

# ORIGINAL

BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: August 20, 1996

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

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SEP 10 1996

INDIANA GAMING COMMISSION

ALSO PRESENT

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

REPORTED BY: Rebecca J. Swinney, RPR

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CHAIRMAN KLINEMAN: The meeting of the Indiana Gaming Commission will come to order. Let the record show that all of the commissioners are here and present and therefore we have a quorum to conduct business. The first item on our agenda today is approval of the minutes of the meetings. We have before us the meeting of July, June 21st, and the meeting of June 28th. Do I hear a motion to approve those minutes?

DR. ROSS: I move for acceptance.

CHAIRMAN KLINEMAN: Is there a second?

MR. SUNDWICK: Second.

CHAIRMAN KLINEMAN: All those in favor say aye. Contrary. The minutes are approved.

(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

CHAIRMAN KLINEMAN: The next item on our agenda is the report of Mr. Thar, Executive Director. Mr. Thar?

MR. THAR: Thank you, Mr. Chairman. I'll try to keep my report brief. The first issues, we have hired two new members of the staff who I'd like to introduce to the commission members formally and to the public at large who will be dealing with them. The first is Dorcas Mosely.

Dorcas, could you stand up?

Dorcas has been hired as our receptionist. She in her third week. Dorcas previously attended Indiana University at Bloomington and is finishing her college studies at IUPUI.

Which you hope to conclude this spring? Next spring; is that correct? Thank you.

Also is Charles Vonderschmidt. He has been hired as an auditor bringing the audit staff to a total of three right now. Charlie is retired from the criminal investigation division of the Internal Revenue Service. 70 years?

MR. VONDERSHCMIDT: 70 years.

MR. THAR: I was familiar with his work when I was with the U.S. Attorney's

Office.

And we're very honored to have Charlie here as one of our auditors, as we are to have Dorcas as our receptionist. Thank you, very much.

CHAIRMAN KLINEMAN: Welcome.

MR. THAR: We have received written notification from the Army Corps of Engineers that the Corps will not, repeat will not, change its policy concerning gambling on Corps lands. As a consequence the 11th license statutorily designated for Patoka Lake will not be permitted by the Corps, thus rendering that license nonoperational.

There will be some numbers issued by the Indiana Gaming Commission at 10 o'clock this morning with regard to the performance of the four boats that have now each operated for a month. I will not release the figures at this time because of the agreements that we will release them at 10. I will, however, advise that the total wagering and admission tax that was paid by these four boats will exceed 12 million

dollars.

All other matters the staff has been working on have either come before the Commission yesterday or will come before the Commission today. Included in those things are such things as the issuance of the Corps permit to Grand Victoria Casino and Resort. The issuance of the Corps permit to the City of Lawrenceburg, which is enabling to start sometime ago of the construction for the temporary facility at Lawrenceburg.

These matters, again, will be brought up as part of the agenda later today. And as a result, I have nothing further to report at this time.

Are there any questions from the Chair or any other members of the Commission?

CHAIRMAN KLINEMAN: Any questions of Mr. Thar?

Hearing none we'll move on to the first item on our agenda under the business section, the old business. The Empress Casino in Hammond corporation report on minority hiring. Mr. Hansen?

MR. HANSEN: Good morning.

CHAIRMAN KLINEMAN: Can you identify yourself?

MR. HANSEN: Yes, Michael Hansen, Vice-president of Empress of Hammond and project manager.

Chair Klineman, Vice-chairman Bochnowski, Members of the Commission, Mr. Thar, Mr. Hannon, Ms. Fleming, we're pleased to be back before you today to tell you our report with respect to minority hiring at the Empress Casino Hammond.

I would like to take this opportunity to introduce to you the members of our management team who are with me today who will be a part of this very short and brief presentation.

Sitting at our end is Randy Sanders. Randy is the Director of Internal Audit, one of our top ten management positions. In that position Randy is responsible for overseeing compliance with all rules and regulations with respect to the gaming operation of the casino. Randy is a resident in the city of Hammond, a member of

the local NAACP, and active in other minority organizations in the city of Hammond and is the person who has been auditing our employment figures throughout this process.

Sitting next to Randy is Sylvia Planer. Sylvia is another member of management. She is assistant, rather she is the Executive Assistant to Rick Mazer, general manager. She's in charge of -- essentially, the office manager. Sylvia is also is one of the leading Hispanic community activists in the city of Hammond. And Sylvia has been working with us since we began operations of employing people in Hammond with respect to engaging qualified and eligible Hispanic people for employment at the Empress.

Sitting next to Sylvia is Sue Mancowski. Sue is our Director of Human Resources. She came to the Empress with the experience of over 20 years in the hotel industry involving human resources, and most recently, at the Casual Corner organizations in that department.



She is now residing in Lake County and before that in prior years she was a resident of Lake County and very familiar with the makeup of the people in Lake County with respect to hire.

Seated right behind me is Rick Mazer. I think you know Rick as our general manager, and Rick is the person who will be making part of the presentation with me today talking about where exactly we stand on our minority hiring figures.

I believe that you have received as many as four letters from the Empress since we met on June 21st in Hammond with respect to the status of our figures and how we are reaching our goals. What we are doing in that respect. I think to start out this brief presentation, I'd like to call on Randy with a little further update of our figures on August 1 and where we stand on minority and female hiring. Randy.

MR. SANDERS: Good morning. Again my name is Randy Sanders, and I am the internal audit manager with the Empress Casino. Today I'd like to present to you an updated

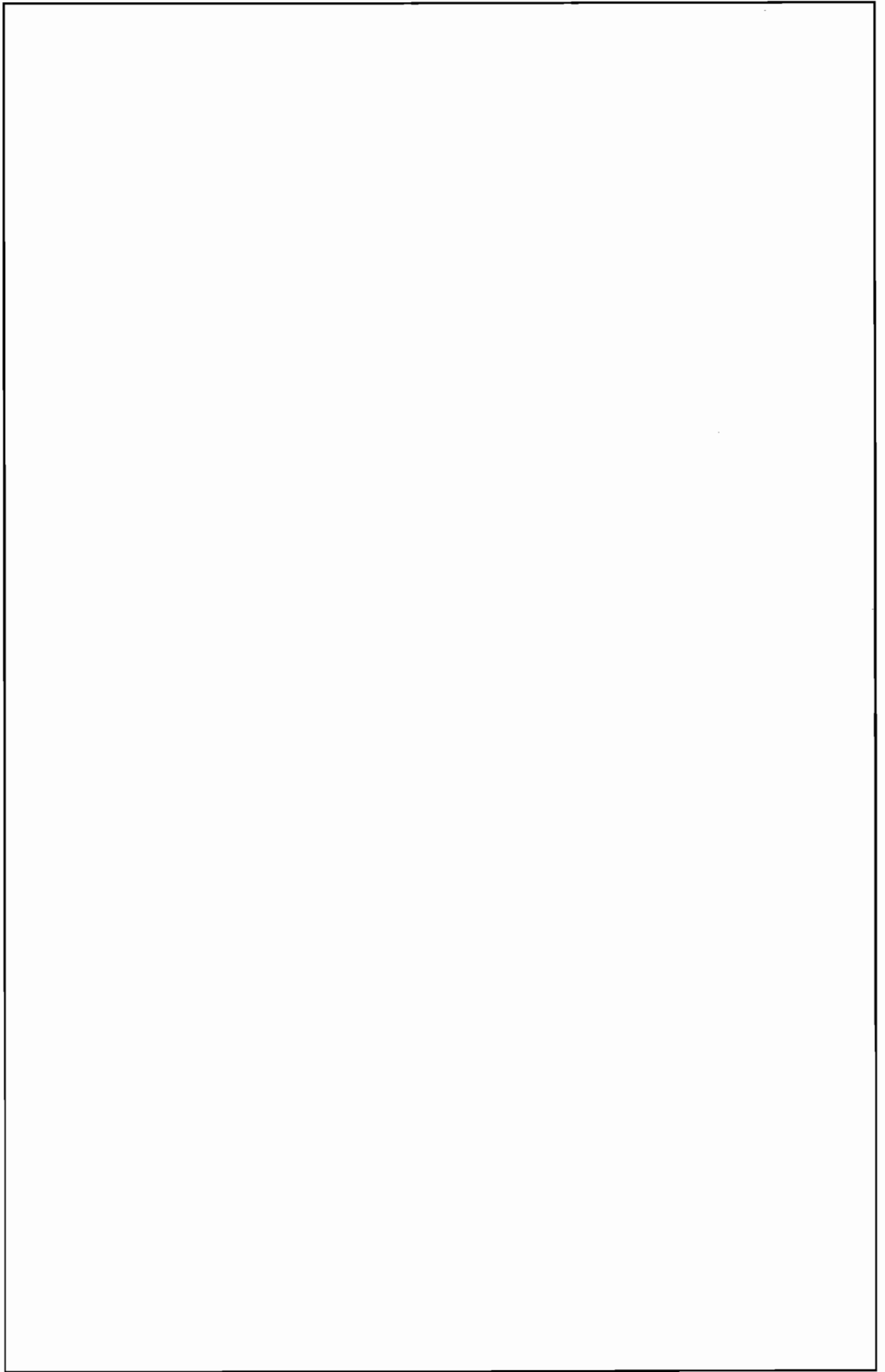
total of our minority hiring figures. This updated total is from the figures originally given to you as of August 1, 1996.

As of August 19th, we have an overall hiring of 1,426 employees at Empress Casino. Of that total, the percentages I'm going to give you of each area, the first one is for females, the female position is 53.4 percent. And for African Americans we have 16.4 percent. And for Hispanics our figures are 11.4 percent.

For the area of Department of Labor, the percentages are for female 41 percent, for African Americans it's 10.3 percent. And for Hispanics it's 5.6 percent.

Overall, based on the Empress EEO plan that has been agreed upon by the Empress, the figures were for that 48.4 percent compared to our 41.2 for females. For African Americans the plan proposed 11.2, which Empress had 10.3. And for Hispanics the plan proposed 6.7 which Empress has reached 5.6.

The next person that will be speaking to you, if there's no questions, will be the



director of human resources Sue Mancowski.

CHAIRMAN KLINEMAN: Did everybody understand? I guess I got a little lost in the statistics. I'm sorry, Mr. Sanders. You had as of the 19th, 53.4, 15.4 and 11.4.

MR. SANDERS: All these were based on the percentages of 14.26 as the overall total.

CHAIRMAN KLINEMAN: And then you got into Labor Department statistics of some sort and then you got into more statistics. I guess I just got lost.

MR. SANDERS: The first one broke down the different areas, not according to any department. It was the overall figure for all African Americans and for Hispanics.

CHAIRMAN KLINEMAN: That was the first group you gave us, is that right?

MR. SANDERS: That's correct. And for females. And then the second one was just in regards to the Department of Labor. And that compared the EEO figures between our totals that we have currently and to the suggested plan figures.

MS. BOCHNOWSKI: What was the

Department of Labor, how would that differ from --

MR. MAZER: It's management. The Department of Labor is strictly management. And the Empress plan is also a management. They're both EEO numbers. One is based by the Affirmative Action Plan, the other is by a breakdown by the Department of Labor.

DR. ROSS: So the last figure you said that's your goal, the last group of figures?

MR. MAZER: That's the actual to the plan submitted in our affirmative action submission. That's the actual.

MR. SWAN: But the management was for, compared to the Department of Labor statistics?

MR. MAZER: Right. We showed the Department of Labor as well as the Empress. We showed them both ways.

MR. SUNDWICK: One has to do with management and the other has to do with the overall hiring practice?

MR. MAZER: The original is overall the last two are both management.

MR. SWAN: Do you have the plan for the overall?

MR. MAZER: Yes, it was submitted with your letter at the fall submission.

MS. MANCOWSKI: Good morning, my name is Susan Mancowski, I'm director of human resources.

CHAIRMAN KLINEMAN: You want to speak just a little louder?

MS. MANCOWSKI: Is that any better? Can you hear me?

CHAIRMAN KLINEMAN: Yes.

MS. MANCOWSKI: Good. Basically, I just wanted to give a little bit of an overview as far as our recruiting efforts are concerned. We have initially going into Hammond we did a number, two job fares that brought in about 4,000 applicants. That was the basis of our initial hiring.

Since that time we've worked a lot in outsourcing and trying to create a larger base, particularly as it regards an outsource of minority candidates.

We have worked a lot with community leaders. We've worked with council members

soliciting the applications to the referrals to their offices. We've worked with the Mayor's Council on Economic Development to reach economically disadvantaged individuals and bring them into our labor pool.

In addition to that we've contacted local schools and universities. A number of community-based minority hiring organizations, put them on our mailing lists. Solicited applicants from them and are advising them of our job openings as they occur.

We are planning, and we have already participated in a job fair with the City of Hammond from the Mayor's Office of Economic Development again, to outsource and to reach applicants for our hiring pool.

We will be continuing that effort by making contacts whenever possible within the community and the surrounding areas in order to bring qualified candidates into our labor pool. We continue to take applications. Our walk-in candidates continue to be very large. We take about 200 applications a week just purely walk-in without reaching

into the community.

But we are making a concerted effort through our job postings as well as our mailing efforts, and employee referrals to bring candidates in. Thank you.

I'd like to introduce Rick Mazer.

MR. MAZER: Thank you. The only thing I would like to address --

CHAIRMAN KLINEMAN: You want to identify yourself?

MR. MAZER: Rick Mazer. I'm the general manager of the property. Is our continuing efforts to increase and continue with our resolve for our minority commitment. We have, we will, we plan to continue with our president's program that was initiated by the company. We anticipate instilling that in the fourth quarter with our first candidates actually entering the program in the first quarter of '97.

Thereby we choose entry level position candidates that have shown themselves to be of a high caliber. We then incorporate them into every department of the company for them to move into a manager



position upon their completion.

In addition, we have a tuition reimbursement program in place whereby individuals in the company can go to continuing education to further their careers. Whereby we will reimburse their tuition.

This is in addition to our continuing efforts in the community as well as hope for Hammond, as well as Lake County to continue with our commitment into the minority community.

Did you have any questions? I'd be happy to answer whatever questions you may have. Thank you.

CHAIRMAN KLINEMAN: Anything further?

MR. MAZER: No.

CHAIRMAN KLINEMAN: You have been, you know, given reports since this matter first came up over in Hammond. On what basis do you propose to continue reporting to this Commission concerning where you are?

MR. MAZER: We do have a yearly obligation to the Commission.

CHAIRMAN KLINEMAN: Okay. Would you

want to maybe make more frequent reports than a year from now? I think this Commission --

MR. MAZER: We'll be happy to submit as often as you'd like.

CHAIRMAN KLINEMAN: Keeping track of it, I don't want to put anything that's too burdensome on you but we do want to keep track of where you are.

MR. MAZER: We'll be happy to submit quarterly.

CHAIRMAN KLINEMAN: Okay. And you want to give me a date on which the first report then will probably be submitted to this Commission?

MR. MAZER: January 1st or that first month. October 1?

CHAIRMAN KLINEMAN: I think that would probably be the most appropriate and then January. That would make it, put it on a quarterly basis. Okay. If it's not too burdensome, why don't you for the next year report quarterly.

MR. MAZER: Absolutely.

CHAIRMAN KLINEMAN: Starting October

1 or for the employment on September 30th, is that all right, with this Commission?

MR. MAZER: Absolutely.

CHAIRMAN KLINEMAN: Anything further?

We do have one letter --

I think that's all, thank you.

We do have one letter which the Commission has received from Carlotta King.

Is Carlotta here this morning?

She indicated that due to a conflict she would not be able to attend the meeting but that she might have a representative, somebody here representing Carlotta King?

MR. THAR: I believe it's a Mr. Rodriguez.

CHAIRMAN KLINEMAN: I guess he's not here either.

Well, the letter basically complains about the issue of minority hiring and vendoring. And I guess we would ask is there any information that you wish to give us -- well, there was, that letter is dated August 15th.

We also received a letter dated August 16th from Empress, I guess addressing

the question of minority vrending.

MR. HANSEN: Chairman Klineman, Mike Hansen. Let me try and address that. I've not seen Carlotta's letter. I've just heard of that this morning. Carlotta is a member of the Hammond Redevelopment Commission, effectively our landlord up there at the property. We've worked with her, along with other members of the commission, Jim Davis, Richard Moore, in trying to assist not only minority hiring but also the purchasing area.

The letter we wrote to you on August 16th addressed certain commitments that the Empress has made over the past year with qualified minority individuals and contractors in and around the Lake County area which we are in the process of fulfilling.

No. 2, we, while we don't have the exact dollar figures for you today, we have been keeping track on a daily basis of how we were doing with respect to the goals set forth in the statute on minority and women-owned businesses with respect to

purchasing of goods and services. And right now we are meeting those statutory goals of 10 and 5 percent respectfully.

And as you know, we have an ongoing yearly requirement at the annual licensure time of reporting that to the Commission.

Ms. King has, in fact, as have a number of people in the Hammond area, given us from time to time people, referrals for employment, as well as possible people to purchase goods and services from. We have in all cases tried to respond as promptly as possible, gotten people in for interviews, whether it be in the HR department or with our director of purchasing. And we feel that we're right on top of that situation with her.

As a matter of fact, I would be making a presentation to that Commission September 2nd, they might be here today but they have their regular monthly meeting today right now. And I feel that we are, in fact, complying with each and every matter we can with respect to that.

CHAIRMAN KLINEMAN: Okay. Do any of

the commissioners have any questions in this respect? Mr. Thar?

MR. THAR: I'm sorry, Dr. Ross.

DR. ROSS: I was going to say could that report be tailed in with the other.

MR. HANSEN: Yes, we'd be happy. You mean with respect to purchasing.

DR. ROSS: Yes.

MR. HANSEN: We'd be happy to make that quarterly in the next year as well.

MR. THAR: Do you have an individual designated within the organization of Empress Hammond as a liaison with minority business development?

MR. HANSEN: Effectively right now our, with respect to minority business development, really it's Linda Brumke is our director of purchasing. She's the one that's worked with those as far as the purchasing end is concerned. And Sue Mancowski has worked with various community organizations as far as the hiring, as well as myself.

And that's why we have Randy and Sylvia here today because those have been

the people who in management have worked with local groups. It's kind of a group effort at this point in time. We don't have one specific individual.

MR. THAR: There's an organization within state government called Minority Business Development. Do you have a person designated to be a liaison with that group?

MR. HANSEN: That's Linda Brumke.

MR. THAR: Do you have a person designated on staff or an outside consultant that works on your EEOC affirmative type hiring policies?

MR. HANSEN: That's Linda Mancowski.

MR. THAR: So you do have dedicated personnel at each of those areas?

MR. HANSEN: Correct.

CHAIRMAN KLINEMAN: Anything further?  
Thank you.

MR. HANSEN: Thank you very much.

CHAIRMAN KLINEMAN: The next item on our agenda for consideration of some rules that we have before us. And we also have resolution of Designation 1996-43. Call Kay Fleming our chief counsel.

MS. FLEMING: Thank you, Mr. Chairman. Designation 1996-43 is the adoption of various rules as proposed rules for publication in the Indiana Register. And to hold a public hearing on those matters and then to proceed with the promulgation process.

Specifically this resolution will adopt 68 IAC 1-2-5.1 which covers requests to address the Commission.

68 IAC 2-2-6.1 which covers the requirement that certain employees of supplier licensees obtain an occupational license.

68 IAC 2-3-6.1 which covers post-licensing policies and procedures.

68 IAC 3-4 which covers challenges of the designation of a certified minority or women's business enterprise.

68 IAC 10-6 which covers the rules for Caribbean Stud Poker.

68 IAC 10-7 which covers the rules for Let It Ride.

This resolution also adopts amendments to rules that have been fully



promulgated by the Commission, specifically it amends 68 IAC 2-6-37, the operation of progressive controller normal mode which covers the operations of progressive automatic gaming devices.

68 IAC 14-3-2 playing card specifications.

68 IAC 14-3-3 dice specifications.

68 IAC 15-9-1 which is the applicability and general provisions for chips, or tips and gratuities that are received by gaming licensees.

And 68 IAC 15-9-4 which covers chips and tokens redeemed by nongaming occupational licensees.

This resolution further adopts 68 IAC 1-13 which covers the reporting of an interest in a license that will be published as a Notice of Intent in the September 1st Register. And then will be published as a proposed rule as soon as possible thereafter.

CHAIRMAN KLINEMAN: Thank you.

MS. FLEMING: Are there any questions with respect to this resolution?

CHAIRMAN KLINEMAN: Any questions for Ms. Fleming?

Do I hear a motion to adopt resolution 1996-43? Moved by Mr. Vowels and seconded by Ms. Bochnowski. Any further discussion? Hearing none all whose in favor say aye. Contrary.

Resolution 1996-43 is adopted.

(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

CHAIRMAN KLINEMAN: Next item on our agenda is a temporary suppliers licenses. I'll turn to Mr. Hannon for that. Report of resolution 1996-44.

MR. HANNON: Mr. Chairman, Members of the Commission, there are two companies that we recommend for a temporary supplier's license. The first is Acres Gaming Incorporated, it's a publicly traded company traded on NASDAQ. It was founded in 1985 by John and Joanne Acres who still retain 42.6 percent of the stock. By the way they're both natives of Elwood, Indiana. The

company was taken public in 1993. It's involved in the developing, manufacture, marketing of casino data systems. The primary product is called the Concept 3 which is a computer system that controls player tracking, casino accounting, progressive jackpots and bonussing.

The company is currently located in Corvallis, Oregon. And the facility has been inspected by the investigators. They're licensed in nine jurisdictions and all licenses are in good standing.

Since '93 the company has shown an overall loss that includes an \$898,000 judgment in '94 against the company for patent infringement. It seems they developed a variation of Blackjack that had already been developed.

Nothing was developed through the preliminary investigation that would preclude that company from being awarded temporary license pending the finalization of complete investigation.

The second company is Atronics Casino Technology Limited. That company is owned

on a 50/50 percentage by Paul and Michael Gusselman. That's father and son. Both are German citizens who reside in Germany. Michael, the son, commutes to the U.S. several times a year to conduct business.

The U.S. entity is managed by another German citizen who is here as a registered alien. The Gusselmans own a series of companies known as Gusselman Group, including the company that's the applicant. The company's U.S. operation is headquartered in Phoenix with manufacturing facilities in Rhode Island. The Rhode Island facility receives partly assembled electronic gaming devices from the facilities in Germany and Austria. The machines are fully assembled in Rhode Island. The aproms are programmed in Rhode Island as well. The facility is responsible for warehousing, assembly, research and development, shipping and servicing the machines that are sold by the group in the western hemisphere.

The company or its affiliates are licensed in nine U.S. jurisdictions and

eight foreign companies all in good standing. Nothing was developed through the investigation that would preclude them from being awarded the temporary supplier's license. We'd recommend both be awarded a temporary supplier's license at this time.

CHAIRMAN KLINEMAN: Any questions for Mr. Hannon concerning this matter?

Hearing none, do I hear a motion to adopt Resolution 1996-44?

Having been moved and seconded. Any further discussion? Hearing none all those in fair of this resolution say aye. Contrary? Resolution 1996-44 is adopted.

(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

CHAIRMAN KLINEMAN: The next item on our agenda is the matter concerning the revocation of occupational licenses. And I would call on Kay Fleming to present that matter to us.

MS. FLEMING: Thank you, Mr. Chairman. As you're aware we continue

to perform background investigations on all those individuals who receive a temporary occupational license to work on the riverboat. During the course of the investigation we do check on criminal histories, and have developed a policy that if an individual has failed to reveal or omit information, or falsify information with respect to criminal history, that they're license will be revoked.

We received criminal history checks back from the individuals listed on the sheet labeled Commission Action On Applications For Occupational Licenses. All of these individuals were employed by Casino Aztar. Their licenses have been revoked and this is coming before the Commission for affirmation of the revocation.

