correct.

CHAIRMAN KLINEMAN: Do you know how far apart these counties --

MR. WAGNER: For Dearborn County we have 144 beds, 123 physicians. Carol County Memorial we have 29 beds with a 24-hour emergency center. And unfortunately at

Kings Daughter Hospital I don't have a number of beds. Mr. Sundwick, maybe can you help me out. I think maybe it's --

MR. JONES: It's think it's very similar.

MS. BOCHNOWSKI: This new emergency clinic, what will it be able to provide?

MR. WAGNER: We will a establish emergency care center and trauma unit right there.

MS. BOCHNOWSKI: How many patients would they be able to handle at one time?

MR. WAGNER: I'm not sure since we, you know, we haven't fully developed that.

MS. BOCHNOWSKI: Okay.

CHAIRMAN KLINEMAN: As compared with the other locations, do you think the emergency response that you're discussing here today is adequate to serve this location and the operation?

MR. WAGNER: Yes. I can give you several reasons why. First of all, we have to really look at the site and I hate to steal the thunder on the other side. If you look at the site and the close proximity of



things and what we're building there, yes, there are other things we simply haven't had a chance to tell you about.

Also when you talk about emergency services one of the things that we recommended when we did our studies was, as you know, the Coast Guard is very concerned with medical evacuation and emergency evacuation. We're always concerned with a power failure. Should you have a power failure what happens?

We proposed to Hilton Boomtown that they at least with the temporary vessel that we have a standby tug there. So that standby tug will be there. It will be there 24 hours a day. Should the vessel become disabled it would push that vessel into the bay.

When you look at the fire fighting capabilities, No. 1, we basically carry our on-board fire department right there. All the ship's officers have to go through U.S. approved fire fighting school. All the fire equipment we need. We have full turn out here. SB. We still have to meet Coast

Guard requirements seeing as we were an ocean going requirements means we have to take care of ourselves.

Should we need assistance there are six volunteer fire departments in the county which all have 500 officers and over 11 fire trucks. I guarantee you some of that may be outdated at the time but with a license it will be upgraded.

When you look at the hospitals the fire department and the ambulance especially putting those emergency medical services right on site, a clinic, a fire truck that's right there, an ambulance on there, a standby tug, a helipad, I think we've put as many layers of safety as we could to make sure it's a very safe operation.

MR. MILCAREK: This morning we heard from Crawford County and they said they had about three places on their cruising path that they could reach land to evacuate in case of emergency. Do you have any plans such as that?

MR. WAGNER: I hate to get them up by one but we have four. We actually,

including our site, as you may know there's a ferry landing that went across from basically Florence to Warsaw. That ferry landing provides very good capabilities, either on, in the Florence side or Warsaw side. There's also a marina just at Florence that we can put one in.

Additionally, just one mile above our site the road parallels the entire river and you can pump from it. The banks are easily accessible. You can push in there and unload passengers so you have very easy access.

MR. VOWELS: How long a cruise would you have there? Are you able to cruise? I would assume?

MR. WAGNER: Yes, sir. Our cruise route, and Mr. Parrot said we haven't missed many sites on the Ohio River that we've been asked to conduct a marine site risk assessment for. I can tell you aside from being one of the safest, and this is one of the safest we've ever looked at. This is the longest cruise route navigable because we can cruise 13.1 miles in one direction

should we decide to do that.

The nearest point is around 200 feet. It averages 600 feet. As I said, our cruise route would only be 2.2 miles. From the time we leave our site we have plenty of room to turn our vessel around. Plenty of time for safe navigation.

MR. VOWELS: Even at low water?

MR. WAGNER: Even at low water that's well inside the 12 foot channel. I would like to point out, too, that on our site when you speak about low water, well, we looked at everything when you looked at other sites we'll see as much as a four foot fluctuation from low water to high water. Over a five-year period at this point what we say was 3 feet and that's due to the close proximity of the dam. So it really is a very unique site.

MR. VOWELS: There was in the presentation mentioned about the contemptible jail which some of my clients have probably been in. What's the story with that?

CHAIRMAN KLINEMAN: You had no small

part of putting it there.

MR. VOWELS: If I was any good they wouldn't be in there.

MR. WAGNER: I believe we'll turn the Mike over to our local sheriff.

SHERIFF JOHNSON: I'm John Johnson. I'm the sheriff of Switzerland County.

MR. VOWELS: Sheriff, what is the status of our jail? You only have a 72 hour hold then what do you do with them?

SHERIFF JOHNSON: We have a 72 hour hold now. We hold up to that length of time per court order. When a person is not able to make bond, post their bail. We have an agreement right now with Carroll County, Kentucky. They house our prisoners for us.

Also Dearborn County houses prisoners for us.

MR. VOWELS: As far as this is like gotten to be my favorite question, unfortunately this is the end of our hearing, how many sheriff's deputies do you have and how many cars do you have on the road and what do you anticipate you will need in the future?

SHERIFF JOHNSON: I have three full-time deputies now. With the up front \$150,000 grant money I intend to add 2 full-time deputies.

MR. VOWELS: And use that for their salaries?

A.

SHERIFF JOHNSON: That would be used not totally. I don't make that much money.

CHAIRMAN KLINEMAN: Sounds like they want to give you a raise, Sheriff.

SHERIFF JOHNSON: I'll take it.

MR. VOWELS: Let me ask this, I mean the big question, you're going to pay their salaries out of that. I assume you're not going to payment them 75 grand each. At the end of five years if things aren't going as well as far as the riverboat payout how are you going to pay this?

SHERIFF JOHNSON: This 150,000 is up front. That's going to be an expedited grant. I'm going to be the first one impacted.

MR. VOWELS: Are you going to get new cars with that money?

SHERIFF JOHNSON: I'm going to get new cars. We're in a lease program. I know what you're thinking, a new car is 25 to \$30,000. I lease police cars. I stretch a dollar till George screams. I anticipate that, that that 150,000 is going to be more than enough money.

MR. VOWELS: So you're going to have two more sheriff's deputies and how many more cars?

SHERIFF JOHNSON: I'm going to have two more cars, and I'm going to attempt up front to secure a used boat for purposes of evacuation, and have on-site deputies there that are, with the approval of Hilton Boomtown. They will be deputized; however, they will be full-time employees of Hilton Boomtown but they will be deputized by my department to have full police powers. Not all security people will be deputized, only selected ones that qualify and have the training.

MR. VOWELS: What are you going to do about the jail?

SHERIFF JOHNSON: The jail situation

right now we have just completed a feasibility study to build a new jail. This project would be greatly enhanced with this license, of course, would expedite us building that. Eventually we're going to have to build one anyway. But with this it would certainly ease the pain of the taxpayer.

MR. VOWELS: And your judge doesn't have a law library. I just take it, the judges I know you really don't need a law library. It just confuses them so.

So you think you'll be able to have sufficient money to prop up what you need for the department?

SHERIFF JOHNSON: Yes. My initial feeling is that I'm going to hire two deputies, equip them, train them, that's going to be during the construction phase with this upfront \$150,000. The moneys that I am going to be receiving over the next five years, if I'm reelected, or whoever is in my position, will be able to assess to see how many more people is going to be needed. With the funds that they are



talking, that the 911 and the sheriff's department is going to receive, I don't really see any problem with, I don't see any problem with being secure, with as far as law enforcement goes.

The first year, the first year for 911 public safety law enforcement we're looking at a little less than \$600,000, 583,000. With that, I can do a bit. Over a five-year period we're looking at more than 3 million dollars. I can do a lot with that.

MR. SUNDWICK: This is just off -- why 72 hours, what's the problem?

SHERIFF JOHNSON: Well, the jail was built in 1857, and it has had no renovations since.

CHAIRMAN KLINEMAN: What was the date?

SHERIFF JOHNSON: This is the oldest working jail in the state of Indiana. It was built in 1857.

MR. SUNDWICK: It hasn't been renovated since when?

SHERIFF JOHNSON: Well, it's had

electricity put in it. And a new roof, I think. A few years back.

MR. SUNDWICK: I think you can make it a tourist attraction.

SHERIFF JOHNSON: We've got the oldest jail in the state.