Those individuals are listed. I can name them, although the pronunciation of their names might not be correct. Specifically, we have revoked the license of Jose Figueroa, Tina Greer, Gerard Hayden, Mark Heck, James Heston, Frances Matheny, Todd Mattingly, Joseph Murphy, David



Petkovsek, Jay Ransford, Michelle Brown and Michael Washington.

The individuals will be given a chance to appeal the revocation of the temporary license and the denial of the permanent license after Commission action.

CHAIRMAN KLINEMAN: And the procedure for appealing is an appeal to the administrative law judge; is that correct.

MS. FLEMING: Yes.

CHAIRMAN KLINEMAN: The people have what, ten days from the time that we would take action to appeal that matter?

MS. FLEMING: Ten days from a posting of the letter indicating the Commission action.

CHAIRMAN KLINEMAN: Okay. And will the letters go out fairly quickly?

MS. FLEMING: Yes, they would.

CHAIRMAN KLINEMAN: Okay. Anyone have any questions this morning concerning this matter?

MR. VOWELS: I'd just like to verify. Kay you had given us a background on this situation. The bottom line on all of these



are not necessarily what their prior record was that it's the basis of denying occupational license but it was the not being forthcoming as to whatever prior record that they might have, right?

MS. FLEMING: Correct.

MR. VOWELS: And I guess why I'm saying that is for the people that are here today for the future employees, that it's necessary that they be forthcoming in whether it was an arrest or detained or charged. But it's simple to say detained or arrested. And somebody who represents criminals on a daily basis I find it hard to believe that people can't remember when they were arrested and if they ever have been.

So we don't even get to the point whether these were the type of crimes that would prohibit them from being suitable for employment on the boat. It's the fact that they may not have lied or intentionally misled, which I find hard to believe. But the bottom line is they just didn't put it down.

MS. FLEMING: Correct.

MR. VOWELS: Guilty by omission.

Somebody who does this with people every day I find it hard to believe you can't remember if you've been arrested.

CHAIRMAN KLINEMAN: The system really doesn't work if we have applications, and there is recited in papers before us the legend which appears on the application itself on Page 2. It says each question must be fully answered accurately and completely. I bold type it says any misrepresentations or omissions can result in application denial.

It's really a basic problem, if people are not forthcoming, that is, doesn't give us anything on which to act. It is the basis on which the whole system works. People are forthcoming, and can, a legitimate decision can be made concerning somebody who was 19 years old and had a couple drinks and fell into somebody's backyard and got arrested for trespassing. If he doesn't put it down we can't say that wasn't anything that disqualifies him, we just don't know about it.

It's the knowledge that we need to get off of these applications. It's the keystone of where we're going. So I personally feel very strongly that forthcoming is where everybody should be.

MR. VOWELS: Right. I guess part of the point that needs to be known is the resources of this Commission based upon some of the prior employment of the staff, and the State Police, that if this isn't put down or, it's very easy to find these things out. And somebody who has a marijuana conviction from 1978 may be someone who is perfectly reasonable to work on the boat. But somebody who lies about the fact that they ever were arrested for it is not somebody I want working on the boat.

So they need to understand a couple things, just because you have a prior record doesn't necessarily mean you won't be able to work on the boat. And if you don't tell us about it, with our resources we'll find out about it.

That message needs to be clear because there were articles in the

Evansville newspaper about these particular things where a guy was saying way back when I had this da da da, it shouldn't matter. Well, maybe it doesn't matter what you had, but the fact that you didn't tell us goes to your honesty. And with all the money on the boat the last thing we want is somebody around that much money who may not be honest.

So as long as that's clear. Like I say, it's, as a criminal defense attorney I find it hard to believe that people forget getting arrested so I don't buy it.

CHAIRMAN KLINEMAN: We do have before us a Commission action on applications for occupational licenses which cover the individuals who were named by Ms. Fleming. On Page 2 of that there is a blank wherein the Commission either denies the application for occupational licenses Level 2 or 3 for the above-named individuals, or approves the applications.

So if you agree with the Commission, with the staff action in denying we would want to insert the word denied in that. If

you want to overrule the staff, I guess you'd want to put approved.

Do I hear a motion to adopt the Commission action on the applications for occupational licenses and to insert a word on Page 2?

MS. BOCHNOWSKI: I'll make that motion. I move that we accept this, that we accept this and we insert the word denies. That would be following.

CHAIRMAN KLINEMAN: Is there a second?

DR. ROSS: Second.

CHAIRMAN KLINEMAN: It's been moved and seconded. All those in favor of the Commission action in this respect say aye. Contrary.

(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

CHAIRMAN KLINEMAN: The Commission approves the action of the staff in regards to the individuals named.

The next item is the Commission has

received a letter from Mr. Vowels, who under the statute was eligible to serve as an administrative law judge for the Ohio River area. Mr. Vowels indicates in his letter to the Commission that he finds it necessary to decline or to resign from the employment because he's really unable to hear in a timely manner the appeals, particularly those appeals from the action that we just took concerning the occupational licenses.

These are matters that we intend to expedite. The people will receive the letters. They will have ten days in which to file their appeal. And if they file their appeal it's the feeling of the Commission that a prompt hearing should be had, and that the evidence should be taken concerning whether or not the denial of their license should be overturned. So we have his letter from Mr. Vowels asking that he be relieved from being the administrative law judge.

We also have before us a resolution, or an employment rather, which will appoint as administrative law judge Bernard L.

Pilot, who the record would show was appointed to be the administrative law judge for the operations up on Lake Michigan. Because we want this to proceed very rapidly, it's the feeling of the staff that we should empower Mr. Pilot to also hear the matters on the Ohio River until such time as we can put in place a permanent administrative law judge for the Ohio River area.

So if it's acceptable to the Commission to with regret accept Mr. Vowels' resignation, and to appoint Bernard L. Pilot to serve as the administrative law judge on the Ohio River, I would entertain a motion to accept the resignation, and appoint Bernard L. Pilot as the administrative law judge.

MR. SUNDWICK: I'll make that motion.

CHAIRMAN KLINEMAN: Is there a second?

MR. MILCAREK: I'll second.

CHAIRMAN KLINEMAN: All those in favor of this action say aye. Contrary.

MR. VOWELS: Do I vote on my own

resignation?

CHAIRMAN KLINEMAN: You abstain.

(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

CHAIRMAN KLINEMAN: Let it show we've appointed Bernard L. Pilot to be the administrative law judge to hear the appeals on the side of the occupational denials.

The next order of business on our agenda gets into the consideration of the extensions of certificates of suitability. And we're going to reorder the consideration of these certificates in order to accommodate our scheduling.

We will hear them in the following order: We will hear the Rising Sun matter first. We will then hear the Blue Chip matter, and we will then hear Indiana Gaming.

So if the Rising Sun people are prepared to go forward, we would hear now their presentation concerning where they are and why their certificate should be



extended.

State your name, Mr. Pritzger.

MR. PRITZGER: Thank you. My name is Nick Pritzger. I am president of Hyatt Development Corporation.

Chairman Klineman, Vice-president Bochnowski, Mr. Thar, Members of the Commission and the Staff. We respectfully request the Indiana Gaming Commission to grant us an additional extension to the Certificate of Suitability originally issued July 26, 1995. We have informed the Commission staff that we will be prepared to commence operations on September 16th of this year pending Commission availability of appropriate inspections.

We have sent a letter to Mr. Thar dated August 16th giving the staff an update on our progress in various areas and with your permission I would review some of the salient points of that letter. We will then be available to answer any questions you have regarding this or any other part of our application or our progress.

In the area of construction, we have

received the U.S. Army Corps of Engineers' permit required to construct the temporary and permanent mooring facilities. Our plans have been approved by the City of Rising Sun which is a signatory to our MOA.

Construction of temporary and permanent facilities is well underway. We intend to operate from a permanent dock with our permanent vessel. Construction of the terminal pavilion and hotel is expected to be completed late this year, I'm sorry, July of next year.

Ground breaking on the golf course could begin late this year or early 1997. The course is expected to open in 1998.

In the area of our investment in this project our anticipated investment in the project has increased substantially and is now approximately 140 million dollars in the initial phase. That's not including any retail or housing components. That well exceeds our 98.8 million commitment required by the Certificate of Suitability.

In terms of financing the project, the uncertainty of the market has made it

extremely difficult to find a satisfactory financing so we have continued to fund all of the costs ourselves and will continue to do so. Unless financing becomes available which we're not anticipating in the near future. This lack of financing has not slowed us down I'm happy to say.

In terms of roads and access, approximately 6.3 million dollars has been expended to date in improving State Road 56 in and out of Rising Sun since your award of our certificate. Approximately 2.2 million has been provided by INDOT, and 4.1 million by our venture, either in direct contributions or in loans to the City of Rising Sun. Those loans have totaled about 1 million dollars.

We've executed an agreement with INDOT, and with the City of Rising Sun to provide approximately 3 million dollars more if necessary. We have paid for the widening and repaving of eight miles of State Road 56 from U.S. 50 into Rising Sun making substantial improvements.

I hope you'll all be able to take the

drive in the near future. I think you'll be pleased with the result.

Our gaming vessel is now in Rising Sun, I'm happy to say. I sailed on the boat on the 6th of August. The boat has been extensively renovated. We've taken out almost all of the pink. I think you'll all be very pleased with it when you see it. We're very proud.

We have included in our report an update on preferential hiring practices. Our employee training has been underway since January, and with very good success. And we think we're going to have a very fine well-trained staff in time of our opening.

In terms of our ownership, to review our situation, Hyatt Affiliate Indiana RBGLP owns 80 percent of Grand Victoria Casino and serves as the managing partner. RSRLLC whose members include Patrick Daily, Paul Partridge, James Everitt, American Gaming Enterprises and two small individual interests own 20 percent of Grand Victoria.

RSRLLC has elected not to fund additional capital to increase its ownership

interest.

American Gaming has informed the Commission staff that it does not intend to participate in Grand Victoria's licensed operations.

American Gaming has reviewed with staff an approach to market its interest by entering into a trust agreement that would be subject to Commission approval. American Gaming currently holds an ownership interest in Grand Victoria which is slightly less than 5 percent of the total.

To review other local civic matters, I would like to introduce Mr. Monty Dunbo with whom you are well familiar was chairman of the Rising Sun Redevelopment Commission. And as I said I'll be back to answer any questions you have. Thank you.

MR. DUNBO: Morning, Chairman Klineman, Commissioners, Mr. Thar, Mr. Hannon. This is a lot more pleasurable than the last time I appeared in front of you people. In fact, Mr. Thar kind of rode me a little bit about one of the statements I made that it was one of the cruelest

processes I've ever been through. This is nice. This is the good stuff.

I'd like to report that Rising Sun is absolutely where it needs to be. The infrastructure-wise, power and electric. We had completed our first phase which includes a new substation which takes us from 5,000 KBA to 5,000 KBA.

We're now in a situation with the sewage treatment plant where we have gone through our first phase of that. We have a new sludge press that we're very proud of. New aeration equipment. We've spent approximately 400,000 out of approximately 750,000 to be spent on that process.

We have a new water facility or we've increased our water by dealing with a temporary generator. We will have a new water tower once, you know, that process is in the beginning stages, which will increase Rising Sun's capacity up to 250,000 gallon of additional capacity.

Mr. Pritzger has already talked about the road situation. I'm not sure it's Class A or whether they were talking about

yesterday but it sure as heck has been improved. It is a road now that we all consider fairly safe.

We are in the process of our comprehensive plan. We're well along with that. We're in the process of passing a signage ordinance. We're in the process of dealing with upgrading our zoning processes.

We were the first city in the State of Indiana that I'm aware of that's put together what they call an IDC, an interim control district which protects our historic buildings from somebody coming in and destroying them before we have the time to control that process.

We are in the process now of allocating or of letting bids on our main street program that you folks all walked down.

So those bids will be let by the end of this month. That process, in fact, our first phase of the main street project ought to be completed by December.

We also, through a lot of hard work with a lot of the local people were able to

parlay some of the money that was allocated up front by the Hyatt Corporation into \$900,000 in additional grants. Five hundred of that will also be applied to our main street program. But another 400,000 of that will be applied to a senior citizen center that we are also in the process of letting bids on.

We've also secured 15 acres of land now for the new city/county park. That is in place. And one of our citizens also donated another eight acres which added to that facility.

We also increased our park lands by working with the Corps of Engineers to get an additional 15 acres called Arnold's Creek. So we are in the process of now developing that park area.

We're working with the Hyatt people for a river walk. The preliminary designs have been taken place on that. We are also now working with the preliminary designs on the downtown marina.

We're also in the process now of seeing some design work, initial design work



on Walnut Street, which is the main boulevard that ties our main street into the Hyatt project.

We've also put together a low interest loan program and allocated a million dollars for low interest loans for business people to come in, deal with the sod improvement, sand, or merchandise or whatever is necessary to help these folks get into business on our main street.

Through redevelopment, we've taken a couple options on buildings that we personally will renovate, completely redo, and either put back on the market or use as a stimulus to attract other businesses come into the area.

Our revenue sharing program is now in place. We are setting in a situation where we've set up our foundation, which is funded by the \$1 per passenger that the Hyatt Corporation has to, has voluntarily put into the mix. That we assume would be a total revenue impact of about two and-a-half million dollars based on 2.5 million visitors.

That foundation is set up primarily to match, for matching grant programs. So we really think that could be a 5 million dollar impact itself within the area.

We've also now signed all the local city agreements with all the various cities and towns and county that are involved in the revenue sharing package. On the other dollar that the city and county, Rising Sun Ohio County put into the mix.

So we are still continuing to be extremely proud of the revenue sharing program that we put on the table. We do see that as a 7 and-a-half million dollar impact into the southeastern part of the state of Indiana.

You know it was interesting yesterday to watch this whole process. And I do know that you folks, you know, have a tremendously tough job here because it is, it is a process that somebody always loses in. And in all of these counties very frankly are very deserving.

I, personally, I've been asked several times what impact would a boat have

on, a third boat in southeastern Indiana. You know there's a room full of experts here and my guess is if you ask each one of them that question every one of them would give you a different answer. I don't think any of us know.

We really, this is a market that in some cases the boats that are in process now, are doing better than they expected, in some cases they're doing worse than they expected. I've watched reports, you know, from respected analysts that one of them says 750 million dollar market, the other one says a 400 million dollar market. It's a tough call.

All I can say, you know, from our perspective, Rising Sun is working extremely hard to get to where it's a project that you folks in the state of Indiana can be proud of. We certainly respect your decision, however it may come down. Any questions of me?

CHAIRMAN KLINEMAN: You weren't much help in us making a decision.

MR. DUNBO: No, I wasn't. Didn't

intend to be.

MR. THAR: I have one question. Mr. Dunbo, from the City's perspective has Grand Victoria Casino and Resort fulfilled all the obligations it was to have fulfilled as of today?

MR. DUNBO: Mr. Thar, I'd say above and beyond. We've worked very closely with these folks, and we found that in the case of the sewage disposal plant that was a project that, very frankly, was not in our original project agreements. We identified the fact that we had some serious issues there, so we were able to negotiate after the fact when the City didn't have nearly the leverage it had on the front end. We've been extremely pleased with our partnership.

MR. THAR: Based upon what you see today do you see any problems with that partnership continuing in the same what appears to be very good framework it has to date?

MR. DUNBO: No, I don't think so. The City, I always felt this, that our City has tremendous capability of working with

this process. But regardless of how big Hyatt Corporation is they need the city very badly. They need the zoning issues very badly. We did put a planned unit development in place on that site. So consequently we controlled a lot of the zoning issues and what they can and can't do. So, you know, it's been a good partnership. And I have no reason to think it will not continue to be.

MR. THAR: Does the City support their application for the renewal of the Certificate of Suitability?

MR. DUNBO: Absolutely.

MR. THAR: Does it support the eventual request for a license?

MR. DUNBO: Absolutely.

CHAIRMAN KLINEMAN: I just have a couple questions. Have you seen any indication that there's going to be additional housing built in your area to house the people who are going to be working?

MR. DUNBO: Yes. In the county, for example -- the City is somewhat restricted.

You know, when you visited there you've got hills on one side and river on the other side, so it gets a little confined. But in the county there has been three applications for housing developments of 50-60 housing units at each one of them.

There's a, you know, talk about some housing developments within the City. There is one application for 60 apartments within the City limits which has been approved. So we see some development there.

Is it moving fast enough? No. It, you know, we do have a serious problem. And very frankly, you know, we need to pick up the pace on that.

CHAIRMAN KLINEMAN: Because that would be some of the multiples that you are supposed to get according to all the experts of investments like a riverboat.

MR. DUNBO: Yes.

CHAIRMAN KLINEMAN: The other is a personal question. I took a trip down to that area, and just looking on the map, I decided I would come back to Indianapolis on 262, which is not the best road ever. Has

there been any thought, I know that the State Highway through Walter, actually directing the traffic to go elsewhere with signs and so forth. You know, other people may pick up a map and look. And I've always been great on finding hypotenuses rather than right angles, and 262 is a pretty nice direct way. But it is a terrible road. Has there been any indication, anybody thought about upgrading 262 to some extent?

MR. DUNBO: There has not been. You know, we very frankly agree with you and I shudder every time I have a client in my other life, which I do have, you know I have a client who looks at a map and comes down that road because it's awful hard for me to convince them to come back again. But I don't know what to do about it.

There are some improvements taking place on that road. There's a bridge improvement that's going on on that. That's an awful lot of highway. And we are getting a new bridge at what's called Hartford Pike, which would tie into the community off of 50. You know, so, other than putting a

barricade up and say don't take this road, you know, I don't know what to really do about that.

MR. ACHAR: Chairman, Dan Achar, Senior Vice-president Hyatt Development. We've been working closely with INDOT because there are a number of people who look at a map and say 262 is the way to come. INDOT is going to be taking the sign off at 350 which says Rising Sun 262 and directing people down 50 to Aurora and then back around to Rising Sun. So we're going to try to take care of it that way.

We're working with INDOT to try to get better signage on 74 so that the correct route down to Rising Sun as those of you who have traveled it know it's through Batesville. The roads from Batesville down to Rising Sun are really very fine roads. Unfortunately, they don't show on most maps because they're new roads. We need some signage and we're working closely with INDOT to get the signs from this direction. But a quick look at the map gives you 262 and you won't be back if you take it.



CHAIRMAN KLINEMAN: If you put some signs up maybe some idiots like myself won't try to go up 262.

MR. DUNBO: Any other questions. I'd like to add one more thing which is kind of unique to Rising Sun. There's a lot of help wanted signs in Rising Sun right now. The labor market has certainly, you know, there's positive to that. And there's as I recall some negatives to your local merchants trying to find help. But you know, the labor pool in southeastern Indiana is certainly one in my opinion that's, you know, between Argosy's project and Rising Sun's project that's 3,000 jobs. And again if the experts are right you have a 1 for 1 spinoff, maybe that's 6,000 new jobs in that area. That's really a resource that's going to get very scarce in our part of the state in my opinion. Anybody else have any questions of me?

MR. SUNDWICK: Your comment if you want to clarify. We understand, I think everybody does that you're probably going to have that. I think everybody knew that

going in. That was the point. I've listened the last couple days and everybody now is scared they're not going to have enough people. It's kind of like we could go backwards and make it all like it was. The point is that obviously I think you probably determined that going in that you're going to have that kind of a shortage?

MR. DUNBO: In all honesty, yes, when we're in a county of 5200 people and you're creating 3,000 jobs you obviously know you've got some issues going into it. But I don't know that anybody thought it would be that you're going to have to reach out quite as hard as everybody's reaching out to get this job done from the people's standpoint.

Certainly, the benefits are there. And do we want to ever go back? No, we don't want to go back. Before there were 15 people trying to get the job at the Dairy Queen. But I do see it, you know, and I'm in that business on the, you know, on the staffing side of the business. So I can tell you that it's a tough staffing

assignment for anybody.

MR. SUNDWICK: Maybe all the people we thought were unemployed just don't want jobs?

MR. DUNBO: We're down to 3.8. That doesn't leave many bodies so to speak. I mean it's -- again, in a community that maybe out of 5200 people you have, what, 2,000 people who are working. 3.8 doesn't leave a lot of people that are unemployed.

And you're right. There are some people, due to the nature of this business, and how closely they're checked and so forth, you know, that 3.8 probably represents, maybe 1 percent of those that couldn't go to work for this project. It's an interesting dynamic.

CHAIRMAN KLINEMAN: Since we're into the employment area, I guess probably we ought to make a little bit of a record about your women and minority business program. Before we leave that. Does anyone else have anything of Mr. Dunbo? I thank you for coming, and it's always a pleasure to see you. I hope you'll keep coming back.

MR. DUNBO: Thank you.

CHAIRMAN KLINEMAN: You probably won't but -- yes, sir.

MR. TAYLOR: Mr. Chairman, my name is Doug Taylor, I'm the general manager of the Grand Victoria Casino. I'll be pleased to answer your questions.

CHAIRMAN KLINEMAN: I just wanted you to present to the Commission what you've been doing in respect to local and regional participation, and women and minority participation. You've attached to a letter which was received by the Commission on August 15th a whole summary, I guess of what you've been doing.

MR. TAYLOR: I'd be pleased to do that.

CHAIRMAN KLINEMAN: And I just, very briefly if you'd like to indicate. It doesn't have to be an extensive report because we do have the attachment as part of the records of this Commission.

MR. TAYLOR: With respect to the employment we anticipate opening with a work force of about 1400 employees. Right now we

have 367 employees on board as of August 19th, yesterday. We've been in the licensing process over the last six or seven days and approximately 600 people have been licensed up through yesterday. I expect that will expand about 850 through Wednesday and then we'll start a second phase of the licensing in early September.

MR. VOWELS: What's your total expectation of employees?

MR. TAYLOR: The total expectation is 1400, I anticipate 1300 licensable employees. There will be several employees who will not be on the riverboat. They will be in support facilities on the land-based facility.

MR. VOWELS: Of the 1400 how many full-time?

MR. TAYLOR: Dominating it. About 95 percent full-time. Very, very small percentage of part-time employment.

MR. VOWELS: What's the population of Ohio County?

MR. TAYLOR: Well, Ohio County is 5200. In Rising Sun direct it's

approximately 2500 to 2600.

We've been working aggressively for the promotion of minority employment within our work force. And as you probably know in the four county area, Switzerland, Ripley, Ohio County and Dearborn, the combined minority representation in the work force is only 1.03 percent. So it's a very, very small percentage.

Our current employment levels are 2 percent amongst our 367. Based on the projections I have with my staff I expect to end up in the 3 and-a-half percent neighborhood at full employment.

To that regard we've employed some specialists in the minority area to assist us in continuing the efforts to find minority candidates for employment within.

MS. BOCHNOWSKI: Do you anticipate problems once the Lawrenceburg project comes on line with numbers of employees available?

A. I do. It is a restrictive work force by any definition and the availability of employees in that area. We've had to outreach as far as south and west as

Madison, and certainly into Kentucky and into Cincinnati.

We've had billboard signs posted in Madison and west of Aurora and north in Greendale. We've had to go on field trips to areas of gaming communities in Illinois, Mississippi, Louisiana to seek people who have gaming expertise supervisory skills, not only for the purpose of finding those people but also to enhance our minority statistics.

It has not been an easy labor market by any definition. Examples in my last employment in eight weeks we had 10,000 applicants. In nine months of seeking applicants aggressively in the market, I might add, we had approximately 5,500 applications and résumés. And those are small numbers in comparison to what I'm used to.

MR. VOWELS: Are you concerned, just to follow-up on what was said. If the boat goes on in Lawrenceburg, the possibility of one in Switzerland County, that there may be a raid on your employees because they would

have experience? And if you do have that concern what do you anticipate your response will be to keep them from leaving: Bigger salaries, make it more attractive basically? Or has that been thought about?

MR. TAYLOR: It has been a serious thought. Serious concerns about that. I do not like to get into the spiraling wage phenomena where we steal from each other. A wage war. I anticipate entering some noncompetition and employment agreements with various members of the staff who are critical to our operation.

MR. VOWELS: But you couldn't do that with dealers?

MR. TAYLOR: I expect to do it with dealers.

MR. VOWELS: You could do it with dealers?

MR. TAYLOR: Yes, sir.

MR. VOWELS: There's a list of colleges here in the letter that you had given us in reference to minority recruiting. A lot of these colleges, it looks like Ohio and then the State of



Kentucky. How is it that you came up with this particular list?

MR. TAYLOR: I asked our employment staff to, we've been very aggressive in the recruitment of minorities and I asked them to identify different institutions, whether they're technical schools, colleges, any kind of recruitment center, to go and work aggressively and help us find minority applicants.

We've attended the Indianapolis Black Expo now twice and the Cincinnati Job Fair twice. We have worked -- every department head in my entire organization is extremely familiar with the demands of outplacings with respect to that.

We've worked very, very hard.

MR. VOWELS: I notice Indiana University is not listed on here, and the University of Kentucky is. I mean why wouldn't I.U. be on there? Is that just because of the region? Are these in a particular radius?

MR. TAYLOR: The things we found on the trips to Indianapolis and particularly

with respect to Black Expo, the distance involved has been almost prohibitive. We're talking about 110 miles, and so involved relocations on every single one of those. Our response rates have been very, very poor with respect to that.

CHAIRMAN KLINEMAN: Well, I was just going to say I.U. must have a presence down in the southeast, do they not?

MR. SWAN: There's a regional campus there.

CHAIRMAN KLINEMAN: I just got two conflicting answers.

MR. SWAN: I think I.U. is southeast. But that's --

MR. SUNDWICK: I.U. Southeast, but that's in Louisville.

CHAIRMAN KLINEMAN: They didn't tell us when they were going for a license that they were Kentucky fans.

MR. SUNDWICK: There isn't a good highway there, either.

MR. TAYLOR: We'll putty Indiana University on our next recruiting trip.

MR. VOWELS: One thing, too, it's

been so long, but the mayor of Rising Sun is also a school teacher, right?

MR. TAYLOR: Yes, sir.

MR. VOWELS: It seemed like during the presentation, I could have been getting this confused, it seems like he said something about the impressive number of high school seniors who were going on to college. And of course, the concern is these kids go off the college and they don't come back home.

Has there been any effort made to contact soon-to-be college graduates from the Rising Sun area to give them an opportunity to come back to Rising Sun?

MR. TAYLOR: Absolutely. We have current employment of several individuals who are Rising Sun residents, went off to college, who are now back on our staff working in the accounting and other professional areas where they have schooled themselves.

MR. VOWELS: Good idea.

CHAIRMAN KLINEMAN: Anything further of this gentleman?

MR. THAR: I have one issue but not in regard to anything presented by Mr. Taylor.

CHAIRMAN KLINEMAN: Okay, maybe Mr. Pritzger, would he be an appropriate?

MR. THAR: No, it would be directed to, the I see representatives of RSR, both Mr. Daily, Mr. Partridge and also representatives from American Gaming. We have as a staff reviewed certain trust agreements and irrevocable proxies and consent agreement, to which I think from a staff perspective we have one minor wording change.

Our question is whether or not the documents we have looked at are acceptable to the other members of RSR, American Gaming, as well as to the extent acknowledgements are necessary from the Hyatt Affiliate and Grand Victoria Casino.

So if someone from American Gaming could step forward. I notice Mr. Wellington, and Mr. Russell, Mr. Daily, Mr. Partridge, also Mr. Schultz on behalf of Hyatt could just very briefly address the

issue of the acceptability of the documents.

MR. WELLINGTON: My name is Douglas Wellington. I'm the president of American Gaming Entertainment Limited. As we have been working with Mr. Thar and his staff to reach an acceptable agreement where we will put our interest in the Rising Sun project in trust for a period of two years at which time under an appraisal process our partners would be purchasing our interest if we were unable to sell it at that time.

We have had our board approve this transaction in concept. They have seen the draft, I think it was as of last Friday. There was a small change today, I think insignificant to the documents as a whole. But we have sent to our directors today that change, and we anticipate having this document approved by our board as soon as possible. But in concept our board has approved it. And I think that's, that's where we stand. If you have any questions.

MR. THAR: I don't. Thank you  
Mr. Wellington.

Mr. Daily from the remainder of the

RSR interest can you speak on their behalf?

MR. DAILY: Yes, my name is Pat Daily. I'm a managing partner with RSR. We have, in fact, agreed in concept, Mr. Partridge and I have just been made aware of the last page. Mr. Everitt is not here and present, but we see no difficulties with the execution of this document.

MR. THAR: Mr. Schultz?

MR. SCHULTZ: Richard Schultz. I'm president of the Grand Victoria Casino Resort and also vice-president of the general partner RBGLP. And not only is the consummate transaction acceptable to us, the documents with the latest amendment are acceptable to us.

MR. THAR: So if I gather correctly, all the parties concerned for the execution of these documents, except for final approval of some changed language, are in agreement with the concept and the documents to the extent they have been voted on already.

MR. SCHULTZ: Yes, that's correct.

MR. THAR: There is no problem on the

staff final reviewing and implementing those documents?

MR. SCHULTZ: No, there's not.

MR. THAR: That's all.

CHAIRMAN KLINEMAN: Do we need a deadline by which time it should be put in place, signed, sealed and delivered, so to speak?

MR. THAR: Certainly before September 16th.

CHAIRMAN KLINEMAN: Well, the sooner the better. So that if we have a problem it can be timely put to rest as far as the Commission is concerned. Anything else?

MR. THAR: No, we just have the various issues and resolutions that go with this.

CHAIRMAN KLINEMAN: We have three matters before us for action. One is a resolution extending the Certificate of Suitability, the next is a resolution approving the bond, and then we have an order issuing the owner's license, which I think you'd like to see signed, too, subject to certain conditions.

I guess Virginia McCarty is here on behalf, in respect to the resolution concerning the bond. And I would call on Virginia to -- Mr. Pritzger wants to say something.

MR. PRITZGER: Chairman Klineman, if you have no other questions on our presentation could I add one more point before you get into the decision?

At the risk of being accused of piling on to Switzerland County, I feel a need to correct a couple of statements that were made in the presentation yesterday. Most particularly, the statement made by Mr. O'Brien that an operation in Switzerland County would have no measurable impact on any other operator.

It was also suggested that we had, that we had agreed with that concept in our original presentation. And I want to correct that statement. It is certainly not true.

On the contrary, we feel that a license granted in Switzerland County, first of all, would have a serious impact on our



operations, and could threaten the viability of our operations.

We strongly feel that while we don't know exactly what this market will hold in the future, we feel strongly that nobody knows. That only one of the independent firms that have looked at the market have come up with a number of 700 million or above. That four independent firms have come up with numbers of 400 to 450 million dollars in our relevant market including Switzerland County, Rising Sun and Lawrenceburg. And we expect that given the dominance of Lawrenceburg in terms of location that they will account for 300 million of that, at least.

We feel what remains of this market is certainly not clearly enough to support two \$140 million projects. And we would respectfully urge the Commission to take a very close look at the markets while the permanent facilities are in operation before making a decision on that final license.

Obviously, we will accede to whatever you decide to do, and will operate

accordingly. Thank you.

CHAIRMAN KLINEMAN: Before you leave that subject, one of the things that we heard yesterday of course it's a comparison of the Tunica Memphis market to the Cincinnati, Dayton, Indianapolis, Lexington et cetera, market. And you know, based upon that comparison as to population, et cetera, within a certain circumferences, one would have to say based upon what we heard yesterday that it is a much larger market than what you just indicated.

Do you have any statistics that would show that it is not as large as 850 million, or a billion or whatever? Just based upon the numbers it looks like it is bigger than a 450 million dollar.

MR. PRITZGER: Chairman Klineman, I'm happy to be able to put a different perspective on that comment. One thing that we have learned in watching licenses granted in emerging jurisdictions is that it is impossible, I think, to analogize from one jurisdiction to another. And I appreciate that the applicant yesterday suggested that

they have the most sophisticated financial model in the industry in estimating markets.

I'm sure I don't need to remind the Commission and the staff why it is that we have the boat that we have in Rising Sun, which was, in fact, a boat that was unable to be supported by what was considered to be an absolutely foolproof market, which is New Orleans, a huge market both in terms of local population and tourism.

I would suggest that Tunica is a completely different case. Tunica is not only a very large population. The boats there are essentially unrestricted land-based operations.

And I would also like to suggest or remind the Commission that not all boats have been successful in Tunica. In fact, some of the operations have closed or threatened to be closed. So I'm not sure Tunica is a very good analogy.

The fact of the matter is all of these markets are different. The company that was hired by Hilton to do their analysis of this market also gave a number

of 200 million dollars as the estimated market for Evansville. Evansville is operating at not much more than half of that number today.

So I would definitely question the credibility of the numbers that you saw yesterday. I don't deny that they might be possible, Mr. Chairman. But I would certainly suggest that prudence would indicate a delay before assuming that they were the case.

I think that the Missouri gaming board has seen the wisdom in that after watching the latest operation to go into operation in Kansas City running at operating losses. They're running, the Savoy Operation in Kansas City, I understand, is running about \$15 win per passenger, which about \$5 is their own cash, which they are supplying to passengers. They're running at an operating loss.

And I believe the Missouri gaming Board's reviewing its inclination to give out new licenses in markets that seem to be overbuilt without watching to see what

happens in the existing operations.

CHAIRMAN KLINEMAN: It sounds like your family built a hotel at one time based upon the survey that was made that didn't turn out to be a success.

MR. PRITZGER: I can think of maybe one or two cases where that has been the case. We are very skeptical of market studies. We always have been. You don't want to count on them. The best market study is an existing operation and that's what we look at when we go into any new market.

Unfortunately, in this market we have had to use our intuition and our best judgment. We're obviously concerned about what happens when Argosy comes up with what's going to be the largest, I think, riverboat gaming operation in the world. Which they're going to be doing quite shortly.

We're also concerned about legislation or proposals that are pending in competing jurisdictions, such as Ohio. So we are, we're very concerned about what

happens and we think it's far too easy to be glib about what the future will hold. It's a great unknown. And we're very concerned about what will happen to us and to the community in which our commitment lies, which is Rising Sun.

I'm sorry to be so impassioned but as you may know this is an extremely serious matter for us. We have a very serious investment. And our determination is to do the best quality project.

We feel we can be very competitive with whatever is there. And we hope that you will all be very prudent in throwing up competition before the market's clear.

CHAIRMAN KLINEMAN: Any questions to Mr. Pritzger along these lines?

MR. PRITZGER: Thank you.

DR. ROSS: I would think one thing. We asked Hilton, I think, to bring us some information relevant to the large market that they saw. So could you bring us some information relevant to the small market that you see?

MR. PRITZGER: Yes, sir. We actually

have done these studies independently.

Have we shared these with the gaming commission? We have not.

We have studies and we can submit those immediately, showing for our interim purposes what we consider the market to be, again with our caveat against any market studies.

CHAIRMAN KLINEMAN: Are these independent or your own?

MR. PRITZGER: Independent. We asked Pete Marwick to prepare a sensitivity analysis for us looking at where we think the market is in our area, and where, exactly what will be drawn on by the potential operation in Switzerland County. But obviously, dispute the notion that was presented yesterday that the boat in Switzerland County would be drawn from Kentucky and not be drawing from our core market which has got to be Cincinnati. You mentioned the road difficulties. We have to look at Cincinnati.

We obviously dispute the notion that Switzerland County will not be drawing from

that area. We'll be happy to submit that.

In what time frame?

Within a week we'll submit that to you.

MR. SUNDWICK: Why, in your opinion, then, would Hyatt, or excuse me, Hilton hotels be interested in spending 130 million dollars if they have the same information you have, but appears to be a worst road condition or travel condition, why would they -- how irresponsible would they be to spend 130 million dollars in a project that you are pretty convinced would fail?

I mean, you know, because I really, being from the area, I mean I think if they go to Lawrenceburg and Rising Sun, I think they're the ones that find themselves in what appears to be a disadvantage.

MR. PRITZGER: Commissioner Sundwick, all I can say in response to that, I'm certainly not going to doubt the intelligence of our, a competitor as strong as Hilton is to us. We have the highest respect for the organization.

All I can say to you is first of all



that the distress of a competitor is small comfort to us. We don't want to see us fail. We don't want to see them fail. That can drag us down, too.

Secondly, as to why they might do it? I've seen many competitors that I had very high regard for make decisions that were not particularly rationale it turned out. Certainly are decisions that I would not make.

You can look at the situation in New Orleans, for example. Hard to find a stronger gaming company than Harrah's and they made a terrible mistake there.

We, as I say, we've made our own mistakes in other markets. There are also motivations for certain companies that may not have intrinsically anything to do with the substance of a particular transaction, maybe for reasons beyond the individual project. I'm not suggesting that's the situation here. It may well be that Hilton and Boomtown are, in fact, moved by the studies that they had made and that they honestly believe there is room for them in

this market.

I would tell you that I would not have the temerity to propose to my Board of Directors making anything like that kind of investment in Switzerland County in the face of the competition that they're going to be facing. But that is personal and subjective.

CHAIRMAN KLINEMAN: Well, I presume that your advice or your presentation to us will be made known to the Hilton Boomtown people. And I would presume that they will respond also. But if you could submit this report that you told Dr. Ross you had sooner than a week, it might be more helpful, because we are trying to gather all the information that we need in order to make an informed decision.

MR. PRITZGER: We'll submit it immediately. And I do appreciate that these subjects are debatable. Thank you.

CHAIRMAN KLINEMAN: Okay. We're back to Virginia Dill McCarty, who has distributed to the Commission a report concerning the security insurance for the

Rising Sun Riverboat Casino and Resort, LLC. And we again welcome Virginia, our special counsel for these difficult matters.

MS. MCCARTY: Good morning. Thank you. I'll try to get the millions straight this time. You have two pieces of paper. The top piece of paper is a report about the insurance and amount of security and what it secures for Rising Sun.

The second piece is for the Indiana Gaming Company. At this point I will just address Rising Sun.

On July the third, Rising Sun Casino deposited 11 million dollars cash with the Commission, which now resides in the Office of the Treasurer of the State of Indiana. One million dollars secures payment of contributions for road improvements. \$3,600,000 secures completion of land based construction. \$3,500,000 secures payment to the Redevelopment Commission for downtown redevelopment and improvement for a community park and tourism and convention bureau.

\$900,000 secures payment for

utilities and infrastructure. And \$2 million secures all other financial obligations plus the obligation to remain at the site for five years or until another owner is licensed to operate instead of Rising Sun.

And Rising Sun has indicated that it withdrew this amount of cash bond. It may wish to replace the personal cash with a surety bond. I recommend that the Commission should delegate to its staff the authority to examine any surety bond proffered by Rising Sun to replace its posted cash, and the authority to recommend to you acceptance or rejection of the substitute security.

I also recommend approval of the insurance certificate which Rising Sun has submitted to the Commission. They appear to comply with your requirements, subject to an examination of all the policies as they are delivered by the insurance company.

So I recommend their approval as fulfilling the Commission's requirements, subject to examination of all policies.

CHAIRMAN KLINEMAN: Does anybody have any questions of Ms. McCarty? Hearing none you have a resolution which we will be taking up. And while you're here we might as well hear your report on Indiana Gaming, even though we're not talking about Indiana Gaming right this minute. That would then put you in a position where you could be excused and didn't have to wait a long time.

MS. MCCARTY: Thank you, Mr. Chairman. The report on Indiana Gaming is a request for approval only of the amount of the bond. No cash has been deposited yet. And the insurance has not yet been submitted. I recommend that the Indiana Gaming Company, if they receive an extension, be required to post security in the amount of 14 million dollars. \$6 million would secure payment of the minimum guaranteed annual fee to the City of Lawrenceburg. \$4 million to secure complete demolition of the project and property restorations if called for. \$1 million to secure completion of land based construction. \$500,000 secures payment for

infrastructure in addition to that specified in the Certificate of Suitability. And 2,500,000 secures all other financial obligations plus the obligation to remain at the site for five years or until another owner is licensed to operate instead of the Indiana Gaming.

Indiana Gaming has also indicated that it would wish initially to post cash and to later substitute a surety bond. So I recommend the same position for any surety bone substituting for cash which Indiana Gaming might offer.

CHAIRMAN KLINEMAN: Does anyone have any questions of Ms. McCarty concerning the Indiana Gaming report?

MS. MCCARTY: I probably should add here that the amount of this bond would be quite a lot higher, were it not for the fact that both the general and limited partners of Indiana Gaming LP have either escrowed or otherwise secured their payment of very significant amounts of cash. So that meant that there was already security provided for such payments.

CHAIRMAN KLINEMAN: Anyone have any questions of Ms. McCarty? As I say, we'll be taking this matter up later with the Indiana Gaming in connection with their extension of the certificate.

We have no other questions, Ms. McCarty. We thank you again for your very, very professional service to this Commission, and we'll call upon you in other instances.

MS. MCCARTY: Good.

CHAIRMAN KLINEMAN: We now have before us, as I say, three matters of action. The order in which they're numbered, first is the Resolution 1996-47, which would be an extension of the Certificate of Suitability issued to Grand Victoria Riverboat Casino and Resort LLC. Originally issued on June 30, 1995.

There is a request attached to that resolution requesting this extension. As we've heard, actually, they expect to open sometime in September. So all we would be doing, basically, is extending the certificate and then hoping that it ripens

into a license, which is another resolution we'll have before us in a minute.

Just for purposes of filling it in, we read on Page 2 if we wish to extend it, put the word extended in and put a date in. I thought maybe November 1, 1996, would probably cover the slippage if there was any off of September.

So if anyone wishes to make that motion to insert the word extend and the word, the date November 1, 1996 into Resolution 47.

MS. BOCHNOWSKI: I will.

CHAIRMAN KLINEMAN: Is there a second?

MR. VOWELS: I'll second.

CHAIRMAN KLINEMAN: It's been moved and seconded. Any discussion concerning this extension?

MR. VOWELS: Yes, it's November 1, 1996?

CHAIRMAN KLINEMAN: Right. Hearing none, all those in favor of Resolution 1996-47 say aye. Contrary? The Resolution is adopted.



(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

The next is a Resolution 1996-48 which is to approve the bond as reported by Ms. McCarty. This is the bond of 11 million dollars in cash which can, upon a presentation of an acceptable surety bond or guarantee of 11 million dollars of cash can be withdrawn and the security bond will be instead.

Anyone wish to make the motion to adopt resolution 1996-48?

MR. MILCAREK: I will.

CHAIRMAN KLINEMAN: Moved. Is there a second?

MR. SWAN: Second.

CHAIRMAN KLINEMAN: And seconded. Any further discussion? Hearing none all those in favor say aye. Contrary? The resolution is adopted.

(A motion was made and seconded at this time.)

(The motion was voted on and adopted

at this time)

CHAIRMAN KLINEMAN: The next is the order of the Indiana Gaming Commission issuing the Grand Victoria Riverboat and Casino Resort LLC a riverboat owner's license. If you will note in the body of that order it has a recitation of what has been accomplished in Section A. In Section B of the Order it recites things which must be completed before this order which would be granting them a license would become effective. And that the effective date of the license can not be before September 16th, 1996. But, at any time on that date or thereafter on which the items in Section B have been completed to the satisfaction of the staff then a riverboat owner's license would, in fact, issue for Rising Sun and Grand Victoria.

Anyone have any questions concerning this arrangement? This is what we have done in the past. We have done it a lot of times at the site, but in this particular instance because of scheduling and because we want to be of record, we thought we'd go ahead and

issue this order at this time subject to the conditions that we've outlined.

MR. SUNDWICK: I would so move.

CHAIRMAN KLINEMAN: Move that the order be issued. Is there a second?

DR. ROSS: Second.

CHAIRMAN KLINEMAN: Seconded. All those in favor of the issuance of the order granting a license say aye. Contrary?

(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

CHAIRMAN KLINEMAN: The order is adopted and the license will be issued, Mr. Pritzger, as soon as you do all the things you promised us to do.

MR. PRITZGER: We'll try to comply.

CHAIRMAN KLINEMAN: We might have a little more formal ceremony when you get a little closer. When we know what the date is maybe some of the commissioners will be there to present you with this license. I'm sure you'd be willing to accept it from anyone.

MR. PRITZGER: Gratefully.

MR. THAR: Congratulations.

MR. PRITZGER: Thank you, very much.

CHAIRMAN KLINEMAN: And I do want to congratulate you because I think you go forward with Mr. Dunbo and Rising Sun, as it's been outlined to this commission in a very, very satisfactory manner, and we couldn't be more pleased because things have really, really, moved very smoothly considering what we've run into in other locations.

I know you've had a few ups and downs but it has really basically moved very smoothly, and we certainly hope that what can be accomplished by this operation will, in fact, come to pass. I do believe it will.

Anyone else have anything to say? Well, then, I think at this point we will probably take a short break and come back. We've been going almost two hours. We'll come back at 20 after 11 and at that time do Blue Chip.

(At this time there was a brief

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

CHAIRMAN KLINEMAN: All right, we'll come back on the record. The next item on our redesigned agenda is the Request for the Extension of Certificate of Suitability for Indiana Blue Chip Hotel Casino Resort Corporation, a Michigan City project.

Mr. McQuaid, welcome.

MR. MCQUAID: Chairman Klineman, thank you. Members of the Commission, Mr. Thar, Ms. Fleming, good morning. My name is Joel McQuaid. I'm vice-president of Indiana Blue Chip. Before I begin, I would like to take this opportunity to introduce two individuals to you.

First, I would like to introduce Kevin Larson. Kevin Larson is president of Indiana Blue Chip. Kevin was formerly president of Empress Casino Corporation and Empress Casino Hammond.

Next I would like to introduce Lee Alexander. Lee is vice-president of Indiana Blue Chip responsible for design and construction. Lee was responsible for the

design and construction of eight casino development projects while employed with Harrah's Entertainment Corporation.

I'm very happy and very proud to publicly announce the progress that has been made by Indiana Blue Chip since April the 17th when we were awarded a Certificate of Suitability. To better understand this time frame I would like to break down these last 124 days into two parts.

The first 90 days: On April the 17th, we were granted a 90-day Certificate of Suitability. In the Certificate of Suitability four issues were announced and we were told that significant progress needed to be demonstrated regarding these issues during this time period.

These issues were, we were requested to file a complete application with the Army Corps of Engineers. We were requested to submit a complete financing package.

We were requested to submit a report that would address the feasibility of constructing this vessel on site in Michigan City and the cost of that vessel. And

fourth, we were asked to submit a report regarding the feasibility of making the necessary modifications in the waterway.

Executive Director Thar advised us early on in this process that he and his staff would need at least a week to review all the submissions and that our last date for this submission would be the 83rd day, July the 9th. Mr. Thar further advised us that the Corps permit application needed to be filed on or before July the 16th.

On July the 9th Indiana Blue Chip filed with Mr. Thar and staff all required documents related to the certificate of suitability, other than the Corps permit application which was filed on July the 16th.

On July the 9th, Indiana Blue Chip presented the financing package to Mr. Thar. HP of Indiana has contributed 20 million dollars of equity. HP of Indiana has contributed a 25 million dollar irrevocable letter of credit to Indiana Blue Chip. And HP of Indiana has arranged for 43 million dollars in asset-based financing.

The gaming vessel. Ito Purlin Associates, our design firm, Midwest Marine and Chicago Bridge and Iron, the people who we have contracted to build this vessel, have submitted a report as of July the 9th that left absolutely no doubt that this magnificent vessel can and will be built on site in Michigan City.

The engineering study is a component of the application for the Corps permit but is a separate report submitted to Mr. Thar on July the 9th by Beard and Associates identifies the modifications necessary in the waterway.