MR. SUNDWICK: Thank you.

CHAIRMAN KLINEMAN: Any other questions of the county or the sheriff?

MS. BOCHNOWSKI: Now are you going to have money to fix those bridges that you're talking about? I have to tell you I was about ready to cry. These kids.

MR. SWAN: Those are the bridges in Madison's County.

MR. JONES: Well, we have the first year, the council, we appointed a committee which was made up of three councilmen and county commissioners. And we began looking at those problems.

We're going to get \$750,000 from the Hilton Boomtown in the beginning of this project. And then we are going to spend 1.6 million the first year for road repair counting highway equipment.

In fact, commissioner Jim Allison is here. And in the plan that you will get -- do you have that yet? Pat Trout, who's working with us is going to give you a plan. And in that plan it tells actually, Ann Marie, the bridges that are going to be replaced, how many, and exactly what bridges are going to be replaced.

So we plan up front to put a large amount of money into approving the bridges and roads.

MR. VOWELS: In a nutshell can you give us the rundown of what other counties for the revenue sharing?

MR. JONES: I'm sorry.

MR. VOWELS: The revenue sharing you talked about. You were going --

MR. JONES: Switzerland is --

MR. VOWELS: If you could just give me --

MR. JONES: Jefferson, Ripley, which are the two contiguous counties.

MR. VOWELS: I got my map right here.

MR. JONES: And Crawford County.

MR. VOWELS: There's a bunch of

counties in between you guys and Crawford County. Why are you going to give money to Crawford County?

MR. JONES: I guess it works both ways. There's a lot of county in between Switzerland and Crawford. I think through this whole process I guess maybe it's ironic that the two counties that are competing for this last license are the two counties that probably have the greatest need.

MR. VOWELS: There's some reciprocation here between Switzerland and Crawford. When did that first occur? When you guys realized --

MR. JONES: Well it's pretty easy to count when you're down to two, so.

MR. VOWELS: I mean, when did this agreement take place?

MR. JONES: Well, there is no written agreement at this time between the two counties. But I think, you know, the understanding there is that.

MR. VOWELS: Let me ask this question. Last year in May and June of '95 did you, we talked about the revenue

sharing. I don't recall, was Crawford County included in your revenue sharing?

MR. JONES: No, it was not.

MR. VOWELS: You answered my question.

CHAIRMAN KLINEMAN: Well, are you and Crawford County both confident that regardless of who gets the license a reciprocal sharing will be made? Is that something there is a firm commitment?

MR. JONES: Right. Absolutely. You know, I happen to, in one of my other hats I wear I'm in Crawford County quite a bit, have a lot of friends there. In fact, Mr. Stutsman who spoke this morning is from Switzerland County. So I think there will be no question of that.

I guess the only thing, as we showed on our slide, if we don't get it, if we don't get the license, we get a little less money than they would. But that's just the way it works out.

CHAIRMAN KLINEMAN: I got that from your graphic I personally think that is something that is really good. That you've

gotten together in some fashion so that there will be something for both of your counties regardless of what happened, because they are very, very deserving. And both counties have conducted themselves in a very fine manner in our proceedings before us.

MR. JONES: In our meeting in April there was a delegation from Crawford County there. And we have, I've talked to those people and we feel that, you know, there's an understanding going in of what's going, what's going to happen down the road. But I think there will be no problem in, working together on that.

CHAIRMAN KLINEMAN: Next thing work something out with Lake County. They have four boats.

MR. SWAN: Can I ask one more question? I notice in your presentation you talked about revenue sharing in a sense with four counties of 800,000 over a five-year period I think on their Council On Aging in each of those counties. I'm just curious how you selected the Council On Aging and

not, say, United Way or Salvation Army or something like that?

MR. JONES: Commissioner Swan, currently Switzerland County participates with these other counties in this Council On Aging. And in the past few years, they have had to cut back, for instance, in Switzerland County, there used to be two meal sites, one in Vevay and one in Patriot and because of the funding they had to cut out the one in Patriot. We feel by doing this we're helping the ones in our county and also the senior citizens in the other counties. This is an existing organization that we are currently part of.

MR. SWAN: You're not a member of the United Way agency right now?

MR. JONES: Right. I'm not sure about that.

MR. SWAN: That's not a problem.

MS. BOCHNOWSKI: I'm assuming you chose the other three counties for revenue sharing Jefferson and Ripley because they are contiguous to you and you feel they will have an impact. Is that the logic behind

those and not some others?

MR. JONES: Right. Ripley County, of course, is contiguous to the north, and we feel that, of course they are participating in Ohio River counties. And that we will be putting a burden of some traffic and there will be people going through there.

Of course Madison as Mr. Sundwick knows has a very good reputation for shops, antiques. We feel that Madison in that it is Jefferson County does not stand to share with anyone, any other county along the Ohio River, and if Switzerland was not to get a boat then they would not share.

So we felt that Jefferson County we decided to make them our primary I guess beneficiary. And Ripley County 25 percent and Crawford County 25 percent.

MS. BOCHNOWSKI: I am going to ask the applicant this also, but do you really feel that you can all thrive and prosper all three of these riverboats, or, I mean at some point, and this is kind of an unknown but just a concern is as you can imagine that we've already granted two certificates,



and we don't want to hurt the ones that we've already granted.

MR. JONES: And we are sensitive to that. But I think wherever you put that, this last license, it's going, whether it's in Switzerland County it's going to be next to two, whether it goes to Crawford County it's going to be next to Harrison County and of course the one that's already in existence in Evansville.

We feel that the market shows that putting one in Switzerland County is putting one in where there's a larger market and that large market will enable all three boats to successfully operate.

CHAIRMAN KLINEMAN: Anything else of the county?

MR. THAR: If I understand is your revenue sharing agreement a five-year plan?

MR. JONES: Yes, it is.

MR. THAR: So it does not go on after five years?

MR. JONES: No, but we would expect to have it -- no, I'm sorry I think it's actually as long as there's a boat in

Switzerland is correct. It's not the five-year plan, I'm sorry.

MR. THAR: Have we seen the revenue sharing plan? Yes.

MR. JONES: I'm confident. In fact it's in this thing that Mr. Trout has now. But we had it sent as soon as we approved it which I think was back in June. I think it was actually June when the actual revenue sharing plan was complimented.

MR. THAR: I've got two relatively awkward questions but I think they need to be asked. The first one is, the fact that Madison, or excuse me, Jefferson County is to receive 50 percent of the revenue share, do you believe that that at all puts Commissioner Sundwick in an awkward position with regard to voting on your project?

MR. JONES: You're asking me? I wouldn't think so, no. I mean I know that, I'm sensitive to the fact that he resides in Jefferson County. But I think Switzerland and Jefferson County has had a longstanding relationship that goes back many, many, years. And I think we were going to share

with them, Mr. Thar, the last time in the last go around.

MR. THAR: But they weren't in the 50 percent?

MR. JONES: No, they were not at 50 percent.

MR. THAR: If I understand you have 85 percent coming across the Markland dam. So that leaves 15 percent coming from the various counties. But you've got one county getting 50 percent and other counties getting 25?

MR. JONES: Once again, the fact that Jefferson County stood not to share any at all in revenue we felt was one factor. Plus the factor that even though 85 percent would be coming across the bridge that there would be a large number of people going to Madison just because wanting to see the beauty of the city and take in the shops. Those were our overriding factors in making that decision.

And again, recognizing the fact that Mr. Sundwick is there and recognizing the sensitivity of that issue, we felt that was

an overriding factor.

MR. THAR: I understand the fact that the referendum passed in both Switzerland and Crawford County. But of all the letters in opposition of putting in a boat in a given county we still receive many more letters from Switzerland County saying don't put a boat in there than we do from any other county being considered on the Ohio River.

Can you explain if the Commission is going to choose to put one in Switzerland County if we're to overcome that still active opposition to a boat there?

MR. JONES: Sure there is opposition and we are sensitive to that. And I think in Switzerland county it's a small county and I guess similar to Crawford, everybody knows everybody. It has been a divisive issue. I know you do, receive these letters, calls, whatever. And I think anywhere you go it is a divisive issue. And I guess the only thing I can say, Mr. Thar, is that we had our referendum and it passed.