Indiana Blue Chip accomplished all of the above and then some in those 90 days. We are very proud of these accomplishments, but we did not take a break after July the 16th. In the last 34 days we have accomplished a great deal more. The vessel designed, its safety evacuation plans have been submitted to the United States Coast Guard for their review.

Steel for this vessel has been ordered, and we have tentatively scheduled



for construction to begin in October. Material will start arriving at the fabrication facilities by September the 22nd, which will allow adequate time for fabrication, prime coat painting before our first start date in the field.

Our construction team has met with three Indiana steel fabricators to discuss their responsibilities and participation in the process. Indiana Blue Chip has reached agreement with the vessel interior design company of d'Andrea Piasentini Design Incorporated. The vessel's interior design has begun.

Land acquisition. Indiana Blue Chip has reached agreement with First Citizens Bank of Michigan City for the largest single component of needed property. In addition to the bank property, Indiana Blue Chip has reached agreement to purchase an additional 24 parcels of property.

Indiana Blue Chip has also reached an agreement to purchase a privately owned marina and is working with the City of Michigan City and the Port Authority of

Michigan City to relocate Spragg Marina, which is a city-owned marina with this new being acquired site. This relocation will completely mitigate all city boat storage, all city owned slips, and any other amenities that are currently enjoyed by the citizens of Michigan still at Spragg Marina. Indiana Blue Chip has committed over 10 million dollars in land acquisition.

Job information fair. On Wednesday, August the 7th, 1996, Indiana Blue Chip held a job information fair in Michigan City. Indiana Blue Chip publicly advertised this information and requested that any interested individuals call our Michigan City office to make an appointment for one of the 22 sessions that would be offered that day.

Approximately, 1200 people elected to spend some time with us that day. And we hope this will lead to many years of gainful employment.

At this time I know time is very precious I would like to have Lee Alexander show us the renderings of our proposal.

MR. ALEXANDER: Thank you, Joe. I'm Lee Alexander, Vice-president of Design and Construction at Indiana Blue Chip. And as Joe stated I do have a Casino-based background with Harrah's. I'm a professional engineer in several states but this project in northern Indiana has a special meaning to me because of the basis I graduated from the University of Notre Dame and had all my training in this area of Michigan City and I spent a lot of time there.

This artist rendering -- I don't know if I can step away from the podium here -- depicts a magnificent vessel here adjacent to a pavilion building and a 200 room hotel. As you see in the background it also has a four story parking garage that is covered.

The pavilion will be an art deco form with a life ballast or a life staff in the front. And the art deco form is also in the hotel in the area. What this also depicts is islands and widening of Trail Creek which is the mitigation of Spragg Marina which Joe alluded to.

As you see, all the boat slips have been retained, and as a matter of fact more boat slips are here than what Spragg Marina presently has.

Also, the islands that are formed by the widening of Trail Creek form two purposes. One is a base for the marina and two, it is an aesthetically pleasing dividing line to the structure. Also to the city marina on the one side and to our casino on the other.

Now, as you see, the boat would be a little bit different from existing boats where the color design will actually blend in with the existing structure. The existing structure will be, as you can see, earthy colors, darkened colors with the earthy surroundings such as northern Indiana would depict. And this would form a homogenous design in with it so the boat will actually blend in with the building much nicer.

The parking structure will also provide customers with dry spaces for rain and snow, and will have a connector right

into the building itself so they would never have to cross traffic.

Also, a conference center with four meeting rooms, a separate ballrooms composite comprise the second floor of this facility. And then with an open atrium will reveal an extensive dining experience with fine dining, buffet and lounges, that are also to choose from in the pavilion building before you even get into the boat.

There's another point I'd like to point out here is that the travel distance between the pavilion and the boat is very, very short compared to the existing facilities. Here is a plan drawing that more clearly states the short travel distance for passengers on to the vessel. And as you can see the vessel is quite large. It is approximately 350 feet long and 80 feet wide and is the same size almost as our entire docking facility.

Again you can see the widening of Trail Creek with the islands formed in the center, the mitigation of Spragg Marina, and also the landscaping that goes around our

extensive parking area.

This is a small depiction of the pavilion from the front side. Now, as you drive up to the facility the hotel will be on your left, the pavilion will be on your right with the light beacon on the center top of our art deco design. And you have an entranceway for your valet on the first floor and on your second floor you also have a level of your parking garage for dry entrance.

And that is a thumbnail sketch of the project.

MR. SWAN: Could we back up just a second? You were talking about how wide it is there, between the island and the pavilion. How wide is that there?

MR. ALEXANDER: This distance is approximately about 210 feet.

MR. SWAN: You widened it quite a bit then?

MR. ALEXANDER: Yes. The original Trail Creek was basically the width of this group that you see here between the thing. We've actually widened it from this point to

this point almost 300 feet.

MR. SWAN: I see.

MS. BOCHNOWSKI: Now have you gotten comments back from the Army Corps of Engineers about that, what their feelings are on that?

MR. ALEXANDER: Yes, we have, and basically Joe can address that.

MR. MCQUAID: Actually the comments have been positive to date. One of the issues that they were most concerned with was the public accessibility. But actually that is enhanced in this proposal as there would be a walk-over bridge to these islands and that public accessibility is enhanced in this proposal. So to date it has been positive.

MR. MILCAREK: How are you going to dispose of that much dredging?

MR. ALEXANDER: What we planned to do, this is going to be an excavated area here and use that excavated material onto our parking lot. And the parking lot then will have the necessary fall to it for storm drainage purposes.

MR. MILCAREK: So you're not going to haul it off site.

MR. MCQUAID: No, sir, that's not the plan. In fact, the elevation, I believe, it's about 23 feet here. It comes down to 9 foot here. So we know we need it and we have it available for our use.

DR. ROSS: Where does the traffic flow into there? Where does it come from:

MR. ALEXANDER: The interstate is south of this project with Michigan Boulevard running in a north/south direction. Then we have U.S. 12 that runs along the north side of the project and then you have East Street. Most of the people will be coming from Michigan City which is west of the facility, to Michigan Boulevard, crossing the bridge of 12 and coming into our new entranceway on the north side of the project.

Also we have methods of coming from the expressway down Michigan Boulevard to East Street and over to the project from the south.

MR. MILCAREK: Where is that church



that's controversial on this sketch here?

MR. MCQUAID: Right about there.  
Approximately here.

MR. MILCAREK: Are you going to do something about that, or we're going to have a church right behind the boat.

MR. MCQUAID: We would love to purchase that property, sir. Right now, it appears that the minister of the church initially expressed an interest in selling the property and how has expressed an interest in remaining there. If he would change his mind and wish to sell we would be very anxious to purchase that property?

MR. MILCAREK: What if he won't?

MR. MCQUAID: We have plans to build around it. I don't think the door is closed by any means and we are continuing negotiations with them.

CHAIRMAN KLINEMAN: Have you heard anything about that up there, Tom?

MR. MILCAREK: Yes, considerably.  
Through the paper. The applicant is trying to purchase this site but they can't get together on the price right now. So.

CHAIRMAN KLINEMAN: As usual it's just a matter of price, hum?

MR. MILCAREK: More or less. I'm sure it will be resolved somehow. I don't think that's the right location for a church.

MR. SWAN: Mr. McQuaid?

MR. MCQUAID: Yes, sir.

MR. SWAN: On your originally proposal you had an 86 million dollar project. This widening looks to me like it's considerably substantial compared to what you had originally. How does that impact on your cost of the project?

MR. MCQUAID: Basically, it's going to serve two purposes as far as dollar wise. The dollar expended will actually engage bringing in imported fill into the property. And the dredging facilities will all be dredging the connection at this point and this point. So there really just heavy excavation which will also cut down on cost. There wouldn't be any dredging per se, except where we connect these two areas in here which will cause the islands to be

formed with minor dredges. So the excavation will be a lesser cost than if we were to dredge it.

MR. SWAN: I don't understand. Why doesn't that area need to be dredged versus just excavate?

LEFT3: It's just a different construction method that's a lot less expensive and you just have small areas of dredging from my lay person's perspective. But dredging we did do traditional excavation as in a house foundation or whatever. If it was dredging we might actually have to put a barge of some sort to do the dredging. It is less expensive to do the land excavation.

CHAIRMAN KLINEMAN: It's dry now.

MR. MCQUAID: That's correct.

MR. SWAN: Oh.

CHAIRMAN KLINEMAN: It's really part of the shore.

MR. THAR: What are shown as the islands there is presently the existing shore line and they dig out from the land.

MR. ALEXANDER: The shore line of

existing Trail Creek is what you see depicted in the dock area in the slips. And all we'll simply do is excavate the area behind the existing slips and then cause the islands to be formed at a later date. That way you're always working in dry.

MR. SUNDWICK: Will you have a great big party when you open those up and the water flows in?

MR. ALEXANDER: We could then.

MR. SUNDWICK: What an opening.

DR. ROSS: Under existing laws will that boat be able to cruise?

MR. MCQUAID: Yes, sir, we'll have a cruising channel within the new excavated area.

DR. ROSS: So that's not Lake Michigan?

MR. MCQUAID: Yes, sir, it is.

MR. SUNDWICK: It's illegal.

DR. ROSS: The other boats can't cruise.

MR. MCQUAID: It has the capability. I thought you were talking about the ability not the commitment right now. It will have

the ability to cruise but we will be under the Johnson Act as well as the other boats.

MS. BOCHNOWSKI: Even though it's inland?

MR. MCQUAID: It's still considered Lake Michigan waters.

CHAIRMAN KLINEMAN: You can't have it both ways. You can't say it's Lake Michigan and not Lake Michigan.

MR. MILCAREK: You said you reached an agreement with the Bank of Atlanta. When will you actually take possession of this land, or have you already? And can you elaborate on what type of agreement you have and when it will change hands?

MR. MCQUAID: Sir, we hope to close within 30 days on the bank property. We've been asked by the bank not to disclose the financial issues. They have to make some filings. We've -- but we can say that we've negotiated, the bank has been very good in their negotiations. We've reached an agreement. We've settled on a price and we will have a closing within 30 days.

MR. MILCAREK: When will you start

construction on the boat?

MR. MCQUAID: We hope in October. The steel has been ordered and it will be shipped and hopefully received by September 22nd, the initial order of steel.

MR. MILCAREK: Where will this fabrication facility be?

MR. MCQUAID: There are three. They're all in Indiana. They're all in close proximity to Michigan City. And we will -- those details are still being worked out with our construction team.

MR. MILCAREK: This is Indiana steel?

MR. MCQUAID: Yes, sir. Is it.

MR. MILCAREK: Where did it come?

MR. MCQUAID: I believe it's Bethlehem Steel that the first order was through.

CHAIRMAN KLINEMAN: Mr. McQuaid, would you like to give us a time schedule on which you're proceeding now?

MR. MCQUAID: Yes, sir. We hope to begin construction in October. That construction time line will take somewhere between nine and eleven months. We hope to

expedite it at the end. And we hope to be up and running this time next year.

CHAIRMAN KLINEMAN: And you will have what kind of on-land facilities at the time you expect to open?

MR. MCQUAID: We will have a 70,000 square foot pavilion, 25,000 square feet inclusive of that package will be a ball room conference room facility.

The first floor of the pavilion will be a 350 seat fine dining buffet dining, lounges and so on. The vessel itself will be 348 feet long by 80 feet wide spread over two decks. 35,000 square feet of gaming.

And we will begin construction as soon as we can on the 200 room hotel. Whether it opens up at the exact same date of the pavilion, we've had Mr. Alexander's timing for construction. But they will all get underway, as well as the complete parking facility.

CHAIRMAN KLINEMAN: But the parking and the permanent pavilion and boat will be completed before you open?

MR. MCQUAID: Yes, sir.

CHAIRMAN KLINEMAN: And the hotel will be underway but might not be completed.

MR. MCQUAID: It might not be completed at that date. But it will be underway.

CHAIRMAN KLINEMAN: Have you talked to an operator of, have you made any arrangements as to whom the operator would be?

MR. MCQUAID: Those arrangements have not been made. There have been conversations with a number of operators who we still need to work out some details with.

CHAIRMAN KLINEMAN: Would these be on-line type reservation operators or private individuals?

MR. MCQUAID: Our goal is to go with a nationally recognized reservation service.

MR. MILCAREK: Could you state your position concerning a temporary vessel?

MR. MCQUAID: Yes, sir, we've honestly over the last 124 days focused on this permanent facility. We haven't negated the possibility of a temporary. In fact, we still have tentative plans to open up a



temporary but we need to work out those details both with the city, the port authority, this Commission. But we've been focused and the, on the permanent.

But in order to allow us to have that opportunity, HP of Indiana has purchased a riverboat. That boat, we hope in the next 30 days will start in transit to Michigan City. And we will have an opportunity during these next 60 days to work out details if we're fortunate enough to be able to open up a temporary.

MR. MILCAREK: Can you tell us a little more about the boat. Where it's coming from, the size of it?

MR. MCQUAID: Yes, sir. It's being purchased by the, by HP of Illinois. It's the Silver Eagle. It's 405 feet long. It has a coast guard capacity of I think a thousand. 1100, I'm sorry. And we will have over 500 -- if you don't mind I'll turn it over to Kevin Larson?

MR. LARSON: The Silver Eagle is rated for a capacity of approximately 1100 persons. 205 feet long gaming on three

levels with an atrium in the center of the forward section of the vessel.

We are going to add more gaming equipment. We plan to add more gaming equipment to the Silver Eagle than what's currently on there which should bring slot capacity to 255 slot machines, should have 22 to 24 table games on the vessel.

It will be equipped to meet the specifications of the Commission and Staff relative to count rooms and things like that. And it's quite a nice vessel.

MR. MILCAREK: Is bringing this boat in Michigan City contingent upon replacing Silver Eagle with another vessel?

MR. LARSON: It is.

MR. MILCAREK: And is anything in the works as far as replacing that vessel?

MR. LARSON: Yes, as a matter of fact, almost simultaneously with our presence here today we're before the Illinois Gaming Board. We've identified a replacement vessel, worked out the financial details with another Illinois licensee relative to our bringing that vessel replace

Ms. Dubuque. And would be in a position, we feel by the end of this day to have the Silver Eagle replace Ms. Dubuque within the next 30 days.

MR. SWAN: Are there problems with bringing the Silver Eagle down the creek? Did we discuss that before?

MR. LARSON: Actually, Commissioner Swan, what we have been talking to the city and port authority about is not to put the Silver Eagle on the creek but to have the temporary site out in the harbor.

MR. SWAN: I'd forgotten.

MR. MILCAREK: Have you identified the site of the temporary vessel, would it be the NIPSCO property or some other property?

MR. LARSON: Some other property.

MR. MILCAREK: Can you identify that now or are you unable to do that?

MR. LARSON: Yes. We actually have closed.

MR. MCQUAID: I'm sorry, Kevin. Just a point of clarification. We have not, we would like to entertain all possibilities as

we lead up to a formal proposal for the tentative, or the temporary facility. We've negotiated with NIPSCO and they have been very cooperative. We have a situation there with a railroad that would make it less than desirable.

We have an opportunity and an option to purchase property on the harbor. That would at least eliminate the railroad situation. But it would cause us to then take a different perspective and to work out other arrangements with the City, the Port Authority and the Coast Guard. But that site is also on the harbor.

MR. MILCAREK: Is the City aware of this right now?

MR. MCQUAID: Yes, they are and they have been working with us to eliminate any obstacles and give us the opportunity then to select from either the two, and to make a decision which one becomes more viable for the City and for us.

CHAIRMAN KLINEMAN: You would still be going within the time frame you outlined for your permanent, so the temporary --

MR. MCQUAID: Yes, sir. I apologize for not bringing up the temporary because we did want to focus on the permanent. I'm glad the questions came because now we can go on with this.

At the same time I want to emphasize the permanent is our focus, and our time line has always been geared toward the permanent. And what we decide with the temporary will not in any way negatively impact our time line for the permanent.

MR. THAR: If you were to progress with a temporary site what is the window that you would consider of this temporary site becoming operational?

MR. MCQUAID: The most optimistic perspective would be sometime in late November.

MR. THAR: Of this year?

MR. MCQUAID: Yes, sir. And then we could work back from that and then we'll have to make a decision to how much further advanced that decision comes whether it's prudent to open up a temporary or to focus on --

MR. THAR: So a definite decision as to whether or not to open a temporary has not been made yet?

MR. MCQUAID: That's correct.

MR. MILCAREK: There was a statement of the mayor in the paper that she doubted very much if there would be a temporary facility. Can you elaborate on that?

MR. MCQUAID: I really feel somewhat uncomfortable speaking for the mayor. I think that comment was as a result of our concern about a railroad easement concerning the NIPSCO site.

Since that point, we have explored other options, and as I said we have the option to purchase other property that we feel will completely negate that, the railroad situation, and allow us to work closely with the Port Authority, the City of Michigan City and the Coast Guard.

CHAIRMAN KLINEMAN: Anything further of Mr. McQuaid or HP? How much time are you looking for from this Commission as far as an extension is concerned?

MR. MCQUAID: We've worked very hard,

Mr. Chairman, Members of the Commission, Staff, we've worked very hard these last 90 days, 124 inclusive of since July the 16th. We've accomplished a great deal. We respectfully request your consideration and approval for a 180-day extension of our Certificate of Suitability.

With that, if I may just say a few more minutes of your time. At this time I would like to advise you of an issue that will have no impact on Indiana Blue Chip's continued progress. The relationship with some of our potential minority shareholders has deteriorated. We have an executed stock purchase agreement that was signed and agreed to by all of these potential shareholder individuals.

Minority shareholders were obligated under the terms of this agreement to make a capital contribution of eight million dollars and receive 40 percent of the company. This contribution needed to be made during the 90-day period. We needed that contribution to be made so we could present to Mr. Thar a complete financing

proposal by July the 9th.

The agreement stated that HP of Indiana would fund any shortfall, and would be awarded the appropriate shares of stock associated with the additional contribution. When no contribution was made, HP of Indiana contributed 20 million dollars of equity to Indiana Blue Chip. The 12 million dollars that we were initially responsible for and the eight million dollars that was from the potential minority shareholders. HP of Indiana contributed a 25 million dollar irrevocable letter of credit. And HP of Indiana arranged for the 43 million dollars of asset-based financing.

After all this was in place, and in an effort to resolve this issue, Indiana Blue Chip offered to the potential minority shareholders 12 percent interest of this company at no cost. This offer was rejected last week.

On Friday August the 16th I was asked to attend a meeting with these individuals, Mr. Thar, Mr. Hannon, of your staff. I was informed then that six of the eight



potential minority shareholders invited a Mr. Gary Baldwin to this meeting.

Mr. Baldwin advised that he represented the Chipawau Souix American native tribe. The six individuals advised that they had a plan that the Chipawau Souix would invest eight million dollars in Indiana Blue Chip for an undetermined amount of equity.

After some discussion I was further advised that I would receive a written proposal on Friday. I was told throughout the weekend that that proposal would still be coming. It did not.

A written proposal was received at my office yesterday at 10:30 in the morning. That written proposal expired yesterday at noon. The proposal was made by only six of the eight individuals. In addition to other unacceptable conditions these six individuals requested yet another extension of 90 days to raise a million and-a-half dollars for 20 percent of the company.

In summary, the time for investment risk and opportunity was prior to July the 16th. HP of Indiana assumed all of that

risk and all of that responsibility. These financing requirements were addressed by HP of Indiana for Indiana Blue Chip in your prescribed time frame. These potential minority shareholders told us and told you that they had the ability and willingness to contribute eight million dollars to this project. And they heard, as we heard, that as of April the 17th we had 90 dates to perform.

These potential minority shareholders have contributed nothing. These potential minority shareholders were offered 12 percent of this company with no financial risk and they turned it down. At this time HP of Indiana is the sole shareholder of Indiana Blue Chip.

MR. THAR: Are there people here on behalf of the minority investors, minority --

MR. MCQUAID: Yes, sir, I believe they are.

MR. MILCAREK: Where did you -- how did these people get involved in the 40 percent? I see here Lafayette, Chicago,

Lexington, Kentucky. How did you get this group of people together to begin with?

MR. MCQUAID: There was an application on file, sir, I believe in 1992 that we were invited into in 1995.

MR. VOWELS: I think IBC was originally created by Mr. Johnson then you guys came in. They initiated IBC, is that right?

MR. MCQUAID: That's correct.

CHAIRMAN KLINEMAN: I guess the document that you referred to and upon which you draw the conclusion that you are the 100 percent owner at the present time, that is subject to some interpretation that causes the other people to take a different position, I presume?

MR. MCQUAID: I would prefer that they answer that. I thought it was clear that if the monies were not forthcoming we had a responsibility to bring that financing to fruition and show evidence of that to Mr. Thar on July the 9th.

MR. SUNDWICK: I guess you're saying to us if you wouldn't have performed, they

didn't, and therefore you wouldn't have met our time lines.

MR. MCQUAID: That's correct.

MR. SUNDWICK: Let me ask you a question. I'm trying to figure out because I've asked that question a lot, why would you give 12 percent of your boat away for no reason?

MR. MCQUAID: A lot of shareholders asked me the same, sir. In retrospect it was probably a very poor decision on my part. But I wanted to avoid Friday's meeting. And I would love to have avoided today's meeting with this element on the agenda.

MR. SUNDWICK: So what, it was represented to us that you're going to have minority shareholders, they're going to put 8 million dollars up for 40 percent of the boat. They didn't execute that. Is there something I don't understand about that?

MR. MCQUAID: No, sir.

MR. SUNDWICK: You offered them for 1.5 million 20 percent of the boat and they didn't execute that?

MR. MCQUAID: That was one of the options in the signed first agreement, yes, sir.

MR. SUNDWICK: There was eight people you're telling me six of them -- tell me the about the eight and the six again I missed something.

MR. MCQUAID: I thought it was eight up until Friday. I guess up until Monday, yesterday at 10:30 we received a request for extension for more time to raise money. But it was very clear that only six individuals of the eight. And we were told we would have to negotiate separately with the remaining two.

MR. VOWELS: The original stock purchase agreement as you laid it out was 8 million dollars, you get 40 percent interest. Million and-a-half you get 20 percent interest. Pay nothing and you get 12. That was the stock purchase agreement?

MR. MCQUAID: In summary, yes, sir. It was a little more complex than that. We had an option that they all signed that we would pay six and-a-half million dollars

towards their eight. They would contribute the remaining one and-a-half and they would receive the 20.

Out of the 20, a number of the individuals requested a put, if you will, that they could sell back 8 points.

MR. VOWELS: What does that mean?

MR. MCQUAID: That they could sell back 8 points to HP of Indiana for a prescribed price. The bottom line is they would end up with 12 points of carried interest if they elected to exercise those options.

MR. VOWELS: All this led up to one question. If they didn't pay anything they would get 12 percent. Was there a deadline when they didn't pay anything?

MR. MCQUAID: Yes, sir. We used the deadlines, we sent correspondence since April the 18th suggesting that the money had to be in place. We suggested make a decision on the options. We received a letter back on April the 23rd advising us that they didn't recognize either of the other two options the 6 and-a-half or the 12

percent. That they felt they could raise the eight million dollars by July first.

MR. VOWELS: So it was pick one of the doors, basically, or else the agreement was off?

MS. BOCHNOWSKI: But your original contract didn't have anything about 12 percent. That was just an offer you were making, right?

MR. MCQUAID: No. The original contract had 8 million dollars for 40 percent or we could exercise an option that we would purchase back, or purchase 6 and-a-half million dollars of equity. They would end up with a million and-a-half for 20 points. I had 20 points they could then sell back 8 points to us and they would end up with 12.

MS. BOCHNOWSKI: That what's you meant by the 12?

MR. MCQUAID: That was in there. Those are all options prescribed by dates. On April the 18th we advised them that we intended to exercise that 6 and-a-half million dollar option. That's when they

rejected all options and said they would raise the 8 million dollars on their own.

There has been correspondence back and forth that we said fine, raise the 8 million dollars but lend some credibility to the fact you're going to have it. Deposit it in an escrow account at your law firm. Do something so we can show the Gaming Commission that we have the 8 million dollars. That was never done.

In fact, we were told that we had our dates wrong. That we fabricated these dates. That they had until today. As of yesterday we were asked for another 90-day extension for them to raise one and-a-half million.

MR. VOWELS: Let me make sure I understand. For a million and-a-half dollars they could get 20 percent, and sell back 8 percent for a million and-a-half dollars?

MR. MCQUAID: Yes.

MR. VOWELS: So, but they had to come up with the million and-a-half first to get the 20?



MR. MCQUAID: That's correct.

MR. VOWELS: And sell back 8 for a million and a half. They got 12 and they didn't have any money. Is that the way that would have worked?

MR. MCQUAID: Basically, yes.

MR. VOWELS: It's not 12 percent for nothing. It's 20 percent for a million and-a-half?

MR. MCQUAID: And then sell back 8 percent. They had to exercise one of those options.

MR. VOWELS: They had to come up with a million and-a-half to sell back eight?

MR. THAR: Wait a second. They pay a million and-a-half to get 20 points and they get the million and-a-half back to end up with 12.

MR. SUNDWICK: That's what he said. There's something here that I don't understand.

MR. MCQUAID: I couldn't agree more with you.

MR. SUNDWICK: There's got to be something. I listen to these things and I

think I know the answer. No, there's something here. These people aren't standing up telling me this and there's got to be more to this baby. I mean --

MR. THAR: Mr. Brown's here on behalf of six of the eight.

CHAIRMAN KLINEMAN: I guess this is all of interest, and maybe, I, like Commissioner Sundwick don't understand what's going on that much. But as this Commission sits today we made an investigation of the ownership prior to issuing the original Certificate of Suitability and we found the people that were involved in this project at the level that was required by our rules to be suitable.

MR. MCQUAID: Yes, sir.

CHAIRMAN KLINEMAN: That's the basis on which the certificate was issued. Now, internally if all the cats are clawing at each other, I don't know if we're in a position, basically, to do much about that. I mean to me, there are places where those kind of squabbles can be resolved, and it's

not here. We've got enough to do. Our plate is very full.

MR. MCQUAID: Yes, sir.

CHAIRMAN KLINEMAN: And even if we had the expertise to decide these questions, I don't think this Commission is inclined to get involved is what I'm trying to say.

MS. BOCHNOWSKI: But at the same time, I don't want -- you know, they need to move ahead and this is going to keep on going. And you need, you know this needs to be resolved or -- are we now in a position where some people can hold up -- are we going to have people held hostage or whatever?

MR. SUNDWICK: I agree.

MS. BOCHNOWSKI: I want this to keep moving.

CHAIRMAN KLINEMAN: I don't think Mr. McQuaid has said that. He said the contract regardless of what's going on the project is moving forward and it's fully funded and it's moving forward. That's what I understand.

MR. MCQUAID: HP has borne the

responsibility and we will continue to bear the responsibility to make this project very successful. We will continue as best we can.

MR. SUNDWICK: So as far as I'm concerned you're responsible.

MR. MCQUAID: Thank you.

MR. SUNDWICK: It's your deal. You got the money in it. You're responsible. You got a problem that they won't take 12 percent of the boat for nothing then you got a problem. You better talk to somebody else about that. But it seems that there ought to be resolution. It doesn't take a Philadelphia lawyer to figure this out. Maybe it does. Maybe it's a problem not being an attorney.

CHAIRMAN KLINEMAN: Well, Mr. Brown has sat there very patiently. I really don't want -- as I've indicated I personally, maybe I don't speak on behalf of the whole Commission, do not think that we are the forum to hear this matter.

DR. ROSS: I agree.

MR. SUNDWICK: I agree.

CHAIRMAN KLINEMAN: If Mr. Brown has something to say that is not a rehash, I will be glad to hear from him certainly. But we are just not, I don't think, and I think it's the consensus of the Commission not to get involved in this.

MR. BROWN: I understand, Mr. Chairman. With that information. My name is Doug Brown. I'm an attorney with the Indianapolis law firm of Stewart and Irwin. It's been my privilege to appear before you on other occasions. I appreciate this brief opportunity as well.

I am here representing six of the eight local investors to which you've been referring, Robert Calloway, Roger Dubois, Donald Hedrick, James Johnson, William Kelsey and Michael Kilkenny. Mr. Kelsey and Mr. Johnson, Mr. Calloway and Mr. Hedrick are in the audience today. Four of the six.

Additionally, an individual who is a local investor who I do not represent, Mr. Bill Renner, is seated behind me as well.

MR. THAR: Is a Mr. Fidorcheck

sitting --

MR. BROWN: And Mr. Fidorcheck is here, thank you.

Mr. Sundwick, I think in keeping with some of your remarks, if I didn't know it before I knew when I got out of law school and I garnered my first client as I suspect perhaps Mr. Thar and the Chairman and Mr. Vowels concluded as well, there are two sides to every story.

CHAIRMAN KLINEMAN: There's two lawyers that disagree.

MR. BROWN: Right. Suffice to say, there is a profound difference of opinion between the two sides, as relates to virtually every statement that was made today by Mr. McQuaid relative to the ownership of Blue Chip of Indiana.

We agree with your remarks that perhaps this is not the proper forum in which those can be decided because indeed if they are not resolved by negotiation they will need to be decided in a different forum, and that will, in fact, occur.

What our concern is however, is that

the Commission not allow an environment to exist pursuant to which there is perceived to be no need to resolve those issues.

Mr. Thar, on Friday gratuitously offered his services to help mediate a solution to this. A solution has not been forthcoming to date. We are concerned that if the Certificate of Suitability is extended for a significant period of time, it will enable HP to focus on other matters rather than this one, which is going to probably result in it not being resolved short of litigation or some other distasteful means.

We think it's important to the Commission and to the State of Indiana that this issue be resolved because we do believe that it could, in fact, interfere with this project going forward. And so for that reason we would respectfully request the Commission continue to offer its good offices to assist us in resolving this in a negotiated fashion in a way that would not jeopardize the project and not lead to other distasteful litigation in the future.

We would respectfully request, we are here supporting the request for an extension of the Certificate of Suitability but we would like to see it a 30-day extension until the next business meeting of the Commission to enable us to hopefully settle this by negotiation perhaps, hopefully, with Mr. Thar and the Staff's assistance. And at that time if we've been unable to resolve it then the parties can each proceed as they deem proper. We'd be happy to answer any questions. I don't think it's proper --

MR. SWAN: What's the shorter period going to do for you, Mr. Brown? It will make them answer quicker but how is that going to help or not hinder the project getting done next summer at this time.

MR. BROWN: Mr. Swan, one of the differences of opinion we have related to the comments made by Mr. McQuaid concerning unwillingness to discuss solutions or some intransigence on the part of the local investor group concerning how this can all be resolved.

And in fact, I will respectfully



suggest to you that we have never received a response, to my knowledge, to any proposal that we have made to them. My office worked all weekend long to put together a proposal that was requested of us on Friday and it was sent out first thing Monday morning. I had six clients in three different states and I can assure you that took a considerable amount of effort to do. It has not been responded to until this moment. In fact, I asked Mr. McQuaid prior to this thing convening this morning if I could have a moment of his time. He indicated yes and then never discussed it with me.

CHAIRMAN KLINEMAN: Doug, we are getting into things we shouldn't be getting into.

MR. BROWN: Mr. Chairman, my point is simply that if the Commission will help us keep HP of Indiana focused on this issue the chances of it being resolved short of litigation, I believe, are significantly greater.

MR. SUNDWICK: The only point I would make is that we become almost leverage to

make that happen. And I really, you know, I happen to agree with Alan, I don't know if we want to be leverage at all. Not that's not a legal issue now that's just a business issue.

This is called leverage. We get to say 30 days. All of a sudden, you can talk with Jack, you can talk with anybody. But all of a sudden if this Commission says 30 days we're almost setting well here it is again, we have some leverage you have that you want us to provide.

MR. BROWN: As I practical matter that's true. But on the other hand representations were made at the licensing hearing at Michigan City as to what the local ownership would be and what the terms of that ownership would be. And what we're facing here is a situation where whether or not those representations are being followed, whether they were being followed which of course is an issue I think this Commission would have an interest in. Even though as a practical matter it creates the impression of leverage, we just want some

means to exist where HP is forced to focus on this issue.

CHAIRMAN KLINEMAN: I, personally, I don't speak on behalf of the Commission, am not inclined to provide that leverage. There are lots of places you can go which will provide leverage if that's what you're seeking.

I, however, do encourage this matter to be resolved and resolved quickly. It's not something that we thought would happen, obviously when we issued the original Certificate of Suitability.

As I said before, everybody who appeared that day had been found to be suitable as far as our rules and regulations were concerned or we wouldn't issue the certificate.

Having said that, I then move to the next step which is, if as a result of all this, local investors end up with 12 percent or zero, to me it makes no difference. If the other side ends up with 100 percent or 60 percent it makes no difference to me.

But at some point in time, obviously,

it's got to be resolved. And I suggest you go find some other leverage and you resolve it as best you can. I'm impressed with the progress that's been made thus far. I'm impressed with the financing that's been in place. It was just exactly the reason we put this particular Certificate of Suitability on a short string was to see if there could actuality be performance as represented and there has been.

So I'm pleased that we sit here today with all the progress that's been made. And as I say, I don't speak on behalf of the Commission, but --

MS. BOCHNOWSKI: Well, the only thing I would add is obviously there's a very complicated contract that's already in place. Somehow that has to be interpreted. You guys put that in place and you haven't lived up to it, both the sides haven't lived up to whatever that contract is. We expect the people that we're licensing to live up to their contracts. That's the main thing. The interpretation of that is another story.

MR. VOWELS: I guess the question I

had, Mr. Brown said at the hearings that we had for Michigan City which were around February 12th and then we gave the Certificate of Suitability on April 17th, is that correct, if I remember. All I remember it was very cold.

A stock purchase agreement dated January 15th of this year prior to our hearing time, and then there was an amendment as of March 15th, '96 which laid out a time frame. Was there something different that was told to the Commission at those hearings of February 12th and the days following, something different than what was agreed to in that January 5th stock purchase agreement than whatever the amount was March 15th? I don't know what it was. Was there something different we were told what was in that original agreement?

MR. BROWN: Commissioner Vowels, I can't say for certain what representations may or may not have been made without looking at a transcript. I'm not certain, to answer your question. But the dates that you're identifying there are one of about a

dozen issues that we're dealing with here. Because you'll notice that the dates preceded the licensing hearing. And that's only --

MR. VOWELS: The amendment was within the time of the hearing and the time we gave the Certificate of Suitability.

MR. BROWN: Under the agreement funding was not to happen until a future day. We can argue about what that was. Yet the dates set forth in Schedule B for the payments, in fact, preceded the licensing hearing. That's because the licensing hearing was originally set in March, I believe, and was continued due to foul weather.

That gives you a very small flavor for some of the kinds of issues we're dealing with here. And with all due respect to Mr. McQuaid they're not as simple as he makes them to be.

MR. VOWELS: My only angle would be is when an applicant tells you something at the hearings, I don't have the transcript either but we can get that, and they have to

abide by that. And I would imagine that the agreement that you had in January then the amendment in March, would have coincided with what we were told at the February hearing. If it did go beyond that then you would be locked into that.

But I'm in agreement with the rest, or what I've heard here as far as using us as leverage. I'm not inclined to do that. And I don't see anything of us not concerning ourselves with your position having impact on extension of the Certificate of Suitability other than you suing and trying to get an injunction.

And I can't imagine an injunction being granted. You would want to see this thing up and running and so you could see what your damages were so they could get some money and pay you what you wanted. I'm inclined liked Bob Sundwick.

CHAIRMAN KLINEMAN: Mr. Thar?

MR. THAR: Just two observations if I may. The first is HP of Indiana, Inc. indicated that this would not impact the progress of the project. If I heard you

correctly you said it may impact the project.

MR. BROWN: Yes.

MR. THAR: Does that mean the local investors intend to impact the momentum and the progress of the project?

MR. BROWN: Mr. Thar, we are reviewing the various remedies that may be available to the local investors at this time.

MR. THAR: I'm asking if that was one of their suggestions.

MR. BROWN: Depending upon what legal remedy is sought it could be that the project going forward would be impacted. That's a simple fact.

MR. THAR: Do you think at all that that would impact on the suitability of the local investors?

MR. BROWN: Would I agree with that statement? Absolutely not. They have their legal rights that they are entitled to enforce.

MR. THAR: We may disagree with that.

CHAIRMAN KLINEMAN: I didn't hear the



last comment.

MR. THAR: I said this Commission would have the ability to disagree with that position. That's the progress of the project.

The staff would make the following observations, based upon the progress made to date, we see no reason not to extend the Certificate of Suitability for the period of 180 days and we make that recommendation. Further put in there within 60 days they report to the staff, the status of the present situation being discussed here.

CHAIRMAN KLINEMAN: For the record the recommendations of the staff conforms to the way I feel.

MR. SWAN: I'll make that motion.

MR. SUNDWICK: I'll second it.

CHAIRMAN KLINEMAN: A motion is made. We have moved the Resolution 1996-45 Resolution concerning the extension of the Certificate of Suitability issued to Blue Chip Hotel Riverboat Corporation on April 17th, 1996, on Page 2 we could insert the word extended. And it's 180 days from

today. It that turns out to be some kind of day other than Sunday or something. Anybody got a calendar?

MR. THAR: We can do the exact calculations after the fact if the Commission decides to put in there remain valid for a period of 180 days. We'll put the date in as to what it is after.

CHAIRMAN KLINEMAN: We'll authorize the staff to insert the date on Page 2. Do I hear a motion to adopt the resolution 1996-45 and insert on Page 2 the word extended. And where there's a blank a calculation of 180 days from day one.

MR. SWAN: Yes.

CHAIRMAN KLINEMAN: Second?

It's been moved and seconded. Any further discussion?

All those the favor say aye.  
Contrary?

And picking up on Mr. Thar's suggestion, you are to report to the staff 60 days from now as to where you are in respect to resolving this problem. And you know, obviously, I urge you to resolve it.

But as I said before we're very pleased with what's been done so far. And we encourage you to go forward and finish up the job.

MR. MCQUAID: Thank you.

CHAIRMAN KLINEMAN: What's the pleasure of the Commission? Going forward, having lunch, taking a break? It's now 30 minutes after 12.

Not only do we have Indiana Gaming but we also have two or three other items under the other business categories so we would have some more time.

Well, we will then recess until 1:30 at which time we'll pick up the Indiana Gaming.

(A lunch recess was taken at this time.)

A F T E R N O O N   S E S S I O N

CHAIRMAN KLINEMAN: I think we'll get started. First, let me announce for those of you who are waiting to find out, that the Commission will next meet on September the 6th in this room at 9:30; at 11 a.m. Indianapolis time at which time we will consider the licensing to be given in either Crawford or Switzerland County. There was -- it was rather difficult to work out a date but we did it. So probably it's a little faster than we might have expected. Might be slower than people would want it. But it will give us some time to review the material and to make a decision as we've done in the past.

And with that, we will proceed on the request of Indiana Gaming Company LP for an extension of their Certificate of Suitability.

And I would tell Mr. Penny, who has filed some pleadings concerning this manner with the Commission, we'd recognize him for a presentation, hopefully for 10 or 15 minutes, not too much more.

MR. PENNY: Thank you, Mr. Chairman.

CHAIRMAN KLINEMAN: If you'd identify yourself for the record and tell us who you represent, et cetera.

MR. PENNY: Of course. My name is John Penny. I'm an attorney representing Schilling Casino Corporation, which is the entity that filed an application on behalf of Empire Casino and Resort with regard to the Lawrenceburg application. With me is Mr. Bart Conradi as co-counsel. And also Mike Roberts, an associate in my office is here who developed a team including Mr. Rod Schilling, Mr. James Crann, Mr. Mike Linehan and Betsy Bates are also with us.

And may it please the Commission, Mr. Chairman and members of the Commission. I will be brief. Prior to our appearance here today I was informed by Mr. Thar that the Commission wished that our presentation and objection to a, an extension of time of the Certificate of Suitability to, for Argosy gaming be presented. And that time, according to my understanding, is five or ten minutes at the pleasure of the

Commission.

For purposes of the record, Empire views its application for revocation now before the Commission as a separate proceeding. Independent from the underlying proceedings for an owner's license which, in which it participated and of course Argossy was the successful applicant receiving a Certificate of Suitability.

We ask that the record for this proceeding include all papers filed by Empire, the transcripts of the Commission hearings relating to the applications for an owner's license in June, namely June 20th through 22nd, June 30th, and also Argossy's previous extension application of January 8th of this year be part of the record.

And I believe further, that Argossy has submitted its recent SEC filings, namely its 10K, its form S4 filed in conjunction with a registration statement pending before the Commission on July first. As well as its recent 10Q be considered part of the record here.

My further understanding is at

present Argosy's certificate technically expired on Friday, August 16th. And it is the position of my client that at the moment there is practically no existing certificate to be extended today. Rather it is Empire's position that by virtue of the expiration of certificates in general on August 16th, that the Commission should deal with all underlying applications for applicants for license at Lawrenceburg concurrently with this.

This, of course is August 20th. And our position is, is that once expired under the Commission rules and procedures, this should be a proceeding where before granting a further extension of the certificate, the Commission should reconsider all applicants in determining what is in the best interest of the State, so forth and so on, as to the particular riverboat operation in Lawrenceburg and Dearborn County.

Notwithstanding that procedural issue, Mr. Chairman. Empire submits that Indiana Gaming should not after more than 12 months in any event, be permitted to proceed

further in Lawrenceburg. It was 14 months ago to the day on June 20th of 1995 that the Commission heard presentations by Lawrenceburg applicants. And on June 30th of last year the Commission granted a Certificate of Suitability to Argossy based in part on Argossy's and Indiana Gaming's representations made in the record that Indiana Gaming and the Lawrenceburg boat would be in operation by December of 1995, through what it called operation fast start.

It was further represented at the time by both Argossy and Consec, its partner, with regard to the Indiana Gaming application that the money was immediately available and, in fact, in the bank to fund the entire project. We respectfully submit this these representations have proved to be false.

And as a consequence of that, and the reliance that the Commission, we believe, gave to those representations that this project and the riverboat at Lawrenceburg would be in operation in a very short time period, should give rise to this commission



reconsidering all of the problems that Argosy and Indiana Gaming have had since that time, and that it should reconsider very carefully as to whether or not there should be a further extension of time, particularly unlimited, or 180 day, or a long extension of time, because we believe that Indiana Gaming, not only did not have the money in the bank, but their financial situation today as reflected by the financial markets are such that there is a very serious question as to whether Argosy will have adequate financial resources to complete the project as required by its Certificate of Suitability.

We have filed, meaning Empire has filed, a report of a Mr. Dennis Ameri analyzing the financial ability, and status of Argosy's finances. And it comes down to a number of very serious matters as to whether Argosy, by virtue of the fact that in June of this year it issued some 235 million dollars worth of mortgage notes which had stringent financial conditions on them.

Among those financial conditions were approximately 93 million dollars was required to be placed in a special depository account for use in the Lawrenceburg project. If those funds can not be certified as being applied properly for the Lawrenceburg project in accordance with budget, in accordance with the extension of suitability by this commission, and other conditions that are contained in there, Argosy and Indiana Gaming would not have access to those funds.

Further, there is a time period that is apparent in that depository account. Because if Indiana Gaming is not operating by June of 1997, holders of those notes would have a call option, or excuse me, a put option to put the securities back to Argosy, which would impact significantly on Argosy's availability of those funds.

But more importantly as we sit here today, and as the Commission is well aware, there is an ongoing criminal investigation before a Grand Jury in Marion County. And as a condition for this project being

completed, it is apparent that all of the partners, Argossy and Conseco in particular, and representatives of those companies insofar as they are operating in the Indiana Gaming partnership, must continue to meet the conditions of suitability required by this Commission.

And we submit that if the product of that Grand Jury investigation were to raise any questions as to the continued suitability of Argossy, or its partners in this matter, it would undermine the ability of this partnership to complete the project in a timely manner, to allow a riverboat gaming operation to be underway in Lawrenceburg and to create the revenues, both for the City of Lawrenceburg and the State of Indiana.

A year ago, it was the expectation that none of these problems would have arisen, and rather, the prospect today is that notwithstanding what I expect to be the presentation from the representatives of Argossy and Indiana Gaming, that there is substantial doubt that they will actually be

in operation by year end 1996, and as a consequence of that, we believe that the revenue generated by the operation at Lawrenceburg, therefore, will not be available to Argossy and not be available to the other interested parties. Which itself, will undermine, I believe, the viability of the project.

The certificate, itself, stated that if all of the conditions were not satisfied by June 30th of 1996, the certificate would be subject to being revoked, and the license awarded to another applicant. As a consequence of that, members of the Commission, we believe that there would be no procedural due process for other objection or claim that Indiana Gaming could properly invoke to demand or contend that it was entitled, as a matter of right, to any further extension past this date or past June 30th of 1996.

In conjunction with the 235 million dollar mortgage note issue of Argossy, that along with its other debt obligations requires that Argossy pay annually interest

of approximately 46 million dollars. As the Commission is aware, is that over the past year Argosy's stock on the, first the NASDAQ and more recently the New York Stock Exchange has plummeted to a value of just over \$5 per share or a reduction of approximately 60 percent.

And all of this together in conjunction with the fact that it had operating losses for both of the first two quarters of 1996 create even more doubt as to whether or not Argosy, and the company of which it is the principal, Indiana Gaming, will have the financial wherewithal to do what they said they would do one year ago.

To conclude my remarks, Empire has been advised that the Commission does not wish to conduct today an evidentiary hearing in the matter because there are many factual issues pertaining to the position of Empire seeking revocation of Argosy's Certificate of Suitability. We ask that this commission refer our application before ruling upon it, to an administrative law judge, for a full

evidentiary hearing where testimony would be taken from representatives of Argosy, Centar, Conseco, leading to the award with regard to matters that led to the award of the certificate in the first instance, and the financial circumstances of Argosy and Indiana Gaming to complete the Lawrenceburg projects.

For these reasons, and those more fully set forth in our application, Empire does request that Indiana Gaming's request today for an extension also not be granted.

I do request permission from the chair, and from the Commission for Mr. Barton Conradi to address the Commission for just a few minutes regarding the regulatory issues now facing the Commission pertaining to Lawrenceburg, including especially the Commission's ongoing responsibility regarding the suitability of applicants and licensees.

Mr. Conradi was formerly Director for Gaming in the Attorney General's Office in the State of Louisiana Department of justice there and I believe he is particularly well

qualified to address the Commission on that topic if he may.

CHAIRMAN KLINEMAN: Okay. We just have a time constraint here. And another five minutes or another 15.

MR. PENNY: With Mr. Conradi, I believe, would have three or four minutes to address these remarks, if I may, Mr. Chairman.

CHAIRMAN KLINEMAN: Oh, okay.

MR. CONRADI: Thank you.

Mr. Chairman, Vice-president and Staff, I will take the liberty of being very brief because I know you've had a long day and a longer day yesterday. And this won't be long. But I only want to make a few points.

First of all, having been in Mr. Thar and Ms. Fleming's and Hanson's position before, I know or a suspect I know what it is you're thinking. What you're asking yourself here is who is this guy. Why is he here and what could a former regulator from Louisiana possibly have to say that would be helpful to us.

Well, we'll be real candid here.

There are very striking similarities between your process for selection of riverboats and awarding of licenses, very similar to what we use in Louisiana. In fact I think we originated the certificate process with our commission.

Also, I think I can say without contradiction that I have a very unique perspective having been what I've been through in the last three or four years and I'm going to try to help you.

Before being the head of Gaming for the Attorney General's Office, I worked with the legislature and was the staff person for certificate of origin for all the gaming legislation.