And I guess -- and I recognize the

problem that you have, you all have with getting the letters. But from our standpoint, it passed. And the majority has spoken, and that we should be considered fairly because of that. And not different maybe because there might be a few more letters that come.

MR. THAR: That's all I have.

CHAIRMAN KLINEMAN: If it's all right with the Commission I think we'll take a break. It's going to push us kind of late but we've been here for quite a while. We'll come back at about 25 after 5. And we'll start with questioning of the applicant.

(At this time there was a brief recess taken, after which the following proceedings were had:)

CHAIRMAN KLINEMAN: Are we going to have a director of traffic or moderator?

MR. LIST: My name is Bob List. I'm senior vice-president and corporate counsel for Boomtown.

CHAIRMAN KLINEMAN: I would kick off the questions with, on what basis did you

divide the, what we'll call the eastern Ohio River market into those two segments? You know, people can draw lines anyplace then produce statistics that support their drawing the lines. What leads you to conclude that 85 percent of market is going to come from the south, and basically, what you're trying to tell us is it is not going to eat into, either, Argosy or Hyatt, and on what basis you've come to that conclusion?

MR. LIST: Thank you, that is precisely what we've concluded. And to give you a little more detail, and help you understand it, let me bring a real expert to the microphone. I could tell you but from him it's a real personal, professional analysis behind it. And that's Mike O'Brien.

MR. O'BRIEN: Mr. Chairman, what I'd like to do is yield to the brains of the organization. Tim Haws is Vice-president of Development for the company. Tim has worked for me for 15 years. I hired him out of one of the premier consulting firms across the

country. And his analysis is the basis for our assertion that the market is what it is. And he has a great deal of detail, and has been working on this for quite a period of time. So if you agree I'd like to defer to Tim Haws.

CHAIRMAN KLINEMAN: If you'd identify yourself and also give some of your background, if you're the expert witness we're going to hear from.

MR. HAWS: I'm just hoping there's someone else I can turn it over to. My name is Tim Haws. I'm Vice-president of Development for Hilton Gaming. I've been development hotels, resorts and gaming complexes for approximately 15 years. At Leventhol and Horoway, and Mendelton Forrester, two to of the premier hospitality consulting firms, for a number of years. In answer to your first question of what I picked up as about seven or eight questions in there.

The basis for our initial evaluation was a review of the entire Ohio River market area. That includes everything from Dayton

to Evansville to Metropolis, the entire region. We have a model that we use at Hilton that we had developed for us by a company in Phoenix called Castillo and Company and it is a computer driven model that determines travel time, convenience of travel, and locations of populations all the way down to zip code level.

Now the model, the basis of the model is determining what we call concentric ring analysis, 75, 100, 150, however big you want to make it. But what we have the capability of doing is going into any given market area and overlaying on top of the concentric rings and population centers where are all the competitors. Overlaying on top of all of that what is the road system in terms of primary secondary and tertiary roads.

The model then helps us determine what are the likely travel patterns of guests based on the availability of an existing road network. Now if that were only the case, and two competitive locations were equidistant from a population center let's say, you would end up with roughly 50



percent going to one and 50 percent going to the next.

We have the capability in that model to take it to even the next level of analysis, which is to evaluate each competitor within that profile based on the quality of facilities, the brand recognition of that complex, and the type of operation.

Let me elaborate on that for just a moment. Type of operation, land-based versus riverboat versus dockside, obviously have very different characteristics, and different attractiveness characteristics to a potential customer. If you had a land-based at point X and a riverboat at point Y, you would likely see a greater propensity for people to go the land based in terms of ease of access and this type of thing.

Brand recognition, Caesar's or Hilton versus Joe's Casino they might be development physical offering in reservations centers, marketing tools, those kinds of things. There's a tendency for the better known organizations who have the

greater marketing clout and the greater reach in terms of their power to have a little bit greater influence and obviously quality of facilities.

If you had Donald Trump's Hotel on one side and Flash Casino on the other, you would obviously see things flying. That sort of forms the basis for evaluating what the travel patterns are going to be of all the people within this region.

We took a look at this region and there is absolutely no question that on the north, on the east side, the east side of the river, which has 7 million people in it, that three riverboats can be extremely successful.

We were actually a little surprised when we start started running our proprietary model analysis and that's really the second or third step of the analytical analysis which I was talking, the volume of the people were the Lexington area, southern Cincinnati area, the greater northern western Kentucky area that really do have superior access to our site.

And as we showed in the slide, that one and-a-half million people is a totally separate group of potential gaming visitors than 4.3 million people that are going to have, that are closer and more convenient to both Hyatt and Argosy.

I can tell you without reservation that in a free market where a free competitive scenario, and market this size you would probably be looking at five, six, seven, eight casinos. There's no question.

MS. BOCHNOWSKI: You know there are states that are now finding that they overestimated what the demand would be, and I think Hilton even experienced that in New Orleans if I'm not mistaken. We don't want to be in that same position. That's why we're being very careful here. We have committed ourselves to two companies and we want to make sure that they're successful in a sense.

MR. HAWS: You have every reason to be concerned, because there has been some other areas in the country where more casinos than the market could support were

developed. In this particular case with a billion dollars worth of business, don't take our word for it. We had Urban Systems go out and look at this market independently. They are a very good firm. They looked at this market for us independent of the analysis we ran. And on a more simplistic basis they came up with number that was 10 percent less than ours.

We're still talking about a market that is at minimum two to three times the size of what's on the western part of the state. The simple reality is that you have three times the population on the eastern side of the river than you do on the western side of the river. And in a 7 million person market area, where about four and-a-half million of those are within, you know, 75 or 100 miles, I can only tell you that that is an enormous market potential.

MS. BOCHNOWSKI: You have in a sense created a destination resort here. Hyatt is intending to do that also. Do you think there's room for two such resorts?

MR. HAWS: Absolutely. No question

about it. We wouldn't be here if we didn't think that that potential existed. We had the opportunity to look at a variety of different projects around both Switzerland County and Crawford County and some other counties, in fact. And we really focused in on this particular project because of the access to the population centers, and the sheer size of the population that's out there.

You know, let's face it. A huge portion of the market that's going to make all of us successful is this local business. But let's talk about local business that's within 100 or 125 or 150 miles. Those are absolutely guests that are potential guests for the hotel and for the resort facilities at the complex as well.

MS. BOCHNOWSKI: Have you in your calculations, have you also factored in any possibility of another contiguous state deciding that they would open the doors to casinos?

MR. HAWS: I can tell you that our revenue projections assume that that does

not happen.

MS. BOCHNOWSKI: Okay.

MR. THAR: Can you go back then, have you done any projects which will answer Commissioner Bochnowski's question? Have you factored in what would happen if Cincinnati or northern Kentucky authorized some type of casino gaming? Have you done studies on that?

MR. HAWS: We have taken a look at the possibility of that happening. We think it's extremely remote. We think there's at least a five to seven-year window before anything like that would happen. We've developed the project with a level of break-even revenues approximate 7 million dollars which we think is easily sustainable even if that happens.

MR. THAR: For three casinos in that area in Indiana?

MR. HAWS: Yes, sir. Yes.

CHAIRMAN KLINEMAN: The other report you alluded to, the Urban Research.

MR. HAWS: Urban Systems.

CHAIRMAN KLINEMAN: Urban Systems.

Is that in written form; is that available?

MR. HAWS: Yes, sir, we'd be glad to make it available to you.

CHAIRMAN KLINEMAN: And this is an outside consultant that was employed by you?

MR. HAWS: Well, actually Urban Systems is based in Louisiana. And they are the firm that does all of the feasibility projecting for Smith Barney and Bear Sterns. So you may have seen that big gaming almanac that floats around once a year. The 1996 version of it of it is from Bears Sterns. All of the analysis for the gaming side of that was done by Urban Systems.

That information is all available in public fashion. It goes through every state market by market and defines how big it is. In fact, I have copies of the Louisville and the Switzerland County site.

CHAIRMAN KLINEMAN: Well, if you could submit, maybe it's public record and I just haven't seen it, if you could submit that material to us it might be of aid.