And before that I was an Assistant U.S. Attorney and tried criminal cases just like Mr. Thar.

Having said that I can not emphasize strongly enough that my reading of your statute and your rules indicates that suitability is a continuing process. I'm not in which to say double repeat everything that has been alleged and talk about the



rules. I think that you have an obligation on your statute and your rules to continue to examine all aspects of suitability of an applicant up to the point in time that you award that final license in accordance with the Act.

One of the reasons we're here today is because there is a lack of information about many things. And our ability to get that information is limited. We are asking that the Commission examine the possibility, either re-examine the process and the facts which led you as a commission to award the certificate, put that person, that applicant in line for the final license. Or allow an evidentiary hearing, an adjudicatory hearing of some kind where evidence could be taken.

I've advised people that have been in the same position you're in. It's a difficult decision. A situation where you try to double guess and look at what you did. But I want to ask you as regulators one or two quick questions. When you make this decision about what to do, do you feel comfortable with everything that has

happened from the time of the initial presentation until the information you're going to receive today?

Do you feel that you have the answers to all the questions that I know you've got to have, and that your staff has got to have as well. Do you feel like this could have been done in a different manner to provide more information. If the answer to that is yes, I think you have an obligation, I believe, under the statute and to yourselves to look at this further.

Our ability to do that is limited. And I really wish you would not pass up that opportunity. Now, I'm not going to sit here, Argosy's a fine company. In fact, they were licensed in my jurisdiction in my home town. I know some of the officials and I've known them for many years. I'm telling you based upon the information that's available to me when you look at the situation as it exists today I think you need to look at this.

I think you need to use your affirmative powers. You clearly have the

power to do this. I don't think there's any question that you have the power to deal with the Act. I think you should exercise that power.

I'm not going to sit here and tell you I have evidence of wrong doing of Argosy; that's not the case at all. I've been around long enough in your situation and seen enough where I think, at least in my opinion, I think I know something's going on. I think you know something's going on. And I think they know that they're in a situation where we want to know what's going on.

And I think you should exercise that power as soon as you can. Because of the nature of your system and the way it is set up, particularly the rules. We can not appeal the license until the awarding of the final license. In all practicality that puts us two years down the line. And it's just impossible to keep a project together for 18 months or two years while you wait for someone else to complete their time table before you can appeal.

Having said that, I want to thank you for your time. Urge you as strongly as I can to use your powers to look at this situation and to ask the questions that we would like to ask, and I think that you would like to ask as well. At this point I'll be happy to respond to any questions you might have.

CHAIRMAN KLINEMAN: Thank you.

MR. CONRADI: Thank you.

CHAIRMAN KLINEMAN: Something else?

MR. PENNY: No, Mr. Klineman. Thank you, Mr. Chairman. Members of the Commission.

CHAIRMAN KLINEMAN: Well, why don't we wait just a second. Let me advise you of a couple of things. One, with respect to your request for the appointment of an administrative law judge to hear evidence, I've been advised by our counsel, and also by the Attorney General's Office, that there is no procedure under our statutes at this time to set up such a procedure.

In addition to which, you were asked and did file with the Commission a witness

list, and a list of what questions you might ask those witnesses. And that will be part of the record, as will everything else that's been filed which you requested, it will be so ordered.

But as I viewed your answers, and the list of witnesses that you submitted, there was nothing that I saw that as a matter of law would effect the suitability of Indiana Gaming or its participants, except to the extent that you hypothesized, you guessed, that they're going to be indicted or you guessed that they're going to be found to have done something in the proceedings which were improper or illegal. We have no evidence of that at all. And I don't think we, at this point in time can guess that these things exist.

Nothing that you said in your pleadings, you know, vis-a-vis how did the financing, what are the restrictions on the financing, et cetera, lead me to believe personally that anything has happened here which has, which changed the facts as they existed on June 30th when the license or the

certificate was originally awarded.

That isn't to say, as this gentleman has said that this commission doesn't have a duty, it does have a duty to continually view suitability. I would even take the position that the Commission has a right to consider suitability even after the granting of the final license. A granting of the license doesn't mean from that time forward we have no duty to examine the operations or the participants. I think we have a statutory right and obviously a duty to do that.

So this commission will continue to view suitability at the highest level. It's probably the main thing that we as a Commission can function is to maintain the integrity through viewing suitability of the licensees, and of the applicants. So we will continue vigorously to pursue that right and duty.

So at this time, as I indicated we find no reason to appoint an administrative law judge to hear evidence. I find nothing in your pleadings which would indicate to me

that even if you were allowed an evidentiary hearing evidence would come out that would affect the suitability as you have pled it with this, with Indiana Gaming.

So I appreciate your coming here. I think we will probably hear from you again. And you are always welcome here. And we will hear your views. But we need to hear them at a proper time allowed under our statute.

MR. PENNY: Thank you, Mr. Chairman. If I may just respond briefly, if that would be appropriate. Is that I understand the position of the Chair, and of presumably the Commission on whose behalf you are speaking. Having said that, though, my client felt it incumbent upon it to bring the matters that are reported to the press, and that are also relevant to its pending application for a riverboat owner's license at Lawrenceburg, because as Mr. Conradi said and the Commission is well aware, the application of Empire, as well as all of the other applicants that did not receive the Certificate of Suitability, remains pending.

We believe further, that the evidence that does exist in this record is patent that Argosy and Indiana Gaming have not completed conditions of the certificate as issued to them in a timely manner. And that, so that Empire's rights would not be in any way foreclosed or stopped we wanted to stand up and be heard.

We believe that our concerns are of substance, and that if permitted we would develop the evidence which would touch upon serious questions of suitability.

Having said that, I will reiterate in conclusion the remark that I made at the outset. And that is, is that we believe that this application should be deemed a separate proceeding independent from the underlying application for riverboat license in Lawrenceburg. And that if the Commission decides to deny the application that we have presented we ask that an order to that effect be issued. Thank you.

CHAIRMAN KLINEMAN: Thank you, very much. Just so I get the final word in. I am the Chair. I just want to tell you that



you were not present on June 30th when we made this decision after seven ballots, and I can tell you that as a matter of fact there was nothing that went on during that time frame other than six then people agonizing over this decision, and finally finding a majority.

And that I've always felt that if there was anything that was done improperly then all of us are up here we deserve the academy award for having played our scripted role so well. But I say that facetiously.

I just wanted to tell you that this Commission has always acted under the law and above any question. And I feel very strongly about that.

MR. PENNY: On behalf of Empire I appreciate the Commission's courtesy today.

MR. THAR: One technical point, Mr. Chairman.

Mr. Penny, you wouldn't have had an opportunity unless you were at Hammond to know this because the minutes, I believe were just approved. The certificates of suitability of Indiana Gaming Company was in

that meeting by minute entry and the minutes extended until August 21st, which is tomorrow.

MR. PENNY: I was not aware of that, sir.

CHAIRMAN KLINEMAN: I didn't think there was a gap. We were pretty careful about that.

MR. PENNY: Mr. Thar, I'm sorry, we had made inquiry and understood that there had been no extension. But be that as it may.

MR. THAR: There was no resolution to that effect. And the minutes will become public after this meeting.

MR. PENNY: Thank you.

CHAIRMAN KLINEMAN: By the way, they will be released at the conclusion of this proceeding, the Special Council reports which you'll hear about in a few minutes. We had received them as a part of the pleadings in connection with the extension of the, request for extension for the Certificate of Suitability. But we have indicated that these matters would be held

until the conclusion of this hearing, and then they will become public record so they will be available to everyone. I think that was one of your requests. They will be available shortly.

I guess we're ready now to consider the request of Indiana Gaming for an extension of its Certificate of Suitability.

MR. LONG: Good afternoon, Mr. Chairman. My name is Thomas Long. Good afternoon members of the Commission, Members of the Staff.

It is truly our pleasure to be here today to explain to you what we consider to be the tremendous accomplishments in what has been termed the largest riverboat project in the United States. The sheer vastness of the project have brought together a great deal of need for expertise, a great deal of need for planning, a great deal of need of patience and capital from all concerned.

We are here today with our partners representatives of Conseco. Our other limited partners that are here from the

Centar Group. And we are very proud of what we are going to present to you here today and we think it will be without question when we are done, you will see that this project has if fact been managed, and brought to a status that it is today in a very professional manner.

First and foremost, everyone is concerned seems to be with money. We are, too, to build a 210 million dollar project, 225 million dollar project, you need some money. And we're here to tell you today as it was when we filed our application for an owner's licence the money is in the bank. And where has that money been? Right now as of June 30th, we got about another 5.8 million dollars through today, we've spent 11,900 on a riverboat. 10,900 on land based facility. Land acquisition of 15 million. City infrastructure grants of three and-a-half million. Special programs cost another 5 and-a-half million. Total dollars spent to date 46,800. Plus as I said about another 5.8. Additional contracts and commitments were committed through today

96.3 million dollars and they're continuing to go up as we stand here today. Total commitments and money spent today \$143,100,000. We have a project that's going to be approximately 210 to 225 million dollars. And the very good question is where is the balance of the funding or how are you going to pay for that. And here is where it is. As you know we have a 57 and-a-half percent interest, the Argossy Group does. Consecoco has a 29, Centar 9.5. RJ Investments 34 percent. We have funded a total project cost between the partners of 225. That allows for an overrun of our 210 budget of 15 million. We have funded that complete amount.

We had spent up at the time we closed our financing \$36,800,000. That came from money out of Argossy's bank accounts and Consecoco's bank accounts. From our lines of credit and other sources of capital that we had.

We had furniture and fixtures of 24.2 million which we will have funding through third-party financing which they are

aggressive competing for. And we have a remaining budget cost of 164 million.

As we sit here today \$94,300,000 Argosy's money is in the bank. It's in an escrow account we all know about. Consec's share, of \$69,700,000 has been separately segregated as has been reported to the Commission. It is available for funding. We can sit here and tell you today that every dime that this project is going to cost is in the bank, is ready to be drawn, and is being drawn down on. I should say very quickly every day and every month the project goes on.

So from our standpoint the funding requirements, there is no issue. It is here, it is fully funded, and the financial wherewithal of the Consec Group and Argosy is unquestioned as to our ability to complete this project.

We've talked about what we invested today. Let's take a trip back as to what the project really is. Where did it go, what have we done, what has the last year brought to us.

First, we had, one of the major elements of our presentation was the presentation of a bypass or an entryway from the side of town off 50 right into our Argosy casino. We proposed to acquire the railroad, Central Indiana Railroad, and build a parkway coming right into the facility.

I'm happy to report that has been done. It has been closed. The tracks have been torn up. And we are waiting to begin construction of that roadway. That was quite a project. A lot of interest that had to be taken care of. An awful lot of negotiating. A lot of legal proceedings with the abandonment of the railroad. But it was done expeditiously and quickly. It was probably done as quickly as any abandonment in the history of this area. And it was done because we got the right people on it and we did a lot of very hard work to make it work.

We put CSX together. We put CDMS together. We put Central Indiana Railroad together. And we worked together for a

project that was good for that community.

The other thing that was a key part of our presentation was the expansion of Highway 50. As you recall, we came back in and modified our highway plan some because we hadn't had input of INDOT before we were awarded our Certificate of Suitability.

The Highway 50 plan is a safer plan, is a better plan for access, and is almost complete. September 1st it will be done. We will have contributed about 4.6 million dollars to completion of that plan. The highway is now gone from five to seven lanes. We'll have three lanes coming off 275 as the Chairman had indicated would be ideal. And we have a safer, better access plan for the community of Lawrenceburg and everybody will benefit from the monies we've expended there.

So, the two critical factors we have here, transportation, have been taken care of. Argosy Parkway is completed. U.S. 50 is completed. The work on 275 is being completed. Signalization is being completed. We're ready to go.



We had talked about opening our temporary casino. And we are well on the way of doing that. But before we could do that we had to acquire vessels and barges and things to support that facility.

We immediately went out and we entered into agreements for the Casino St. Charles, which is a boat which is currently fully loaded with slot machines and ready to go. It's a 1300 gaming position boat, 2,000 passengers, it's in Mount Vernon, Indiana right at this moment ready to move up the river and go into business we hope somewhere around November 1 of this year.

That is fully leased. It's under contract. We've been paying lease payments on it of a substantial amount of money each month.

We then acquired The Spirit of America barge and we are in the process of rehabbing that barge. And we will use that as our support facility. Ticketing, coat checks, a 200 seat food court, all the things that will be necessary on a temporary basis to support the casino boat itself.

Construction for those facilities has been ongoing. Not a day missed. Not a payment missed. Not a nickel failed to be paid. All the funding we had available, and Consec had available, even prior to our offering being completed.

At the same time, we very competitively bid a, the largest riverboat in the United States. Service Marine won that bid. We are building a 29,000 gaming position, 4,000 passenger riverboat that truly will be the queen of the Nile. I should say the Ohio, I guess.

It's a beautiful boat. Progress is very substantial on it. We will probably put it in the water sometime mid December. It will be completed June of this year. June of 1997. 40 plus million dollars. We didn't blink, we committed. When it was time to pay, we paid. We've paid all along. And when the draws come in the checks get written. And the boat will be built. It will be a beautiful boat. You'll be very proud of it. I think the entire state of Indiana will have a wonderful, wonderful,

facility to look to to produce tax revenues for the State. That's ongoing.

We have let many, many, contracts locally. We have -- many contracts have been issued for the temporary construction that's going on now. And why is the temporary construction going? Because we have the city boat dock permit, the temporary boat dock permit has been issued by the Army Corps of Engineers. We've begun construction in the city of Lawrenceburg. Many, many of the workers, 57 percent of the workers at the temporary job site are within the five county areas. 74 percent are in the state of Indiana. 24 percent, excuse me, 85 percent of that work has been done by union labor at this time.

The temporary site permit had been issued. Construction has commenced, and we'll will have it completed the last day of October. We will be prepared, the last day of October, assuming everything from the Army Corps of Engineers can fall in place for our permanent permit to ask the Commission to allow us open gaming sometime

in early November of this year.

The Army Corps of Engineer process has been a laborious process. It's been a process that in my experience over the last four projects we've done in other districts has been somewhat more cumbersome. Not because of anything the Corps did, not because anything was there, it's just a large project. And there's a great deal of jurisdictional issues that they deal with. We worked through each and every one of those.

We filed, we filed very promptly on September 7, 1995 our Corps permit. And as you may recall we were required to tweak some things for that permit because we expanded our hotel for 300. We had to acquire additional land as Ms. Bochnowski indicated could we get some more land. So we had to acquire that. When you do that you have to do more engineering. You have to amended your Corps permit.

Our Corps permit was done on September 5, 1995. The public hearing was held on February 22nd, 1996. We moved

forward with archeological reports which were filed on March 11, 1996.

Those archeological reports didn't get reviewed until sometime in June of this year is when the review started. We had nothing to do as to when those reports get reviewed. It's just a process that the Corps has. And we had a meeting, I think with the Corps people, and with Mr. Klineman and Mr. Thar, and I think they explained that the filings we had were prompt at all times. It's a question of the workload they had to process these permits.

Their goal is to process a permit that is good for the community, and for the country, and the state of Indiana. And time sometimes in a developer's mind goes a lot quicker than it does in those that have responsibility of protecting environmental issues, et cetera.

We've worked through the environmental issues. We've worked through every issue with regard to wetlands mitigation. We're mitigating 4 to 1 where 2 to 1 would have probably gotten the job

done.

We've got 102 acres of mitigation land and we're only taking 4 acres out of, excuse me, 8 acres, I think out of wetland, low grade wetland area. We've worked through issues in Oxbow. We've worked through issues with all the environmental concerns that may be there.

We've worked very closely with the historical districts of Lawrenceburg, and the City of Lawrence. All these things take time. We worked with the City of Greendale. The Army Corps of Engineer permit today is being reviewed. We are confident that a permit is going to issue. And it's just a question of when. I believe it's going to be sometime between mid October and sometime mid November of this year. And when that issues we will be ready to open.

Matters with the City of Lawrenceburg. We are very proud to say the mayor is here today with his counsel and other representatives of the city that we have worked very cooperatively with the change of administration in Lawrenceburg.

We've renegotiated things. We've given them -- we had some give and take on things that they needed that we were happy to work with, and things that we needed that we got back from them.

I'm happy to say that this morning we signed our final amendments to everything. Things are done and complete between the city and Argossy and, excuse me, Indiana Gaming Company. And we're very proud of the jobs that the mayor and his representatives and his city counsel has done. And we're also very proud of the forum that they have given us to present our needs for this project. For after all, a 210 million dollar project in a city the size of Lawrenceburg is quite vast. It can overshadow a community if we don't have the cooperation between the city and the developer. And we've tried to forge that cooperation.

We've worked with the conservancy district to work with them on creating a conservancy district that will be viable, that will lease us the property we need and

also allow them to build up substantial funding so they can work with some of the neighboring communities on some of the water conservation issues that are necessary.

The cooperation by Mr. Nance and the people in the conservancy district has been magnificent. Hard negotiation. Takes time to get it done. But it's done and it's completed and we look forward to moving forward with our agreements in place. Operationally, we've worked through traffic and parking issues with the local parking people. With the local committees in Lawrenceburg for our temporary traffic flow. We've acquired parking lots out on interstate -- out on U.S. 50 for intercept lots to move our temporary parking through those intercept lots. We have worked very hard to construct a traffic flow pattern that will not impact adversely the downtown and the City of Lawrenceburg. And we have cooperated very closely with the business people in drawing to their attention how we can provide economic development and economic opportunity for them in the name of



our passengers who will be coming, and also, finish our needs to get the people in and out and to allow them the opportunity to have access to our facility.

We've executed contracts for shuttle buses, contracts for all types of things. We are basically ready to go from a temporary operating permit standpoint as soon as the Army Corps of Engineers issues their permit, as I said, which we expect between October and November of this year.

Our bonding requirements as was indicated this morning have been dealt with and presented to the Commission for approval.

We have hired all of our key personnel, and we're now on a hiring time line to bring our 850 people on board. We're on a 60-day-out program now. People are being brought on board and trained. We're heavily recruiting people. We are very aware of the MBE WBE issues. And much like our friends in Rising Sun, we are working to really recruit minorities to come and work in our project. It is a task that

takes a great deal of work. We're working at Expos, we're putting ads in the paper. We're trying to get a very strong representative work force in the minority area. We are working with business enterprises to try to get them to work on our projects, both MBE and WBE enterprises. We are trying to pay attention to all the things that are critical to a successful development.

Now, we believe that what we have accomplished in the course of the last year is to put together a project that is well planned, is ready to be well executed, and will be a great benefit to the city of Lawrenceburg, the state of Indiana, and hopefully us developers. We've got a lot invested in this. And we have done this and we realize along the way you run into issues that come up. And you don't hang your head and try not to work with them, but you work with them and get them done and they take time.

We think that opening a project of this magnitude in what will probably be

about 16 months has been a great chore. We think we've been on a good time line to get it done. We have worked with all of the governmental agencies as expeditiously as they requested information from us we, we provide information to them on a timely manner. And a lot of the things we could have been doing simply couldn't be done because of the permitting process and the broad jurisdiction that the Army Corps has. They've done a fine job. We've got a great relationship with them.

We all know that we want to build the project as quickly as possible. And I have the greatest respect for the way they have processed our paper. The comments that they have given us and the reviews they have given us I think will provide a much cleaner and a much greater quality project for the citizens.

So with that we believe that we have a project you'll be proud of. We believe we have a project that merits an extension of time. We believe have a project under the statute that is in the best interest of the

state of Indiana. And we have the wherewithal to complete it, the financial, the expertise to complete it, and the expertise to operate this facility. And we are bringing quality assets to the State.

Along the way much has been said about this issue of suitability. And you know what, nobody wants every player in the gaming business to be suitable more than I do. It's incumbent upon people who are in this business to make sure that the business and the players and everybody involved is beyond reproach when they're dealing in this type of environment and under this type of public scrutiny. No one wants that anymore that myself and our partners this the project. And when this unfortunate incident happened with regard to the Marion County Grand Jury, I'll tell you truthfully it was a quandary. It's never happened before to us. Try to prove a negative some day. Try to prove you've done nothing wrong when all the headlines try to infer other things. It's darn hard. How do you do that.

You sit there at night and you wonder what have I done wrong. I've done nothing wrong. My company's done nothing wrong. Our partners are fine people. Our integrity is being insulted for some reason, we don't know why.

So what we thought we had to do we thought it was incumbent upon the partnership to come to you and do something to prove to the Commission on our own that we do care about suitability. So each of us decided that we would hire special independent outside counsel. In the case of Argosy and Indiana Gaming, our side of the equation we hired, we formed a special committee of our Board of Directors of which management had no input whatsoever. They did not report to me. The only thing I did was pay their bills. And they had total control over reviewing and investigating any of the circumstances that had been alleged in this Marion County proceeding.

And we hired, we looked around and tried to find, I had nothing to do but our Board tried to find the most independent

person who had knowledge of Indiana and who had knowledge of this process. And they came up with a gentleman by the name of Jim Richmond with the great Cawfield Landretti firm in Chicago.

Mr. Richmond and his staff fully investigated Argossy. And that investigative report has been filed with you. He is here today to give you an oral presentation, a short executive summary session of what they found.

Conseco did likewise. They hired outside independent counsel and those folks are here today and they will report to you. Mr. Richmond not only looked at Argossy, he looked at our other limited partners, Centar and RJ Investments.

At this time, I am going to ask, take your time to give Mr. Richmond an opportunity to present to you the summary of his findings. And to also present to you why there is no question of suitability on behalf of our company or any of our partners.

At this time I'll introduce Mr. Jim

Richmond. Jim.

MR. RICHMOND: Mr. Chairman, Madam Vice-Chairman, Members of the commission, Mr. Thar. My name is Jim Richmond I'm a partner in the Chicago law firm of Cawfield Landretti and Harris. I'm also a former United States Attorney for the Northern District of Indiana.

I and my firm were hired by a special committee of the Board of Directors of Argosy Gaming. This committee consisted of outside directors who took no part in the management of the company. I reported to that committee. The management of the committee played absolutely no role in the formulation of the findings that I've submitted to you other than by way of providing relevant testimony and documents where needed.

You'll have to bear with me, I've got a sinus infection. I can't hear at all practically and the airplane ride down here did nothing to help me. So if I talk too loud or talk too soft please tell me because I can't tell.

I don't believe it would be the best use of my limited time here to rehash and reiterate the findings of the two reports I've submitted to you. I'd rather take the time I have to try and place some of these allegations in context of time frame of other things that we discovered that were going on in the whole process of bringing gaming to Indiana. Up to and including the granting of the Certificate of Suitability to Argosy for the Lawrenceburg project.

Let me state at the outset, that we did not focus our investigation in any way on the granting of the certificate, or this commission. There was never any question raised about the work of this commission or its process. And indeed what we've learned about the granting of the certificate was it was probably one of the most competitive hard-fought battles in the history of gaming in the state of Indiana.

Our investigation covered a period of several months. During the course of that investigation we talked to a number of public officials, we interviewed all the



relevant officers and employees of the partnership, and we examined over 100,000 documents.

The investigation basically focused on the allegations and innuendos arising out of the March 3rd, 1996 Indianapolis Star article concerning Representative Sam Turpin, and the subsequent subpoena issued by the Marion County Grand Jury.

The first allegation related to the hiring of Representative Turpin by American Consulting Engineering or ACE in September of 1993, and the subsequent hiring by Argossy of ACE to do the engineering portion of the project in Lawrenceburg.

Our investigation disclosed that there is absolutely no evidence that anyone at Argossy, Centar or RJ Investments knew of the relationship between Sam Turpin and ACE prior to that newspaper article being published on March 3rd.

In examining the process by which ACE became employed by Argossy, Argossy put out in the fall of 1993 in November, a request for proposal for the engineering work in the

Lawrenceburg project. That request went out to six different engineering firms. Four of them submitted proposals, ACE, Clyde Williams and Associates, RW Armstrong and Booker Incorporated all responded with proposals.

This is not the first time that Argosy has had to deal with selection of an engineering firm. And it was clear from our examination of the individuals involved in the process that there was no difference in the selection of the engineering firm for this project than any other project they had done.

They were invited in to make presentations. There was much discussion and debate about the process, and in the end, ACE was selected. Primarily, first for their overall view of the project, and secondly and more importantly, as you know, ACE has a tremendous reputation in this state for their ability to do highway work, highway relocation, architecture and design. And as you heard Tom say earlier, the redesign of Highway 50 was a very important

part of this project.

Parenthetically, I might add, that when all of this was going on, when Mr. Turpin was hired, it was in September of 1993. In September of 1993, the Democrats controlled the House and the Senate. Mr. Turpin was not the Chairman of the House Ways and Means Committee, and did not become the Chairman of the House Ways and Means Committee until January of 1995. Some 16 months after the selection of ACE. It kind of begs the question of what relevance was he at all to the Argossy Gaming process and the hiring of ACE.

The second allegation we looked at was the hiring of Representative Turpin by Conseco. No one at Argossy knew anything about Turpin's relationship with Conseco until the articles appeared in the Star on March 3rd. Mr. Ratcliff, the principal in RJ Investments, sometime either in April or May of 1995, or more likely in August of 1995, had a conversation with Mr. Turpin. And in that conversation Turpin told him he was looking for employment, recommended a

number of companies where he should try to obtain employment. Eli Lilly, Consec and the Simon brothers.

But again, Mr. Ratcliff did not learn of his employment with Consec until the March time period when the article came out. It's also important to note that the article kind of links the issue of one boat, one county, to this entire relationship with Turpin. In examining the legislative records, we found that first of all Mr. Turpin was not a sponsor of that bill. That in order to speed the bill through the process it was introduced simultaneously, two different bills, one in the Senate, one in the House.

The bill was passed on May 8th, which is the time, we believe, well prior to the time there was any discussions with Mr. Turpin by anyone. And it passed both Houses by very sizeable, sizeable majorities.

We also felt it incumbent to look back on the nature of the David Zurbee relationship with Centar and with Argossy.

As you know, Mr. Zurbee was the former city attorney at Lawrenceburg who had a position at one time as an investor in Centar.

Our conclusions are the same as Rebecca McClure's, the special prosecutor who was hired to examine the whole Zurbee affair if you will. And issued a report which stated she found nothing unethical or illegal done by Mr. Zurbee.

It's interesting to note in reviewing the records of Argossy that from the very moment that that relationship came to the attention of Argossy, they felt there was a problem. And they communicated that problem to the mayor and to the city council that they felt he had a conflict. Even as we move on past the disclosure of the conflict, which was proper under Indiana law, Argossy kept pushing for his removal from the partnership. And in May of 1994 he was finally removed from Centar as an investor.

Because the nature of these allegations all seemed to focus around the legislature and the legislative process as opposed to the administrative process which

you people represent, we felt it was incumbent upon us to examine the lobbying efforts of all of the partners. Like all companies engaged in the gaming business, Argosy, later Indiana Gaming, employs lobbyists on a regular basis in every jurisdiction in which they do business. We found that the lobbyists that were employed were professional lobbyists, men who do this for a living, who have well-known credentials in the legislative field.

We found that all of the lobbying expenses paid by the partnership were properly documented. With a few minor exceptions all the expenses were correctly reported to the State pursuant to the lobbying statute. And that the instructions that were given to the lobbyists were that they were to press the legislature on the issues of economic development, what gaming could mean to the various communities that were selected, and on the jobs that would be created. Which I think is perfectly proper lobbying.

We found no political contributions

by anyone involved as a principal or officer of Argossy or RJ Investments or Centar. We found no contributions to Representative Turpin.

And in conclusion, I must say that we looked at the issues raised by the innuendos in the articles. And frankly, found no evidence to support any of these allegations.

At this point I'd be happy to take any questions you may have, or I would introduce Dean Dickey of Dean Conan Flomm who conducted the investigation of Conseco. Whichever the Commission's pleasure is.

MS. BOCHNOWSKI: You said you found no contributions, and you named the different organizations but you didn't say Conseco. So Conseco had made contributions?

MR. RICHMOND: I didn't say Conseco. Mr. Dickey conducted the investigation of Conseco and he can speak to that.

MS. BOCHNOWSKI: All right.

MR. THAR: I have one question. Have you met with the Marion County Prosecutor Scott Newman?

MR. RICHMOND: Yes, sir, I have.

MR. THAR: Did he at any time provide a letter to Argossy in this regard?

MR. RICHMOND: Prior to our entry into the matter there was a letter provided from the Marion County Prosecutor to Argossy which stated, Mr. Newman stated that under Indiana law were Argossy a target of the investigation they would have to be so notified, and that there was no target letter extended at this time, and to this date there still isn't.

CHAIRMAN KLINEMAN: So as a matter of law Argossy at the present time is just supplying information, documents, whatever?

MR. RICHMOND: We have cooperated fully. I might add that everybody involved in this process has cooperated with us. We've offered to make our findings available to the Marion County Prosecutor at his pleasure.

CHAIRMAN KLINEMAN: But Argossy has cooperated as a nontarget with this investigation?

MR. RICHMOND: Absolutely. 100



percent.

MR. THAR: Has either Centar or RJR Investments, Inc. received a target letter from the Marion County Grand Jury?

MR. RICHMOND: No, sir. No, they have not.

CHAIRMAN KLINEMAN: Anyone else have any questions? We might have you back after we've heard from --

MR. RICHMOND: I'd like to introduce Mr. Dean Dickey who is a partner in the firm of Dan, Conan and Flomm in Chicago which conducted the investigation with respect to Conseco.

MR. DICKEY: Mr. Chairman, Members of the Commission, Mr. Thar, Commission Staff, Ladies and Gentlemen, good afternoon. My name is Dean Dickey, and I am a partner in the law firm of Dan Conan and Flomm in Chicago. And I'm not licensed to practice in Indiana but through the good offices of Mr. Thar I did file my appearance and he's been kind enough in your behalf to allow me to appear. And I thank you for that opportunity.

I thought during Mr. Richard's remarks I'd like to begin by saying first that neither myself nor my law firm had ever prior to being contacted by Consecoco ever did any legal work for that entity. And we were contacted in July for the purpose of being asked whether we would consider, based upon our experience, doing an independent investigation with respect to certain statements that had occurred in the media in connection with the suitability of Consecoco and the extension as before you today.

And after satisfying ourselves of certain conditions we agreed to undertake that representation and I thought I would share those conditions with you at the outset.

First we said we wanted an opportunity if we were going to do this to review all of the documents without restriction that the company had available. The company agreed to provide us with all documents, not only those that had been provided to the Marion County Grand Jury, some 23,500, but all of the documents that

it had in connection with this Lawrenceburg project.

Secondly, as a condition of our undertaking this engagement, we said that we would need to have the ability to interview and meet with those persons who were employed or associated by Conseco whom we deemed necessary, without interference or interruption by the management of Conseco. And it agreed to that. And we did conduct ten interviews with a variety of people ranging from the Chairman of the Board down to people in personnel.

And the third condition was that company had to agree to pay us our regularly hourly rates without regard to any conclusion that would be reached in the report. Because it is our experience in having been involved in matters of this kind that it is necessary to get those conditions out front at the outset, because if the company is not willing to allow independent counsel to go forward on that basis then it raises questions as to whether or not we want to do it.

Dan Conan and Flomm has done a number of corporate special investigations of this kind. We have a significant amount of experience in the gaming business and the hospitality business through our representation of other entities, some of which have appeared here. Some of which have appeared in Illinois and elsewhere.

Myself, I have involvement in investigations of this kind in the past having been in a number of corporate investigations. Plus I was part of a team that investigated, involved in an ethics committee investigation of Speaker James Wright in the United States Representative Ethics Committee.

This project is something that we undertook willingly but knowing that there were certain issues had to to be addressed. To do that, myself and four members of my law firm devoted the better part of a full month to looking at documents here in Indianapolis and elsewhere, meeting with a variety of people, and talking to them.

Looking at public records, public

filings. And also then asking questions and regrouping among ourselves as to whether or not there was any factual support to suggest that Conseco at any time had engaged in wrongful activity with respect to the original procurement and endorsement for Lawrenceburg, and the issuance of the certificate. Or acted improperly with its hiring of Sam Turpin and its other conduct with respect to elected officials.

We've submitted a 20-page report which is the result of the meeting with the four members and myself, reviewing all of the materials, and then discussing the reasonable conclusions to be drawn from all of the material which we examined. And I stand before you to say based on the hours that we have spent and the examinations which we've conducted there is simply no factual support anywhere in the documents or in the meetings or the materials we've looked at which would suggest in any way that Conseco acted improperly.

And I think that what you have to always keep in mind in connection with

Conseco here is that its involvement in this project never began until at least November of 1993. And the final agreement, if you will, wasn't even completed until sometime in the first quarter of 1994.

At the time Conseco first became involved, there were a number of things which were a matter of public record that had already been completed fully without its involvement. And we've set those forward, or forth in the report.

There has been a great deal of new interest in the hiring of Sam Turpin, and I'll just pause and pass on it briefly to say that Sam Turpin was hired by Conseco in early September of 1995. Conseco's first contact with Mr. Turpin occurred in late August when he was interviewed in the ordinary course. Résumés were received. He met some people. He had an interesting background by virtue of a BA from Indiana University with a BS in business management. He had attained some stature by age 27. And from the investment wing of Conseco he was someone who was an interesting hire and was,

as a matter of fact, looking for the job.

We have confirmed that Mr. Turpin's personal circumstances at the time would strongly suggest and are consistent with the need for a job. I'm sure in reading the report as you did the fact of his divorce, no longer in the family hardware business his wife leaving and things of that nature he was in need of employment. And he talked to us and we hired him. Within a very short period of time, however, he was put on a leave of absence by us to deal with his personal situation, and matters involving the legislature. Which he did and those matters were resolved.

He is still on the payroll and is still employed. He is an assistant vice-president of Conseco and we consider him to be and expect him to be a very valuable member of the company. I think that, and I say this by way of final comment, think about it, if you take some of the insinuations in the newspaper articles which are not factual and you blow them up, the reporters would seem to suggest and the

media would seem to suggest that Conseco, a company with management responsibility for more than 33 billion dollars in assets, would risk its business integrity and its reputation by hiring somebody from the legislature in an improper fashion.

It simply is not supportable that any entity would jeopardize that business reputation and integrity with any untoward actions. What we found from the record simply would not support any insinuation.

Indeed, the records and investigation confirms that throughout it, throughout the entire period of its involvement in this project, Conseco has acted as an extremely honest company, and would be a suitable applicant.

I don't know, I think that Mr. Long talked about proving a negative. There's very little left to say than what we have set forth in our report. If you have any questions I'd be happy to answer them for you. But I think our analysis is set forth in the report.

MR. THAR: Has Conseco received a



target letter or any target subpoena from the Marion County Grand Jury?

MR. DICKEY: It has not. And indeed Conseco's only contact with the Marion County Grand Jury has been with respect to the production of the documents, and dealing with the cooperation necessary to provide as much information as has been requested.

There has been no issuance of a target letter and based on the discussions there no reason to suspect at this time that one will issue. There has been no suggestion by anyone to that effect.

CHAIRMAN KLINEMAN: Any other questions?

MR. DICKEY: Thank you very much for the opportunity to appear.

CHAIRMAN KLINEMAN: Thank you.

MR. LONG: Mr. Chairman, with that presentation we'd like to just draw some conclusory remarks.

We believe that we have indeed demonstrated to the Commission that we have diligently pursued this project in a very professional and expertise manner. We

believe that although we would certainly like to be standing here and be open today it just didn't work out that way. We can sit here and see the end of the rainbow very clearly and very closely. And we believe that sometime, hopefully in late October, early to mid November, we are being granted a riverboat license by this commission as you did our friends at Rising Sun here today.

I can give you my word that we have diligently pursued this project. We have pursued it in the best interest of what we believe to be the assistance of Lawrenceburg. The mayor is here today and I believe he would speak to that. The citizens of the State of Indiana, our project investors, as well as we hope you, the Commission.

And when we came on to some problems we came to you and we asked for help, and we worked through them. And I stand here today to tell you from the standpoint of the general partner in this project, it will be completed, you will be proud of it. The

State of Indiana will be proud of it. And it will carry out the intent of the statute.

Namely, people are going to go to work, vendors are going to have business, the city of Lawrenceburg and the surrounding communities are going to benefit greatly, and it's going to be a project that the state of Indiana will look back on and say we're glad they took the time and the care to build something that is truly a very fine project.

And I think it is going to be the nicest riverboat gambling project in America. With that I would ask that you would extend our Certificate of Suitability for a six-month period. Although we firmly believe we're going to be open in early November. And that you grant us that request. Thank you very much.

Are there any questions?

CHAIRMAN KLINEMAN: What's your pleasure, you want to take a break and have some questions? Take a break.

(At this time there was a brief recess taken, after which the following

proceedings were had:)).

CHAIRMAN KLINEMAN: Mr. Long, we of course have heard that even today, that your company has not been producing the best figures you ever saw produced by your company in the last couple quarters and so forth. And I guess you've just had a shareholder's meeting according to media reports, and some investment bankers or something you were quoted as, specifically quoted as saying you were going to spend a lot of time down in Baton Rouge and make sure that -- I don't know what kind of meeting it was. I dreamed up a meeting. All I've done is dream up an article in the paper. And that, that there are a lot of problems with Argossy today. Could you just briefly address where you stand financially and so forth.

I do want to make a point that based upon what you have told us today this project, irregardless or irrespective, I never know which one to use, of what happens, that this project is fully funded at the present time, and will remain that

way so far as you know?

MR. LONG: No question about it, Mr. Chairman.

CHAIRMAN KLINEMAN: Your share is in escrow. Rather than agreeing with that's a negative I think that's a positive. When we first got into the financing I think that's one of the things that appealed to me, I think I expressed that before, that having your money in escrow with draws and so forth gave us an assurance the project will be completed. And now we have the assurance from Consecoco that their money is identified. Therefore we have 100 percent assurance that this project will be completed. I still want to get into the question where is Argosy today?

MR. LONG: Absolutely. I'd be happy to. Reiterate the funding for the Lawrenceburg project is done. Both sides. So we'll move on with that.

What you're referring to is our latest, our quarterly statement that we sent out where we showed a loss for this last quarter. I made some statements that I was

going to spend time in Baton Rouge. We have an election coming up as you know in November which we are very positive about but it's going to take somebody down there to oversee it. And I'm going to go down and give my time to that process and try to help pass that election which I think will be very successful.

Let's talk about the shape of the company. As you all know we are in five different jurisdictions now. We've been a company over the last five years that has grown aggressively. And with growth you undertake significant costs and expenses.

From the standpoint of the 20 cent loss we posted over the last quarter only 4 cents was an operating loss and that 4 cents had a great deal of this interest money in it that we borrowed to build this project.

What we are going to do of course when this project is open, we have revenue coming in to offset that. More than enough to put us in a positive position.

At the same time in Kansas City, it's gotten to be a very competitive marketplace

in Kansas City. I guess that gets down to some of the discussion our friends from Rising Sun were talking about about the quality of gaming sites and the size of the markets and where are they really. Some of the marketing trends in Kansas City have been self-destructive from the standpoint of literally vying for business by some of our competitors and not making it a profitable business. We have remained profitable in Kansas City. And we think that we always will.

We have 85 million invested. Other places have 180-190-200 million invested. We have a great location. We're confident when that market shakes out we will continue to be profitable there.

Our situation in Alton is it has been producing very well for us. As some of the competitors have built up we've seen a diminution in revenue but we are leveling off at what we expected to be a very acceptable level.

The picture for our company is one in which we will have five good operating

properties. We are transitioning from what was a strong development company with a lot of overhead and staff to do that, to an operational company. Because the gaming jurisdictions are squeezing and not as many are opening up. We're going to aggressively look at expenses from operational levels and corporate levels.

This interest will be more than offset by what we perceive to be some very significant profits to be made out of the Lawrenceburg casino. We believe that the Kansas City market will go through a shake out probably for the next 12 months or so. But we're profitable.

I think what you need to look at is what our EBITDA is tracking at and that's over 40 million dollars. That's more than enough for coverage. We've got 67 million dollars in the bank today. We have this project paid for. We have 67 million dollars in cash, and a cash stream of 40 million dollars building up from our operations every year. So there's 100 million dollars over the next year we've got



available to us. Equity's have suffered. Smaller gaming companies have taken a beating at the hands of some of the flight to larger stocks. I can guarantee I'm the first one that would like to see it above \$5 and I think that a lot of the problem in the stock price has been some of the things associated with what's happened, you know, speculation, are they going to get Lawrenceburg open or not.

I think once that's put behind us and we're moving forward solidly and very well that's all gone. And we're moving forward with a very clear equity story. All our financing's in place. We've got cash in the bank. We are a very strong company. I'm not worried about it at all and I have a substantial investment in this company.

I stand here telling you I believe in it with my heart and soul. It's going to be a great company and this is the project that's going to help launch us into the next level and category in the gaming sector in America.

MR. VOWELS: The Indiana Game Inside

this week tracked some of the stock prices. And shows that as of August of 1995 your stock was traded at 15.75 a share and it's been declined to now down to \$5 a share. What was it prior to the certificate on June 30th?

MR. LONG: I think it was.

MR. VOWELS: I guess my question would be is 15.75 a positive reaction to us granting that if so what was it prior to that?

MR. LONG: I think we started off -- Stan, if I'm incorrect let me know.

I think prior to that we were at a 10 to 12 range. I think after the suitability we might have moved up a little bit past.

MR. VOWELS: 15.75. If it's in here you know it's got to be true.

MR. LONG: Absolutely.

MR. VOWELS: Actually I used to look for the random notes on yellowstone magazine --

MR. LONG: It's a very valid question, Mr. Klineman, and we feel from a financial standpoint we're comfortable here.

Our coverages are here. We've got cash in the bank if there would be any blip anywhere. Which we don't anticipate. This project is going to get open and it's going to work.

MR. VOWELS: consistently at the 10 to \$12 range, and then receive a license up to 15.75. And you think that part of the reaction down to \$5 is because of what's transpired in the last six months or a year?

MR. LONG: There's no question in my mind about that.

MR. VOWELS: So it has had some negative impact.

MR. LONG: Yes, sir.

CHAIRMAN KLINEMAN: Other than those smaller companies which have been subject to takeover rumors, almost all of the smaller gaming companies have suffered some diminution of their stock value?

MR. LONG: Certainly, there's a whole host of issues involved there. You've got cost of capital which are significant. You have the loss to the plunge to new jurisdictions which kills the growth story.

As I said, we moved from a growth orientation to having to develop new opportunities from within, and then move more operationally. When you kill that growth story that upside for the equity investor gets dampened some.

So they've got to look and see where the earnings stream are going to come from. We're going to have to generate it from the jurisdictions in which we're in. And as well, will the other smaller companies. We don't intend to be a small company forever.

CHAIRMAN KLINEMAN: Have you been in discussion with anyone concerning mergers that you can talk about without getting shot by the SEC?

MR. LONG: Mr. Klineman, I can't say a word about that. I don't mean to be cavalier.

CHAIRMAN KLINEMAN: No, I couched the question. So I would probably get a no comment answer. Anyone else have any questions? I guess --

MR. SWAN: I just want to ask a question we've asked everybody else, what do

you think the effect of a boat in Switzerland County will be? Sort of off the subject in a way, but it will affect your license as well.

MR. LONG: Well, I probably have some standing to speak about it because I'm kind of seeing what's happened in Kansas City right now. I think there's been a -- competition is great. This is America. And to some extent competition makes everybody better. But I always like to look at the issue in the area of what is the quality of the product being delivered to the citizens.

And what you get into when a market gets oversaturated is you get into a situation where some of the companies start giving away food. Well, that hurts the local merchants. Some of the companies start giving away coin and losing money. Some of the companies, they think they have to give things away to get people in the door and that depreciates the quality of the entertainment that's being delivered to the customer.

I think that it's always a tough

decision on where is that market cut. And where should the slice be taken. And certainly, from those who are on the outside and say we believe there's more room, experts can argue and vary 300 million dollars in a market.

But I think the real proof of the pudding is probably in the operations getting up and going as we did in Kansas City. There were two operating. Everybody was doing very, very well. Some other licenses were coming on and now there's a great deal of speculation about the profitability of those venues because there is only so much gaming win available in a market.

Long question. The answer to your question, Mr. Swan, is I think that a boat in Switzerland County with what I consider to be a less advantageous access could lead to a depreciation of the quality of the product in that Lawrenceburg/Rising Sun market. Now, I'm not saying that selfishly, it's just the way I feel. I think it very well could.

Although the operator in Switzerland County, Hilton is a wonderful, wonderful, operation. There's no question. I don't mean to speak they would ever depreciate, you know, a product. It is just a question of where is it and how strong do you want the operators that are there to be.

And you know, Hyatt's a wonderful operator. We think we're good operators. There are a lot of good companies. But just because they're a good company doesn't mean additional licenses have to go there.

So from a standpoint I would say, I think those are things that need to be looked at. How will it impact the quality of the product there. I never say to a commission don't put somebody else in, because I'll compete with anybody. But I like them to think about those issues before they do it.

MR. SUNDWICK: Let me ask a question. What size do you estimate the Cincinnati, greater Cincinnati market to be; what size, 800 million, a billion?

MR. LONG: Well, it's awful hard for

us to speculate on that. For me to say publicly, Mr. Sundwick. I think we've got to have the experts do it. I've heard ranges here today, and the ranges that we've heard.

MR. SUNDWICK: Well, then tell me about Kansas City. Is that --

MR. LONG: I think the ranges in that market --

MR. SUNDWICK: You got a guy over here pulling the string.

MR. LONG: Let me put it in perspective. Kansas City is about the, Cincinnati and Kansas City are about the same market size without running out the range 50 miles and 60 miles and a hundred miles. And the Kansas City marketplace operated very, very well on two. Five is real questionable. Whether three is too much? We saw when the third one went in an awful lot of price cutting went in.

So I, I think the, the market for the gaming in the Lawrenceburg Rising Sun area is very strong. There's no question about that. But then there's a question of how



far out does it go and how far will people drive to get to the next venue. And yeah, there are a lot of subjective issues here. There really are. I know it kind of sounds like I'm talking in circles but the SEC makes me.

CHAIRMAN KLINEMAN: Let me ask the question a little differently. Do you have any market surveys that you had available to you and your company concerning the size of the Cincinnati markets regardless of how, what the size of the circles were? You must have some.

MR. LONG: We have some internal things that we've done. I don't think we ever paid for a market study to be done by an independent firm. We've been in Lawrenceburg so long that we kind of knew that it was a good market. And I mean, Steve Norton in our facility has run numbers for us consistently on what we kind of think it is. You're probably going to ask me to send those in to you if we had them.

CHAIRMAN KLINEMAN: We did that with the Hyatt people if they'd like to share it

with us. And we asked the Hilton people.

MR. LONG: We don't have a formal market study that was done by Pete Marwick or anyone. We'll go back and Steve and I and Joe, get together and see what we've got. We'd be happy to share them with you.

CHAIRMAN KLINEMAN: We would appreciate that but we need it fairly soon. Because as I indicated at the top we are going to try to make a decision.

MR. LONG: I don't mean, Mr. Swan, to do a two-step on your question, but I think it is a tough answer. To be selfish you say don't put one in. To give you an objective answer --

CHAIRMAN KLINEMAN: Did you hear about the presentation that Hilton made in particular bifurcating the market into the south of Cincinnati and everything else; did you hear about that?

MR. LONG: I wasn't here with that. I haven't heard a great deal on it. I mean I guess the whole issue then becomes access.

CHAIRMAN KLINEMAN: Beg pardon?