MR. HAWS: Be happy to.

CHAIRMAN KLINEMAN: You basically

almost give me the feeling that you have found a million and-a-half proprietary users of your facility that nobody else would even touch. I mean that it was almost, it's almost a captive group. It's coming from someplace.

You know, if you were not allowed to go forward in Switzerland County those people would go someplace, wouldn't they? They would go to Caesar's or Argosy or they'd go to Hyatt or they'd go someplace, wouldn't they?

MR. HAWS: In all likelihood, yes, they would.

CHAIRMAN KLINEMAN: So they're not -- go ahead.

MR. SUNDWICK: I think what you're really telling us is they're going to go someplace. With two boats they're not going to get on the boat --

MR. HAWS: What we have here is a market of a billion dollars. Call it 900 million, call it 850 million. There is no way that three vessels are going to come close to accommodating that kind of demand.



You're not going to have three operations doing 300 million dollars apiece. There is far more business in this regional market when you start looking at Cincinnati, Indianapolis, Dayton, Columbus, that could possibly be satisfied on three, you know, relatively small casinos. We're talking 30, 40, 50 square foot operations. Those are not large facilities for a 7 million person population center.

CHAIRMAN KLINEMAN: Anything further along these lines?

Well, thank you.

MR. HAWS: Thank you.

MR. VOWELS: As far as the merger with Hollywood Park, you guys are going into Hollywood Park versus the other way around?

MR. HAWS: Yes, sir.

MR. VOWELS: How would that impact the situation as far as you received the certificates, through the building you would be a different entity than what we see here today. And I'm sure there's some golden parachutes around, but what would we be looking at as far as possible changes? Even

though I know you won't comment to some degree, make me feel comfortable with the idea that it's going to be a different entity.

MR. PARROT: Tim Parrot, Chairman and CEO of Boomtown.

MR. SELIG: Well, while you're getting ready to answer that would you also include the concept of co-managers of this, how that would fit into this Hollywood?

MR. PARROT: I'll comment on both, and if my friend Mr. Hubbard from Hollywood Park disagrees you can see him stand up and he'll tell me something I've missaid.

First of all, to give you some insurance on the structure, one of the things we found attractive with the merger potential with Hollywood Park is they are not in the gaming business. As we see it happening, Boomtown is a wholly-owned subsidiary of Hollywood Park. Once the merger is completed they have an 11 member board, four of which will be Boomtown directors, including myself.

They have a five-person executive

committee, two of which will be Boomtown people, myself and Richard Giglin, who is on our board. And there will be a new office of the chairman which will be Mr. Hubbard, myself, and his chief financial officer, Mr. Finnigan.

So we really are folding in a strategic merger driven by financial strength and the need to have low cost of capital in this difficult age of gaming.

And the good part about this versus many mergers typically, in this merger there is not redundancy of people. Where there are two good people and they both have the same job and you have to eliminate one.

Their business, which has been very successful, is in the horse track business and the card club business which are entirely two different business. So we've no overlap of any positions in both companies.

As it relates to the joint venture agreement I'll be happy to respond, and if Mr. Selig or O'Brien want to add on they can. The model for this is what they have

done so successfully in Windsor, Canada and it's a board represented equally by Boomtown and Hilton, of equal members of the board. And that that board then picks the management of the company and runs it. And we look to both the human resources and financial resources of both Hilton and Boomtown to solve that. So the board might elect to find somebody in either of our organizations or outside to be in a particular management position there.

But this is a model that's been used before, as I think we told you before, our relationship with Hilton on both the personal and business level goes back a long ways and we have never had a dispute. And so it's a board of equal representation.

MR. VOWELS: Looking at the composite here for Boomtown and Hilton then there's Full House LLC. Who are they? Where did they come from and how did they get their interest in this? I see it's the House family it looks like.

MR. HAWS: I'll give the podium back to Bob List.

MR. VOWELS: Did they contribute money to this?

MR. LIST: Full House LLC is a family enterprise owned by John House who is a long time Indiana, lifetime Indiana resident. John and I have a friendship that goes back 35 years. And John is the one who actually came to me, to make a long story short, several years ago when your legislature was first looking at bringing in gaming and said, we think that it's something that Boomtown would be great at here and we'd like you to consider it.

So I came back and over the years since then, the last three or four years, have spent a considerable amount here with John. He's guided us through the labyrinth of deciding the regions of the state, the many consultants, and availability of talent here, the work force, and essentially introduced us to this market. And will hold 3 percent financed interest. It's not a carried interest. He will pay his way.

MS. BOCHNOWSKI: But out of his percentage, though, right?

MR. LIST: Yes, ma'am.

MS. BOCHNOWSKI: So in other words, he really isn't -- he gets it, right? Am I correct?

MR. LIST: He will not receive distributions other than necessary to pay taxes until he's fully paid, his interest has been fully bought. That is his -- that's essentially the way we're compensating him for all the work he's done.

MR. VOWELS: He lives in Carmel?

MR. LIST: Yes, sir.

MR. SUNDWICK: He was part of the other branch in Lawrenceburg, right?

MR. LIST: Yes, he was.

MR. SUNDWICK: What was his ownership position in that?

MR. LIST: I think it was 5 percent.

MR. SUNDWICK: Very callings in the mall building of malls or --

MR. LIST: No, that was, I think that was someone else. That was Mr. Stultz. He has nothing to do with this project.

MR. SUNDWICK: I think I got the right guy just got the wrong profession, I

think. Mr. Stultz is a good gentlemen. Good looking white hair. If he's here I said good looking because he's very big if as I recall?

MR. LIST: Yes. He has real estate holding here. He also has real estate investments around the state.

CHAIRMAN KLINEMAN: Commissioner Vowels has asked me if I knew John House. I know him, yes. I do know him. I might as well tell everybody. I've never done anything but become acquainted with him on a couple of business transactions. But basically he was on the other side. I saw him earlier. I can't find him right now but he's here. I also have met his son.

MR. VOWELS: I figure everybody in Carmel must know each other.

MR. SUNDWICK: May I ask a question? I asked it earlier and I think I put somebody in the traffic department on the spot. What's your conversation with the Kentucky Highway Department as far as the, we've heard we're going to fund this road in Indiana that could be 15 years. I'm sure

it's the same for Kentucky. What is the situation with that road?

MR. LIST: The, what we call the connector road, which would be a direct route to the dam from I-71, it's in their current six-year plan. We understand that Governor Patent put that to the legislature again this year. It was accepted as a part of that plan.

We also understand that there is consideration being given to expedite its construction. So, what that really does is to give us a long-term back up to what we feel are already three adequate routes to the dam.

MR. SUNDWICK: Have you made any suggestions to Kentucky that you'd like that built earlier and you might want to participate?

MR. LIST: They -- we would be willing to discuss that with them. We felt it would be inappropriate at this stage. But there are several major plants, as you know, along the south side of the river. Those plants along with Carroll County and



Gallatin County have organized a committee to address the transportation needs over there. They have been making some improvements, by the way, to Route 42 and the other feeder routes there. But this is still in their plan, and we are certainly willing to sit with them as we will with the Department of Transportation here in Indiana, to express our willingness to shoulder our fair share.

Incidentally, we do have a meeting set up for Mr. Land for Thursday of next week at 10 o'clock.

CHAIRMAN KLINEMAN: I know that Mr. Wentzel has alluded to certain studies that have been made of the three roads over in Kentucky. And are those available in some kind of a written form?

MR. LIST: Yes, sir.

CHAIRMAN KLINEMAN: Everything I ever heard about those three roads was not particularly appealing. You know, we talk about U.S. highways. Well, I can point to some U.S. highways in Indiana that aren't the roads I want to ride on very often or

very long period of time.

MR. LIST: Two of the studies we redone by Kentucky traffic experts. And the third was really done by HNTV itself, reviewing and going back and looking at original data. And we'll certainly make those available to you.

CHAIRMAN KLINEMAN: If there was some level of comfort that I can rise to because when we originally reviewed the location in Switzerland County those roads were not put forth as something that was really a desirable way to get to a Switzerland County location. Now it's become key in your presentation.

MR. LIST: The real key in understanding and relating to those reports is reflecting on the fact that the traffic is dispersed over three routes rather than being focused on one or two. The traffic is about evenly distributed on each of the three.

CHAIRMAN KLINEMAN: I understand that. But it was my impression that the roads went sort of like that.

MR. SUNDWICK: It would seem to me if you want us to buy the argument there's 1.5 million people going to come and 85 percent of them are going to come across that dam, and you know, that won't interfere with anybody else's boat, it's the biggest market in the world. It would seem to me that I'd be laying pavement between 71 and that dam myself. I wouldn't even ask them. I'd go by and start laying pavement, if it's that big a market over there.

MR. LIST: We're certainly prepared to do that. We've done that in other communities, and we expect to do that and we certainly stand behind that.

MR. SUNDWICK: I guess I'm not trying to order anybody to do anything but if what you're saying is correct, I would think you would go in there and get 15 miles of highway laid.

MR. LIST: Yes, sir. And we recognize that we want those customers to come back the second and third and fourth and fifth time. And being able to get there conveniently without a hassle was important

to them, otherwise, we wouldn't go there the way it is.

MR. SUNDWICK: If 56, you call that class A roads, and if those are class A roads and I've been on a couple of them, it's a long ride. 18 miles between Madison, Indiana and Switzerland County in a boat is going to be, it's about 2 hours in a car?

MR. LIST: We hope not. It certainly can stand some improvement. I've driven it many times myself. You're right about that. We do know this from experience that guests will drive a considerable distance and it's more time than it is mileage. It's nothing to get in a car and drive an hour or two to get where you want to go. And they do this to casinos all around the country.

They do it to Indian casinos in Louisiana and Mississippi, and almost seemingly in the middle of nowhere. And they may go 50 miles an hour instead of 70 in this situation. But -- Foxwood is another example. They come from all over New England. They will come to this site. And we're comfortable about that.

MR. SWAN: Can we get to the labor side of this thing for a minute. You have some 1400 jobs. I understand the labor pool in that area is not large also. And I'd like to hear more about the compensation of your starting people there. And also, if you have a profit sharing and 401-K plan?

MR. LIST: We're very proud in both companies of our existing benefit programs. In a moment I'm going to ask Tim Parrot to come up and give you that in some detail. He'll be followed by Mr. Steven Jones of SOJ and Associates here in Indianapolis.

We say that we engaged Mr. Jones to come in and do a staffing plan for us with this, because of this precise requirement of 1400 people. A relatively isolated area in terms of work force. And each of them has, I think, we'll add to what I've said. We are prepared, and ready and anxious to get started with the staffing.

MR. PARROT: Tim Parrot, Chairman of Boomtown. A previous overview of -- we recognize that there is a challenge and I would say that both Hilton and Boomtown feel

that this is really not different from some we faced before, maybe less severe. What Steve Jones will outline for us is maybe what we'll do in the Switzerland County, the tri-county area, and then the region, to satisfy our hiring requirements.

What we've done before and we'll have to do here is really very aggressive campaigns including job fairs, mobile employment offices, and really hard campaigning in these areas.

I'll say finally we think the reputation of good public companies and Hollywood Park will play in hiring people. And yes, we do have a 401-K plan in both companies.

With that I'd like Steve Jones to come up who Bob had introduced. Steve is a human resources consultant and was formerly the State of Indiana director of affirmative action and minority affairs.

MS. BOCHNOWSKI: And while he's coming up it would be interesting to know which company's plan are going to be applied in this case. You're talking about two

different plans.

MR. LIST: We're projecting first that the average salary will be 21,000 dollars, salary and benefits. The plan that will be enacted will take really the, they're very similar. Our two companies each have 401-Ks, they have health plans which include dental, eye care, as well as medical. We will take, essentially, a plan that will capture the best of the Hilton and the best of the Boomtown programs.

CHAIRMAN KLINEMAN: Bob, you just said something 21,000, not salary but including benefits. How much would the salary be?

MR. LIST: I think the salary is an average of about 19 if you put in the entire base of employment.

CHAIRMAN KLINEMAN: The entire what?

MR. LIST: The entire employment arena.

CHAIRMAN KLINEMAN: All the way up to the general manager?

MR. LIST: Yes, sir.

CHAIRMAN KLINEMAN: What would be the

average of 90 percent of the employees? How much would their salaries be? Or pick a number excluding the top paying people. I mean I think that's kind of unfair.

MR. JONES: It would still be approximately 18,000 -- excuse me, Steven Jones, principal consultant SOJ and Associates. What we have looked at in looking at those salary figures was based upon not only what percentage is going to be full-time and the way that the positions are going to be staggered. With the temporary facility, of those 1400 positions they would all be full-time. The ones that are, ones that were employed. This looking at a percentage of those that would be above the average of 18,000 was roughly 36 percent, and the other 64 percent were right or near the average percentage or the amount. What I would like to do is --

CHAIRMAN KLINEMAN: Excuse me just a minute. You said when your permanent facility all 1400 employees would be full-time?

MR. HAWS: Would be full-time. Tim



Haws, Hilton Gaming. One point that's important to make note is that there is a very large percentage of those employees who are heavily compensated through tips. And that wage, those wage levels that we're talking about do not include tips.

MR. MILCAREK: About that 64 percent that you considered average, what would be an average hourly rate?

MR. HAWS: Would you repeat your question again?

MR. MILCAREK: Of the 64 percent that you said would be average, what would the average hourly rate be?

MR. JONES: It would be that 18,000 divided by 2,080 hours for a year. I don't have a calculator in front of me but that's how it would be calculated on a full-time schedule. What I've prepared for Hilton Boomtown is a summary of what I feel are the initiatives that they need to pursue as relates to this particular project.

I will not belabor the point, but I would like to touch upon a couple of issues that I've identified for them. As a

consultant allow me to say that I've been duly impressed with the Hilton Boomtown organization. In some situation a consultant is not readily accepted. But based upon my experience with this particular group, they have allowed me to share my experiences based upon working as director of affirmative action and minority affairs for the state, and they have completely embraced some of the suggestions that I've made.

It was almost ironic that some of the things we've discussed have already been utilized by them in other areas. Our commitment to employment would be within the State of Indiana. First of all, looking at Switzerland County, then expanding to the tri-county area which would include Switzerland, Ripley, and Jefferson.

Outside of that, we would then look to go west and northwest. As far north as Columbus. And let me just share with you what some of the numbers are.

In looking at the number of persons who are unemployed in Switzerland County

it's approximately 195. In Ripley 621. In Jefferson 935. So roughly there are 1700 individuals who are unemployed. If we were able, and living an ideal world if we were able to train and attract all of those individuals we would take care of the 1400 positions that would be up and running when the full project is completed.

In reality, we realize that there are other casinos in the area. So what we have devised was to look at a plan that would utilize a mobile employment office to attract and retain individuals from the west and northwest.

If you look at the city like Columbus in Bartholomew County the percentage of minorities there is roughly 3.13 percent compared to Switzerland where we're talking about .23. In looking at that kind of situation, my concern, and what I've expressed to Hilton Boomtown is they take a very aggressive stance in making this happen.

I firmly believe that based upon the numbers in the tri-county area and then that

west and northwest region they can accomplish this without going outside of the state of Indiana for employees.

MR. SUNDWICK: What's the employment rate in Jefferson County?

MR. JONES: In Jefferson County it's 6.4 percent. In Ripley it's 5.3. In Switzerland it's 5.5. For an average of 5.7 percent in the tri-county area.

CHAIRMAN KLINEMAN: Before we leave this it's really too late for me to try to understand. But I would like you to submit something in writing to the Commission concerning, not you, Mr. Jones, but the salary scale. I mean I've just heard that it would be \$18,000 a year excluding tips. And I don't believe you're really going to hire people in food service to pay them \$18,000 and then let them get tips on top of it.

MR. JONES: Can I try to share the numbers that I pulled together and maybe this will help you understand it. In looking at the average salary, based upon 1400 positions and the salary, we saw that

the average salary would be \$18,000. If you then included benefits, it then jumped to approximately 21,000.

CHAIRMAN KLINEMAN: I understood that.