A. Access. Can the people get from those

markets over there. And they're a great company. I have a great deal of admiration for them.

CHAIRMAN KLINEMAN: One of the questions, of course, would be to what extent does your market survey rely upon the Lexington type because that's the bifurcation -- that's what they took out of --

MR. LONG: We'll get through, and I'm sure Steve has got some data we can get over to you. Any other questions?

MR. THAR: I have two questions. Each of them totally different. The first one is since we're referring to the Indiana Gaming Insiders, there's a one sentence paragraph which reads as follows: Schilling Casino Corporation gets to make its case for revocation of its Lawrenceburg license in Tuesday's Indiana Gaming Commission meeting. Don't be surprised if the game boys ask Schilling a few questions about a June 3rd, 1993 agreement and \$125,000 payment between Schilling and folks close to the Indiana Gaming Company LP partnership.

Do you know anything about what that means?

MR. LONG: I do not.

MR. THAR: Does anybody with Empire or Schilling?

MR. LONG: Jim.

MR. SOMMER: Chairman Klineman, Members of the Commission. I'm Jim Sommer of Sommer and Barnard in Indianapolis, and we've represented Centar and some affiliated entities, one of which is RACE, which I think has been discussed in previous filings with the Commission.

RACE, and it's owned by Mr. O'Malley who is connected with Centar. RACE and Schilling in 1993 entered into an agreement to explore a joint venture in Michigan City. As to whether there would be an opportunity -- excuse me. Under that agreement Schilling committed 125,000 to that joint venture with the understanding it would be repaid if Centar received a license and Schilling did not, in effect.

I believe, it's my understanding, our documents indicate, because we saw the same

article in Gaming Inside so we pulled the documents. In October they amended that agreement for a return of 62,500, which has been paid back to Schilling. The -- part of the issue there was there had not really been a license granted to Centar. So that document ended the earlier agreement.

MR. THAR: Does that agreement in any way give rise to a claim by Schilling that they have an interest in the Lawrenceburg license?

MR. SOMMER: No, to the contrary. I think the inference of that agreement would be exactly the opposite.

MR. THAR: Thank you.

MR. SOMMER: Yes, sir.

AUDIENCE: Jim, you might want to correct. It was East Chicago not Michigan City.

MR. SOMMER: I'm sorry, East Chicago is what they were going to look at.

MR. THAR: That agreement pertained to a license in East Chicago?

MR. SOMMER: Yes, Mr. Thar. It pertained to exploring the possibility of a

license in East Chicago.

MR. THAR: Mr. Penny, did you have a response?

MR. PENNY: Mr. Thar, I was not personally involved, but my understanding is that is essentially correct.

MR. THAR: Thank you.

It is my understanding that Mr. McHenry is also a substantial owner of Argosy. Is there anybody that can address the Grand Jury subpoenas to Mr. McHenry?

MR. LONG: Yes, Mr. Thar, we have Mr. McHenry's counsel here.

MR. KELLY: Mr. Thar, I'm Blain Kelly from Chicago. I represent William J. McHenry and Gas City on various matters including production of records to a Grand Jury in South Bend, Indiana. We have cooperated and made documents available upon request.

MR. THAR: Did you receive any notification as to whether Mr. McHenry is the target of that investigation?

MR. KELLY: We have no such indication.

MR. THAR: At this time then you see him functioning as a third-party record keeper or his own record keeper?

MR. KELLY: Third party record keeper and personal records.

MR. VOWELS: Was that a Federal Grand Jury up there?

MR. KELLY: Yes, it is.

MS. BOCHNOWSKI: Now on this issue of Mr. McHenry, do we have an ownership percentage in issue?

MR. KELLY: I'm informed that Mr. McHenry's interest is between 5 and 6 percent.

MR. LONG: That is of Argossy. And when we split that down it's about two and-a-quarter, two and-a-half percent of the Lawrenceburg project.

MR. THAR: He would be in our definition of substantial owner of Argossy but not a substantial owner of the project. We would deem him to be investigated the same as a substantial owner. He has a similar situation with regard to Empress.

MR. KELLY: Thank you.

CHAIRMAN KLINEMAN: Commissioner Milcarek withdrew. He was feeling ill. So let the record show.

MR. LONG: Anything else, Mr. Klineman?

CHAIRMAN KLINEMAN: No.

MR. LONG: We have the mayor of Lawrenceburg is here. And I didn't know. I think it would certainly be appropriate for Frank Cramer, his counsel, to maybe say a word to close matters up, Mr. Klineman, if that would be appropriate.

CHAIRMAN KLINEMAN: Tell the mayor to come up or counsel.

MR. LONG: This is Mr. Frank Cramer counsel for the City.

CHAIRMAN KLINEMAN: Why don't you come on up and we'll see if we have anything further of Mr. Long and his people.

MR. CRAMER: Thank you, Mr. Chairman, Commission members.

CHAIRMAN KLINEMAN: Identify yourself for the record.

MR. CRAMER: My name is Frank Cramer. I'm assistant city attorney for the City of



Lawrenceburg. With me today is the Honorable Melvin Gambert, Mayor of the City of Lawrenceburg. Also Mr. Roland Horning, who is municipal development director, who is familiar with the progress of the utilities and infrastructure improvements that are going on there.

We are here this afternoon to speak in support of the application by Indiana Gaming to extend the Certificate of Suitability. In support of that Indiana Gaming has cooperated with the City. They have met all of their commitments to the City to date, and we expect that that will continue.

There's one comment Mr. Long made about respect to the traffic improvements. I believe he indicated that the improvements to U.S. 50 are nearing completion; that's true. He also indicated progress on t he called it the entryway. As you know we have a, somewhat of a traffic problem in Lawrenceburg. It's twofold. One is getting the traffic through Lawrenceburg. And that's been addressed very, very well by the

Indiana State Highway Commission, the highway contractors. And that work is being completed this month.

The other traffic-related matter that we desperately need in Lawrenceburg is an access road from U.S. 50 over to the river, the permanent site and/or the temporary site. And Mr. Long, I believe, stated that that's been completed. That, the right of way has been acquired for that access road, but the construction has not started.

That's no fault of Argosy. That's all part of the permitting process. And the Corps of Engineers would have to give approval for that to happen. We desperately need that access road. It would greatly relieve the traffic around our schools, Lawrenceburg High School, the middle school, Central Elementary School and the St. Lawrence parochial school. So we really need this access road.

Indiana Gaming company has agreed to build the road. The right of way has been acquired. The Corps of Engineers has a procedure whereby you can request the

opportunity to start construction before all of your permits are issued. And Indiana Gaming Company has made the request in May of this year to allow that construction to start. They haven't given permission yet but there again they're cooperating with the City in an effort to get that road built.

So essentially, we're here to report to you that Indiana Gaming Company has cooperated fully. They have met all their commitments, and we ask that you in fact extend their certificate.

CHAIRMAN KLINEMAN: Any questions?

Thank you.

MS. BOCHNOWSKI: They have cooperated and they have met all the commitments thus far that they should have, that were outlined. I mean, this is a new administration, and I understand you've made some changes in the development agreement; that's been renegotiated.

MR. CRAMER: That's correct. Just yesterday and today we signed the second amended development agreement. And there were some issues that were outstanding and

those have now been resolved and we're all looking forward to proceeding.

CHAIRMAN KLINEMAN: Anything further?

Thank you.

Anything further of Mr. Long or anybody from Indiana Gaming?

MR. LONG: Mr. Chairman, I would just like to thank you on behalf of Indiana Gaming for the consideration you've given us in the past, the time. I want to give a great deal of thanks to Mr. Thar and his staff. They have worked with us very, closely on many, many, issues and helped us work through them. And given us some guidance on how to best proceed. And I want to extend my sincere thanks to each and every one of them. They have a very professional attitude and an approach to what happens here in Indiana and they care about what happens, and I appreciate it, and thank each and every one of them. Thank you.

CHAIRMAN KLINEMAN: On behalf of the staff I thank you. If that is meant to ingratiate you to the staff it probably did.

Well, we have before us someplace in my file -- sorry, Mr. Long, we ran out of motions.

Okay, we have actually two motions. One concerns the bond, which you remember Virginia McCarty some days ago appeared before us and indicated that they were requesting that the Commission, or she was requesting the Commission set a bond of 14 million dollars for Indiana Gaming Company. And that that bond be posted in cash. And then with authority to withdraw it -- is that correct?

Well, anyway, it's to set the amount at 14 million dollars. And that is embodied in Resolution 1996-49. It's a resolution approving the amount, it says approving the bond to be posted by Indiana Gaming Company LP.

Do I hear a motion to adopt the resolution 1996-49? Second. Is there a second.

(The motion was made and seconded.)

CHAIRMAN KLINEMAN: Okay. Any further discussion? Has everybody found a

copy?

MS. BOCHNOWSKI: No, but that's okay.  
Go ahead.

CHAIRMAN KLINEMAN: Hearing none, all  
in favor of resolution 1996-49 say aye.  
Contrary. The resolution is adopted.

(The Resolution was voted on and  
adopted at this time)

CHAIRMAN KLINEMAN: Next, we will  
take up a resolution concerning the  
extension of the Certificate of Suitability  
issued to Indiana Gaming Company LP on June  
30, 1995. And prior to taking that up, I  
would call for a motion to deny Mr. Penny's  
request that we not extend the certificate.

Is there a motion to specifically  
deny his motion to not extend?

(The motion was made and seconded.)

CHAIRMAN KLINEMAN: Okay. This is  
actually I named it by the attorney who  
presented it. I think we ought to call it  
the Schilling Empire petition. That would  
that be the correct nomenclature.

MR. PENNY: Yes, Mr. Chairman.

CHAIRMAN KLINEMAN: That's what we're

voting on to deny that request by Schilling Empire. All those in favor say aye. Contrary. That motion is adopted then specifically denying the request.

(The Resolution was voted on and denied at this time)

CHAIRMAN KLINEMAN: So now we have before us the resolution to extend the Certificate of Suitability. And we have again a date that needs to be filled in.

Mr. Long, I think you've indicated to the Commission that you thought you would be up and running sometime in November, is that right?

MR. LONG: Yes, sir.

CHAIRMAN KLINEMAN: And that all depends upon -- you can't have a temporary location until you've gotten your permanent site approved. That's the program with the Corps of Engineers?

MR. LONG: That's correct, sir.

CHAIRMAN KLINEMAN: Okay. And so I guess, what we would do would be, you have requested an 180-day extension, even though you think you'll be operating before that

time; is that right?

MR. LONG: Yes, sir. Just because that was statutorily, what's in the statute. I would request a minimum of 120. And we think we'll be open by then. But certainly I just thought it would be easy to put 180 on it.

CHAIRMAN KLINEMAN: Even though I think I, myself, personally believe that you have worked very diligently, I think you substantially underestimated all the problems there were going to be in connection with this project. And so, I think if we extend the certificate, 180 days does not sound unreasonable to me, but I would sort of like to think in terms of making sure that things are moving, you know, at an interim time.

MR. LONG: Yes, sir.

CHAIRMAN KLINEMAN: So, I guess you keep the staff fairly well informed of what's happening?

MR. LONG: We are happy to do that. We will be in contact a great deal between now because we're on our 60-day schedule.



We'll be happy to reinstate, which I think we've kind of fallen away from some of the things, our monthly meeting with Mr. Thar and staff, which I think will be mandatory. We'd be happy to do that like we did in the past.

MR. THAR: I wish we could limit them to once a month.

MR. LONG: Yes, right. But I think we understand that, Mr. Klineman.

CHAIRMAN KLINEMAN: I'll leave that up to you and Mr. Thar, but I would encourage that through our staff that we are kept informed of what's happening so that we can make sure that things are moving along the way we hope they will.

MR. LONG: Yes, sir.

CHAIRMAN KLINEMAN: Since we don't -- we need to count 180 days, is that correct, Mr. Thar.

MR. SWAN: We will put in here will remain valid until a certain date, can't we?

MR. THAR: If the Commission today says 180 dates from the date of this. And then authorize the staff to plug the date in

we can do that after the fact.

CHAIRMAN KLINEMAN: All right then. We need a motion to adopt the resolution extending the Certificate of Suitability for Indiana Gaming Company LP for 180 days. The exact date to be supplied and inserted in Section 3 of Resolution 1996-46. Is there a motion?

(A motion was made and seconded at this time.)

CHAIRMAN KLINEMAN: Okay. It's been moved and seconded. Any further discussion?

MR. SWAN: Yes, I'd like to discuss something here. I'd like to amend that motion to put a little more teeth into it. To put a penalty into this extension that if you are not in temporary gaming as of January 1, that you will start paying an equivalent what would be the tax that you would have paid, which we will just simply say to be \$100,000 a day. January 1.

CHAIRMAN KLINEMAN: That's a motion to amended the resolution.

MR. LONG: Mr. Swan, the whole issue of when we start or not is up to the Army

Corps of Engineers. It literally is. Everything is there. I can't control their process. We have nothing to say about how fast the archeological review goes.

I understand your approach, and we, I have no problem having teeth chomping at me. But I would respectfully indicate that I think that's pretty severe in view of the fact that it's out of my hands.

MR. SWAN: Let's look at it this way then. We're here to maximize revenues for the State of Indiana. Let's put it in terms of so many days after that permit is issued. That's your last obstacle?

MR. LONG: Yes, sir.

MR. SWAN: That's what you're representing today?

MR. LONG: That's correct.

MR. SWAN: Then let's put it at within 30 days of that period?

MR. LONG: If --

MR. SWAN: Or 45, I don't care.

MR. LONG: This is new. I need a second.

MR. SWAN: I'm sorry to spring that

on you.

CHAIRMAN KLINEMAN: I think that was a motion to amend the resolution. We probably need a second. Is there anyone calling for a second?

MS. BOCHNOWSKI: The motion to amend hasn't been totally made yet because we don't have a date of that.

CHAIRMAN KLINEMAN: Well --

MR. THAR: This is discussion on the motion.

MR. SWAN: Right.

CHAIRMAN KLINEMAN: That's the motion to amend first and seconded before we.

DR. ROSS: It needs a second but also it should be amended before it passes.

MR. SWAN: Yes.

CHAIRMAN KLINEMAN: We have to vote on the amendment first.

DR. ROSS: It would really be a new motion.

MR. SUNDWICK: Why don't we dispose of giving it to them and they go back to the amendment. We had a motion granted for 180, a second.

CHAIRMAN KLINEMAN: We had a motion to give the 180 extension and a second. We vote on it. If it's yes then I think we need to go back through the resolution and go from there.

He's asking that this resolution that's just been made and seconded be amended before we vote on it. That's the way I would review it.

MR. LONG: Mr. Chairman, Mr. Swan, we certainly have no problem with committing that 30 days after the Corps permit is issued we will be ready to operate from our temporary facility. Now that is subject to the fact that we've done everything we need to do with Mr. Thar's staff and he can schedule our opening, for instance.

MR. THAR: That was a point I was going to make. But it may behoove us to just delay the opening.

We do have the issue of timing in relationship to the Commission getting together, and the staff. And let me even make it a little bit more awkward. Let's assume they were to receive their Corps

permit December 1. And we gave it a 45-day period. I don't know who will be here.

CHAIRMAN KLINEMAN: Why don't we do this --

MR. LONG: I would respectfully submit that \$100,000 a day is a pretty big number. That means that's a half a million dollar a day win on the temporary facility. Not even my most objective, my most -- what did Dole say he was?

CHAIRMAN KLINEMAN: Market projections, you remember those.

MR. LONG: Yes, sir. I would say that there, we don't have a problem standing our toes on the line. That's not an issue. I think 100,000 is a little steep. It's just a scheduling issue. We'll be ready to go 30 days after the Corps permit. I think 100,000 a day is very pretty steep.

CHAIRMAN KLINEMAN: I'm getting ready to go home. Can I ask Bob a question. Can we withdraw this penalty and discuss it on the 6th of September. Extend their certificate with the understanding that we will discuss September the 6th a penalty

clause in connection with this operation?

MR. SWAN: That is fine with me. I just want you to understand we want revenue for Indiana. We want it soon and we don't want for any reason to have anymore playing around. Not that you are. But that's what we're feeling.

MR. LONG: With that interest rate kicking on me I want that revenue to start as well. We understand that. We will do everything we can. I have no problem working something out, Mr. Klineman. We can come to an agreement and just submit it as a stipulation.

CHAIRMAN KLINEMAN: I don't know if we're going to come to an agreement. Maybe we need to think about it.

MR. THAR: I think this is more truly a commission issue than it is a staff issue. I don't disagree with the concept of the penalty in view of the period of time it has gone. I think some thought should be given to how we're going to implement it. I don't want to see an unreasonable penalty to be because staff or commission can't do it.

The 30 days --

The problem is that we don't get a lot of notification from the Corps of Engineers as to when their permit's going to issue. So they could let us know like three days in advance and we may not be in a position or scheduled in the correct people during that 30 day period.

I think the concept is illustrative of a point that needs to be made here. So I agree with the concept that, face it, nobody thought it would take this long. Certainly you didn't in your presentation.

MR. LONG: That's correct.

MR. THAR: Lawrenceburg is struggling. The \$100,000 a day would be about a little less than the average for four riverboats paid per day in tax for the month of July. Whether or not that's the exact figure Commissioner Swan or the other ones want. Whether or not it's reasonable. Is it heavy? Certainly.

But that revenue could also be treated to be dispersed the same way as the gaming tax would be. So we need to check



some of the legality of that so there would be some income for the infrastructure improvements in Lawrenceburg. Its driving force. With the Commission's permission, and this is just part of the discussion of all of this, we'll be glad to explore various alternatives and present them to commission on the 6th for final determination. I don't think this is a staff determination issue.

CHAIRMAN KLINEMAN: Okay, well, with your permission then we'll have your amendment withdrawn.

You have something -- you're discussing the motion to extend.

MR. KELLY: Mr. Chairman, Frank Cramer, Assistant City Attorney for Lawrenceburg. Mayor Gambert asked me to suggest the appropriateness of the commission asking the Corps to expedite the review at the application and to facilitate the timing by the Corps.

The Mayor and I have attended the Corps meetings and they have indicated that Indiana Gaming has done all that was

requested of them in their application. But we don't know the appropriateness of the Commission to make that request.

CHAIRMAN KLINEMAN: Mr. Thar knows a lot more than I do, but it's always been my feeling that the Corps has been expediting these things. It has been really working very diligently. This is work over and above what most of those people signed on to do. That volume in particular.

MR. THAR: That's all true but with no disrespect to the Corps but sometimes two hours worth of work takes 30 days. That's a little bit of a glib statement but that's kind of -- they're very, very, methodical about what they do and they do not enjoy being rushed.

MR. CRAMER: The reason it comes to my mind is that Indiana Gaming made a request May the 28th of the Corps to allow them to begin work on this access road from U.S. 50 to the river. The environmental studies that Indiana Gaming had completed indicated no environmental or cultural resource problems. And yet, three months

have gone by and it's hard to understand why at least that segment would not have been allowed to proceed.

CHAIRMAN KLINEMAN: They probably don't split it. They're probably holding up the whole Corps permit. We had a lady from the Louisville office in yesterday and she said things were proceeding.

MR. CRAMER: Thank you.

CHAIRMAN KLINEMAN: You know, if we really thought it would do any good we would take official action. But I really do believe they understand what our position is and have for a long time.

MR. THAR: That doesn't mean we won't make inquiry. But it means that they're still going to move at their own pace.

CHAIRMAN KLINEMAN: Okay. We now have the original resolution, 1996-46 before us to extend for 180 days, any further discussion? Hearing none all those in favor say aye. Contrary. The eyes have it and the resolution is adopted. That concludes the Indiana Gaming, thank everyone.

(The Resolution was voted on and

adopted at this time)

MR. LONG: Thank you, Mr. Chairman.  
Thank you.

CHAIRMAN KLINEMAN: The last items we have are under the other business category. And we have before us a couple of waivers which have been requested. Both of the waivers have been requested by Empress Casino Hammond. The first one deals with tip boxes being made of transparent material. And the staff is recommending approval of the waiver of a requirement under our regulations. And does anyone need to know anything further other than the staff recommends it and it has to do with tip boxes?

(The motion was made and seconded at this time.)

CHAIRMAN KLINEMAN: And any further discussions? Hearing none all those in favor of the waiver say aye. Contrary? The waiver's adopted.

(The Waiver was voted on and adopted at this time)

CHAIRMAN KLINEMAN: The next waiver

is Waiver 1996-2. It's also from Empress asking that they waive the requirement that an admission ticket be in two perforated sections one of which is retained by the patron. We are advised by staff they wanted to just issue one ticket and collect it as the people got on board and that leaves nothing in the hands of the patron.

We are advised by the staff that under the statute it's required that each one of the patrons receive on his admission ticket a listing of a toll free telephone number to attain counseling and information about programs which will assist individuals who have gaming problems.

And so we have been told by the staff that they deal with, that waiver should not be granted. That Empress and all the other operators should be required to have a two-part admission ticket. So that this information required by statute can be on part of it.

Do I hear a motion to adopt the recommendations of the -- well, it's entitled Waiver 1996-2 but it's really a

denial of a waiver.

(A motion was made and seconded at this time.

CHAIRMAN KLINEMAN: Any further discussion? Hearing none all those in favor say aye. Contrary? The waiver is denied.

(The Waiver was voted on and denied at this time)

MR. THAR: One more item. As you are aware we had forwarded to you, I think it was in my mailing of July, the preliminary proxy materials as they relate to the Trump Hotel and Casino Resorts, Inc., acquisition of the Trump Castle as one of their assets which is primarily a stock transaction to Donald Trump.

From a staff point of view, this particular transaction would not require Commission action. We ask the Commission now to consider whether or not it does require Commission action, and if so what action would it choose to take.

MS. BOCHNOWSKI: What was the second part of your statement?

MR. THAR: If you decide if you want

to take action what kind of action would you like us to instruct?

MS. BOCHNOWSKI: I have a question on this. I didn't read it as early as maybe I should have.

Does this affect the Gary operation in any way?

MR. THAR: No. It's stand-alone. As I understand it the recourse for the debt of the Castle is to the Castle. So to the extent you have a public company will carry extra debt may affect the overall public company in not having monies for new gaming ventures.

The cash transaction involved to Donald Trump is somewhere in the area of \$800,000 as against the present purchase price of 525 million. This transaction does have to be approved by the shareholders of the various companies involved. The articles I've been made aware of would seem to indicate the shareholders are not that thrilled, by the way, with the transaction so it may not go through. But, I do not see that this affects the Gary.

Does anybody see it any differently? It's because of that that it would appear that this Commission would not need to take any action with regard to this. It's more or less up to the public company and shareholders of the various properties involved.

DR. ROSS: So it doesn't require a motion?

MR. THAR: It requires a statement by the Commission to be put in the minutes: This Commission has determined that this particular merger is not one which requires Commission action.

MR. SUNDWICK: Yes, it doesn't.

MR. THAR: That's two. Mr. Chairman?

MR. SUNDWICK: Just say yes, Al.

CHAIRMAN KLINEMAN: Yes.

MR. THAR: We'll show in the minutes then that the Commission has determined that any issues what regard to Trump Hotel and Casino Resorts, Inc. acquiring the interest of Trump Castle does not require action by the Indiana Gaming Commission.

MR. SUNDWICK: One question. Do you



get paid by the hour? You've been waiting all day for this. Good for you.

(Laughter.)

CHAIRMAN KLINEMAN: Anything further, Mr. Trump? Mr. Trump. Mr. Thar?

MR. THAR: No. The next meeting is September 6, 11 A.M. in this room.

CHAIRMAN KLINEMAN: The next meeting will be on September the 6th for all those, September the 6th at 11 a.m. in this room.

And do I hear a motion to adjourn?

(A motion was made and seconded at this time.)

(The motion was voted on and adopted at this time)

CHAIRMAN KLINEMAN: We are adjourned.

(Meeting Adjourned)