MR. JONES: Based upon the earnings which would include tips, we're anticipating somewhere in the neighborhood of 26,000. But if you like more detail as to what the food service workers, we have that information. I just don't have the specific number in front of me.

CHAIRMAN KLINEMAN: If a vast majority, pick a figure, percentage, are going to with tips and otherwise you're going to be creating a percentage of 14,000 jobs at \$26,000 a head that's an impressive thing. I would like to know if that's the kind of, I want to know for sure what you're talking about.

MR. SUNDWICK: What's the mean number? You gave us an average. I want to know the mean number.

MR. JONES: We'll provide that information in a supplement to the report.

MR. THAR: I have one question but I don't know if it would be directed to you or to Mr. List. And it's this. To what extent will you be looking for experienced dealers or other people to get business from existing riverboats in Indiana?

MR. PARROT: Mr. Thar, Mr. Parrot. I can answer that from our experience and Hilton's we really have done the majority of our hiring from untrained people and train them to be dealers and work in all the gaming areas. We would expect other than supervisors and not all of those would be experienced, the vast majority if not essentially all of the people dealing in the games area would be trained. And we've done that very successfully in the new jurisdictions we're in. So that would be the plan.

MR. THAR: So in other words while you may get some people that would decide to come to you from another boat on their own you would not actively recruit from those other boats to take away their labor force?

MR. PARROT: No, first it would be to

hire Switzerland County, then the tri-county and the regional area. And we don't feel that that would not be a priority of anything, it might be a detriment, because that would conflict with what our stated hiring objectives are.

CHAIRMAN KLINEMAN: Anything further on employment? Thank you.

I had a quick question on the quality of the rooms that you're going to build. On the basis of stars, what kind of a facility are we going to have down there? I know it isn't going to be five star.

MR. O'BRIEN: Mike O'Brien, Hilton. If I had to give you an answer on that it would be a four star. You know, that has different connotations in different regions. If you understand what four star is that's --

CHAIRMAN KLINEMAN: We saw a picture on the presentation of what, a large very nice hotel room. Is that what we're talking about or are we talking about --

MR. O'BRIEN: We're talking about opening a 300, and we have plans as our

presentation made to be able to go up to, I'm starting to sound like Mr. Hilton, up to 800. And we can envision a 150 room addition very quickly in that project. But basically a four star upscale type of hotel room here.

MR. THAR: What would be the cost of the room?

MR. O'BRIEN: That's hard to say, Mr. Thar. Because of the aggregation, if you will, of costs in a project this size. If you were looking at a stand alone hotel I'd be able to tell you that because into that would be the actual cost of construction, parking, and the typical kinds of soft costs. But we --

MR. THAR: I'm sorry, if I wanted to stay there what's it going to cost me?

MR. O'BRIEN: I misinterpreted your question.

MR. THAR: I didn't want the cost per room to build. I didn't want construction cost, I wanted the room rate.

MR. O'BRIEN: Room rates in the 60 to 70 dollar range. That's the best I can tell



at this point.

MR. SUNDWICK: Geez, that's great.

MR. O'BRIEN: As a matter of fact, Tunica serves as a good model. There are virtually two and-a-half or three years ago there were no rooms in Tunica. I was in Tunica a week ago and there are some very nice new hotels in Tunica running essentially 100 percent occupancy. There are a lot more rooms being built there. And the average rates are outrunning the expectations of the people who had proforma'd them.

And we're starting to see something very similar happening in Kansas City right now because I think if we underestimated anything it's the propensity of people wanting to come in for an entertainment experience and stay overnight rather than coming in having dinner, doing a little gaming and then traveling at 1 or 2 in the morning.

So the hotels have become a far more attractive facet of these kinds of developments than I think some of us thought

on the front end.

And again the average rates in the Kansas City markets are ramping up very quickly. We had our hotel in Kansas City programmed fairly far down the road and we're in the process right now of making a presentation to our board to accelerate the hotel component in our project in Kansas City. I think you're going to see the same thing happen here.

MS. BOCHNOWSKI: I have a question. And that is, you keep referring to Tunica. And I'm wondering how similar that situation is really to what we have. Are all the developments fairly close together. Do you have the synergy of the people being able to go from one to the other fairly easily compared to here where you're talking distances between. You don't have the same --

MR. O'BRIEN: Well, from Tunica, the situation is improving in Tunica because they're in the process of redeveloping the highway system there. But at one point, the first Casino to go into Tunica was Splash

and so-called Moon Landing which was almost an hour south of Memphis, Tennessee.

The most recent casino is Grand which has opened right on the Desota County line and that's probably now 30 minutes from Memphis. The answer to your question specifically is that in Tunica there are clusters of casinos where you can go from one to the other easily. And the so-called casino center where Syracuse, Sheraton and Horseshoe are located, people do that. They'll go there specifically with the idea of playing for a while in one of the casinos, and sampling some of the others.

There's another cluster of casinos in Tunica that's further down the road. And in most cases with the exception of casino center you can't walk amongst any of these and from Casino Center the Hollywood casino, the new Harrah's casino in Tunica, it's probably a 15 or 20 minute drive just to Casino Center which is already in Tunica.

It's somewhat analogous that these things are not one on top of the other. There is some travel involved. It's not

unlike what you would see or what you would imagine say from Lawrenceburg to Rising Sun to Switzerland and maybe even down to Harrison. It's, you know, nothing is exactly the same geographically in these kinds of things, but it's fairly analogous.

MR. SWAN: Let me ask about your temporary facilities. I don't recall, maybe you hit us with it, your temporary vessel. What you plan to use if there is one?

MR. O'BRIEN: We are in discussions as I think Tim Parrot mentioned to you this morning. At one point we had a Hilton Navy, and we've managed to, as a matter of fact, one of the boats that we built is now in Canada. We're utilizing that in Windsor.

But the point that I want to get to here is we've built a bunch of boats. We understand the boat business, sometimes more than we wanted to. The fact of the matter is that there are several boats out there that are very acceptable to us. The level of quality, we have certain criteria, we had certain criteria when we built our boats.

Just as an example, velocity of air

exchange. These places if you don't build them right they tend to get very smoky and very unpleasant places to be. And one of the design criteria that we had when we first built the boat was to see what the engineers recommended for a very high air change coefficient and then we doubled it.

There are boats out there today with some of those design characteristics which we would find acceptable for a temporary boat. There are several boats in the market today that are available that we could have under lease in a week. And that's what we would intend to do here for a temporary boat.

MR. SUNDWICK: Where would you have your boat built? Would you build a boat?

MR. O'BRIEN: The new one. That's a very good question. At this point it's probably a toss-up for us. The difficulty, I think, is that the better boats of the size that we would want here for a permanent boat are less available. There's less of those in the marketplace than some boats that are perfectly acceptable for a

temporary operation.

And it's a timing issue. As there are several boats on the market. People built spec boats. One of them essentially was headed to Gary as an example. So it's a timing issue.

I think our druthers would be to buy an existing boat. We looked at a couple of the River City boats in Louisiana and the timing simply wasn't appropriate because it didn't make sense for us to invest in one of those boats at that point in time.

We do have a letter of intent with Trinity Marine just outside of New Orleans. We have a design, we're ready to build a permanent boat if that's what it takes.

We've got a 12 month committed schedule from Trinity to build a new boat if we were designated. On the other hand, if we had an opportunity to buy a boat that would be acceptable in the marketplace our druthers would be to buy it. It would be quicker. It's less painful than building a boat.

We've prepared, negotiated a design

specifically designed for this particular waterway and we're prepared to go with that.

MR. MILCAREK: Have you looked into building a boat in Indiana?

MR. O'BRIEN: Yes, sir, we have as a matter of fact. And there's no interest. We had talked specifically with Jeff Boat. Jeff Boat is very happy building barges. And the fact of the matter is that their yard physically in terms, you know, what jigs are I'm sure, just the various jigs and equipment in their yard was not of sufficient size to build the size of boat that when were looking at.

And as a matter of fact, they indicated to us that they had no interest in talking to us about it because their other business is so vibrant at this point.

MR. SWAN: This drawing that you have up here right now shows the vessel in the private marina there. Is that fairly well drawn to scale. Is that marina actually that large?

MR. O'BRIEN: The answer is yes.  
Yes.

MR. SWAN: Will this be maintained totally as a private marina or do you have plans to make a public marina there?

MR. O'BRIEN: I'm tempted to defer to Captain Wagner because there are some very real Coast Guard and safety issues associated with doing that. We have in fact studied that, but I think that probably the answer that we're going to come to is that it doesn't make sense to mix the usage. But I'll let Captain Wagner explain it for me.

MR. WAGNER: Captain John Wagner, Hornblown Marine Services. We actually did discuss that and we ran into a similar issues when we were representing Horseshoe that was the Coast Guard a concern was to mix commercial traffic and recreational traffic together.

Therefore my recommendation was that there are three marinas in the area that currently support recreational traffic. That we allow those marinas to operate independently of ours. That we don't mix the two uses.

Additionally we were concerned with



the fisheries and preserving the nice areas we have in this inland.

MS. BOCHNOWSKI: I was wondering is that where the special aquatic site is? Is it in there or is it on the other side of that, do you know?

MR. WAGNER: Yes, and it is off at the end of the inlet there. And we won't touch that. That will stay.

MS. BOCHNOWSKI: You've heard me enough.

MR. WAGNER: Yes, ma'am.

MR. SWAN: What about the temporary docking facility, where will it be?

MR. WAGNER: The temporary docking facility and the permanent docking facility are in the same location. That's 800 feet of bulk head that will be developed. You basically start to develop that then put in enough in for the temporary vessel then it will also serve for the permanent vessel.

MR. PARROT: There were some question about when we were talking with the lady from the Corps of Engineers about Dan's Marina application. That's one of the

benefits of that because if we can get approval on that in a timely way, that then permits us to start the dredging and the bulk heading. And it also would approve such land site things as parking. Where we'd have a base to put up a strong structure. Part of the purpose of piggy backing, if you will, on Dan's marina operation it really does give us a jump start.

MR. SWAN: One more question on the boat. How long does it take to build a boat from scratch? It seems like we got kind of an empty answer on what we're going to do on a permanent vessel.

MR. PARROT: Our letter of intent with Trinity Marine contemplates a 12 to 14 month process. The boat can be built in 12 months. And it becomes a matter of dollars for working additional shifts of what we're calling acceleration premium. With an acceleration premium a boat can be built in 12 months from full stock to finish.

MR. SWAN: When you made your projections were you looking at a certain

size of boat then?

MR. PARROT: Yes, sir.

MR. SWAN: I guess you already gave us the statistics on that but I don't remember that. How many gaming positions?

MR. PARROT: It's roughly 1700 gaming positions. About 35,000 feet of gaming space. 285 by 90. It's very similar to the boat, the one of our boat designs you may know is in Rising Sun. It's of that size and character and class of boat.

We built a boat in a very short period of time in order to be in business in New Orleans before Mardi Gras. So we know what can be done. We know what it takes to accelerate the building of a boat. And then obviously you don't pay 2 million dollars to accelerate the building of a boat only to find that it's the middle of the winter and the river's frozen as an example. There are many issues that are involved in that decision.

MR. LIST: If I may, Commissioner Swan. Let me add the basic time line would be something like this. If the Commission

were to make the award of the license next month, and if our permitting took six months thereafter, we estimate that we would bring our temporary vessel in and have it in operation by August of 1997. And that the permanent vessel would be in place by June of 1998, if we went out and built a brand new one.

MR. SWAN: Thank you.

MR. SUNDWICK: Let me ask a question. If you receive the certificate, why wouldn't you start 12 months from the day you started instead of a 12 month temporary boat?

MR. LIST: Actually we would. The problem is that in addition to the construction period, there's also the time frame of the sea trials and fully equipping it and bringing it up to the site and getting it in place and training the crew and making a transition. So that with a temporary boat we'll take our time in doing that, making certain it's done well.

MR. SWAN: As long as your temporary boat is approximately the same size as your permanent one. We've seen them where the

temporary boat was half the size of the permanent one.

MR. LIST: There's several available that run from 25 to 30,000 square feet of gaming space. Slightly less than we have now but certainly meeting the criteria in terms of quantity. And reaching the maximum size available would be a priority for us.

CHAIRMAN KLINEMAN: The pictures we have, and you look at the outline, there's a lot of things in that phase 2. The picture up here, what, if we buy into this what will we get into phase one and what triggers phase 2?

MR. LIST: Everything that you see there is phase 1. The phase 2 reference indicates simply expandability. So if you see the hotel, the hotel is 300 rooms and that's in phase 1. However, it's positioned within the property so that it can be simply extended out to add an additional 400 to 500 rooms. And the rendering, the renderings that you see show all permanent, all phase 1.

MR. SUNDWICK: Golf courses and

everything?

MR. LIST: Yes, sir. The golf course is in phase 1. The RV park, the 300,000 square feet of floor space and permanent facilities, the conference center, the restaurants.

MR. MILCAREK: Spelling of golf course, I see you had a 9 million dollar price tag on that. Is that just to develop it or for the land or for what.

MR. LIST: That's just for the golf course construction and architecture. The land is already acquired. It's under option.

MR. SUNDWICK: Is it going to be leased land.

MR. LIST: It's partially leased and partially purchased.

MR. SUNDWICK: Can I ask another question about the merger between Hollywood and Boomtown. You know, public companies, you could probably tell us why this would take place. What's the, would it continue if, in fact, this doesn't go through?

MR. LIST: Yes, sir, we'll proceed

either way. It's for that reason, actually that Hollywood Park hasn't even come before you at this stage. Since we haven't merged Boomtown is a stand alone independent publicly traded company. We're here as the applicant and we're here to tell you that we'll do this project even if that merger did not occur.

We fully expect it to. We've had good shareholder response. And the shareholder meetings will be held in the near future in both companies. And we expect to close by the end of the year.

If we are selected in anticipation of that, even though we've already begun to feed some information to your staff at their request on Hollywood Park we will come in with a full-blown application in anticipation of completion of the merger for your approval.

CHAIRMAN KLINEMAN: Is the merger stock for stock transaction?

MR. LIST: Yes, it is.

CHAIRMAN KLINEMAN: Boomtown stock for Hollywood stock?

MR. LIST: We turn our Boomtown stock in.

CHAIRMAN KLINEMAN: Is there a kicker if you happen to be licensed here compared to --

MR. LIST: No, sir.

CHAIRMAN KLINEMAN: It would be the same ratio?

MR. LIST: That's correct.

CHAIRMAN KLINEMAN: And what is the ratio?

MR. LIST: It's .61. They are trading at a higher level than we are. They're trading at approximately 9 and we're in the 5 to 6 range.

CHAIRMAN KLINEMAN: So it would just be an additional, the company would receive if this transaction would come through.

MR. LIST: That's correct. Hollywood Park is licensed in California by the racing board. They're licensed in Arizona by the racing board and they have been through the regulatory process in other states.

MR. THAR: I have one question.

MR. SUNDWICK: Maybe to clarify



something here, I'm just trying to figure out this happens after the fact, we license a company today on what we know, and if we go along with this, do we have an option to say we're not going to do that after this merger takes place? We don't know anything about Hollywood.

MR. THAR: We discussed that previously. I don't want to answer it for Bob. If the gaming commission was to find Hollywood for some reason or another not suitable for licensing it's my understanding the merger won't go through.

MR. LIST: That's correct.

CHAIRMAN KLINEMAN: Is there really a timing, I think that would be a timing problem, wouldn't it? I mean, they're talking about closing before the end of the year. We haven't even made a decision. Assuming it's a favorable decision and Hollywood comes through later do we have a time to investigate them, approve them before the end of the year? Probably not.

MR. THAR: Will that slow up the closing if Hollywood was under consideration

here for a transfer of an ownership interest from Boomtown to Hollywood. If the gaming commission had not made its decision, would that slow down your closing?

MR. PARROT: Tim Parrot. Conceivably it could. Our agreement with Hollywood Park provides, as you know really the licensing is more individuals than it is a company. It's both. Our agreement provides for any individual in either company who is not licensable to have to step aside, and be replaced in any capacity whether it be director or senior officer.

Certainly that's something that we would have to work with you as we are in the other jurisdictions. Our merger is subject to approval by Nevada and Louisiana and Mississippi also.

So I would say, Mr. Chairman, to answer your question, certainly you have the ability to review Hollywood Park separate if we were fortunate enough to get a license, their ability to be licensed, we understand is not automatic with that.

CHAIRMAN KLINEMAN: The merger is

going through regardless of whether you're licensed here?

MR. PARROT: The merger is driven to make our company stronger. As you asked there are no kickers or contingencies that would happen if we were to get this license. Obviously Hollywood Park recognizes the merits of this project which is why their Chairman is here, which they hope to be involved, too. This merger is set up independent of the license.

MR. SUNDWICK: How does the people at Hilton -- this seems to, to have this whole merger maybe get the license, let's talk about it could take some more time. How does Hilton feel about this? They just going to stand back and wait for all these dynamics to take place with a big smile on their face?

MR. PARROT: I'll give an opinion of mine. And certainly we've got, we have provisions in our own agreement that allow for changes with Hilton. We believe that when you look at all the timing, particularly with the schedules for opening,

that the actual fundamental of when we can be open, et cetera, is not going to be paced by the Commission if we're timely with our applications.

We brought the Hollywood merger to Hilton early on to get their thoughts, and I think as you recall in the testimony they gave earlier they're supportive of it for any number of reasons. But I'd be happy to ask either Mr. O'Brien or Mr. Selig to respond if you'd like.

MR. SUNDWICK: If they had an opinion. If this is really fine with them.

MR. O'BRIEN: Mr. Sundwick, I'm not quite sure exactly what your question is. Are we approving of the Boomtown?

MR. SUNDWICK: You currently have a partner?

MR. O'BRIEN: Yes, sir.

MR. SUNDWICK: Boomtown?

MR. O'BRIEN: Right.

MR. SUNDWICK: They're going to make some changes in their ownership relationships within their own company?

MR. LIST: Correct.

MR. SUNDWICK: To the extent that impacts Hilton, your ability to go forward, would that bother you? I mean?

MR. O'BRIEN: I think that our intent would be, if you're speaking specifically about this project, our intent would be to go forward with it if that somehow slowed things down. We certainly have the ability to do that. We're in the midst of our own merger as you well know right now. And you know, we're in the midst of an era of consolidations in the gaming business, and I think you're going to see more rather than less of that.

So we're doing our merger because in fact it creates the largest gaming company in the world. That puts us immediately into markets where we want to be very quickly. I think that their, as far as we're concerned we have a great deal of interest in Hollywood Park as an example because if you understood some of the numbers in California just from the card clubs it's a very lucrative and interesting business in and of itself.

And Hollywood Park in my view probably runs the best business of its type certainly in California. In fact, perhaps across the country. So it's a facet of the business that we're very interested in learning about. So I -- we're supportive of this merger.

MR. SUNDWICK: If it holds up your project how supportive will you be?

MR. LIST: I don't know the answer to that.

MR. SUNDWICK: Okay. That's fire.

MR. THAR: I suppose flip side might be the gaming commission might have to look at the Dallas Hilton merger.

MR. LIST: Let me just add one thought in the mix. We recognize you don't give the full license until the place opens anyway. We're anticipating an August '97 opening. So surely we have nearly a year to bring them forward. We don't expect any problems on suitability. They are proceeding very smoothly and rapidly with their applications for approval in other states. And so frankly, we just don't see a

negative impact on our opening and on our hotel.

MR. THAR: I have a hypothetical question before you sit down. Let's assume for the moment that the Commission for one reason or other decides to wait a period of time before awarding this certificate of suitability. A period of time being six months to a year. Is Hilton Boomtown still interested in pursuing that license, and if so, are there any conditions?

MR. LIST: That would be an extremely serious problem for us. We are geared to this thing. We have our people assigned to it. We have our money earmarked for it. We have our plans in place, and our personnel ready to go.

And we are absolutely, and we have heard suggestions from, that have been repeated in the media that perhaps that might be a consideration that this Commission would look at. We would just strenuously urge you not to do that.

MR. THAR: Well, I want you to assume that that decision is made. My question is

is Hilton Boomtown still interested in the license here and if they are are there any conditions they would want to see implemented by the Commission if it was to delay for that interest to be maintained? I assumed you were going to tell me no, you didn't want to do it?

CHAIRMAN KLINEMAN: And I have another question along the same lines. And frankly if it's all right with Mr. Thar I might give you some time over the weekend or something to come up with an answer. And don't take this as an indication of where I am or where any other commissioners are.

Say just for whatever reason we might decide, someone might decide that the license could be awarded but that the earliest date that an operation could be commenced would be, say, sometime in like 1998. What would be the effect of that be.

MR. O'BRIEN: It's a very difficult question to answer. And I think as Bob List indicated to you I think it would be a very serious concern to us. And for a couple of reasons. There's something that we've



called all along since we've gotten into this business of first in advantage.

There's a very distinct advantage to the first or second people into a market. And No. 1. And I can cite you any number of examples of that.

Secondly, because it's such a dynamic business that we're in that the basic parameters, the basic indicators change very rapidly over time. And I think none of us sitting here can formulate a set of circumstances and interrelationships among competitors and customer references and that sort of thing, which might not have a very serious effect six months from now or a year from now which could totally change the calculus here.

We're satisfied that today, if the Commission went forward in the normal course, that there's a set of factors, there's a set of economics, there's a set of demographics, there's a set of competitors that makes this make sense to us. There's a set of political realities as it relates to both Kentucky and Ohio. As you heard

earlier we believe that there's a window. And I think that a project has to get up and running and create its presence and its critical mass in the market before something else happened somewhere else.

And I think it's very difficult for us to give you a truthful answer to that question. I think that we would prefer to see this move at the pace that, in your judgment makes sense. A year from now we might have a different view of that because I can't figure out what's going to happen if there's a different kind of governor in Ohio or horse racing has a different view of the world in Kentucky. It's an imponderable. It makes it very difficult. And I think we ought to seize the moment here because of the size.

MR. THAR: I understand all that. That wasn't the question. You understand that, don't you? If I'm understanding you correctly your answer back is we don't have an answer for the question.

MR. O'BRIEN: Yes, sir, we really don't. But I thought it might be useful for

you to understand why we don't have an answer to it.

CHAIRMAN KLINEMAN: The answer is they don't have an answer now based upon your question of what would happen if we delayed a decision for six months.

MR. THAR: Just wanted to see if his company would still be interested. Their answer is you don't have an answer for it right now.

CHAIRMAN KLINEMAN: You don't know if you would be interested?

MR. LIST: That's correct.

MR. THAR: You don't have anymore conditions under which you might defer?

MR. LIST: None that we can espouse at this time.

MR. VOWELS: Not even keeping the application process closed?

MR. LIST: It's just impossible to try to respond to negotiate an arrangement. We feel the time is right and we're ready to go now. You could have done the same thing up on the lake. The market is deep and strong, and we're ready to put our money at

risk.

CHAIRMAN KLINEMAN: You're talking about opening in August of '97. Is that what you would anticipate based on the permitting schedule and our actions and other things; is that true?

MR. LIST: That is correct.

MR. THAR: That's temporary operation August of '97?

MR. LIST: Yes, sir. And maybe sooner. If we get some breaks on the permitting it could happen sooner. That's a conservative estimate.

CHAIRMAN KLINEMAN: I guess my question would be August of '97 if that was a stipulation rather than your hitting some lucky breaks would you still be interested?

MR. LIST: Yes, we're prepared to face a scenario where August of '97 would be our --

CHAIRMAN KLINEMAN: Earliest?

MR. LIST: Yes.

CHAIRMAN KLINEMAN: Anybody have anything further?

Well, we thank you all for the

presentation and thank everyone here. And the Commission will probably be in a position maybe sometime tomorrow towards the latter part of the day to announce when we will in fact come back together to make the decision. We're searching now for a date, an early date on which to decide what we are going to do.

MR. LIST: Thank you, Mr. Chairman, members of the commission and the staff.

CHAIRMAN KLINEMAN: Thank you.