ORIGINAL

BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: May 15, 1995

PLACE: Indiana Government Center Auditorium
302 West Washington Street
Indianapolis, Indiana

REPORTED BY: Maria W. Collier, Notary Public

MEMBERS OF THE COMMISSION

Alan I. Klineman, Chairman
Thomas F. Milcarek
Dr. David E. Ross, Jr.
Donald R. Vowels
Ann Marie Bochnowski

ALSO PRESENT

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

SHIREY REPORTING SERVICE, INC.
201 North Illinois Street
300 Capital Center South
Indianapolis, Indiana 46204
(317) 237-3350

I N D E X

	Page
Presentation by Alpha Rising Sun	
David Frick	4
Stanley Tollman	7
Sanford Freedman	11
Tom Aro	16
Lee Hillman	19
Joe Emanuele	30
Tom Aro	42
Regina Hensley	49
Bryce Kendrick	53
Eric Bashford	63
Lee Hillman	67
Todd Kaplin	70
Lee Hillman	71
Tom Aro	71
Questions by the Commission of Alpha Rising Sun	72
Presentation by Rising Sun Riverboat Casino	
Partick Daly	182
Alfred Luciani	198
Nick Pritzker	212
Patrick Daly	216
Questions by the Commission of Rising Sun Riverboat Casino	183

1 MR. KLINEMAN: We have a couple of
2 things. First, as to the presenters and
3 others who may speak, if you will note
4 that we have a court reporter
5 transcribing the hearings, and we would
6 very much like if the people who are
7 going to speak will identify themselves,
8 and, of course, we would like you to
9 speak distinctly, and hopefully we'll be
10 able to have a complete record of what's
11 going on.
12 The other thing is the Commission
13 has been grappling a little bit with the
14 question of what kind of presentations we
15 would like from the county officials
16 concerning when they come up for hearing
17 in June. We feel as a Commission that we
18 do continue to want input from local
19 officials, but we would like the local
20 officials to, to the best of their
21 ability, confine their presentations in
22 June to the procedures that you went
23 through concerning considering the

1 applicants.
2 If you have a choice obviously we
3 would expect you to state that choice.
4 If you do not you can go forward with a
5 discussion. In either event you can go
6 forward with a discussion, particularly
7 down in the southeast, why your area is
8 deserving or desiring of a license. So
9 we would like to put it on a very
10 positive basis, and we would like the
11 local officials who are going to make
12 presentations to the Commission in June
13 to try to follow generally the guidelines
14 I've just stated.
15 I guess with that we can commence
16 the presentations. I took a little of
17 your time, Mr. Frick, so we'll give you
18 until about twenty-three or twenty-four
19 after 11:00 if you would proceed then.
20 MR. FRICK: Good morning, Mr.
21 Chairman and members of the Commission.
22 My name is David Frick. I'm a partner in
23 the Indiana law firm of Baker & Daniels.

1 For nearly two years now we have been
2 working with Alpha Rising Sun to create
3 the Fulton's Landing Resort.
4 Over the next couple of hours we
5 hope to show you seven key reasons why
6 the Fulton's Landing Resort merits your
7 favorable consideration; first, the
8 enthusiasm and cooperative spirit of the
9 good people and governmental leaders from
10 Rising Sun and Ohio County which we
11 believe will enable the construction and
12 operation of our project to go smoothly
13 and without delay; two, a beautiful site
14 without environmental and wetlands
15 problems at a point in the Ohio River
16 where there are no channel or Kentucky
17 boundry problems; three, a team of people
18 of good character and reputation with
19 decades of experiences in the gaming,
20 travel, and leisure industries; the
21 fourth reason, a resort project that was
22 designed not away from Indiana but in
23 Indiana only after significant input from

1 the community impacted; the fifth reason,
2 the control of a new riverboat which will
3 permit the project to open on an interim
4 basis very quickly and revenues flowing
5 to state and local government almost
6 immediately; six, a commitment from the
7 team that you will meet today to not only
8 the people of Rising Sun but also to the
9 surrounding counties so that the impact
10 of the project will be felt over a very
11 large geographic area; seven, a
12 conservative financial plan that is
13 designed to ensure the operation of the
14 project not for just two or three years
15 but for the long-term.
16 Our presentation today is composed
17 of several speakers, the team that will
18 be working on this project, and some
19 slides and basic information. To assist
20 you to follow the presentation and as a
21 reminder for your future benefit we have
22 prepared for each one of you a binder
23 containing the slides that you will be

1 seeing today and the other information.
2 Our first presenter is Stanley
3 Tollman, the chairman of Alpha Rising Sun
4 and its parent, Alpha Hospitality
5 Corporation, a publicly traded company.
6 Mr. Tollman brings nearly 45 years of
7 experience in the travel, hotel, and
8 leisure industries to this project. Mr.
9 Tollman.
10 MR. TOLLMAN: Good morning,
11 Chairman Klineman, members of the Indiana
12 Gaming Commission, Executive Director
13 Thar and your staff, and good morning,
14 ladies and gentlemen of Rising Sun
15 First. In June 1993 Alpha Hospitality
16 representatives visited Rising Sun,
17 Indiana, for the first time. The natural
18 beauty of the area and location of the
19 site convinced them that Rising Sun was
20 the perfect place to develop a
21 destination resort.
22 Rising Sun officials later visited
23 Old Town in Kissimmee, Florida, a

1 shopping and tourist development owned
2 and managed by an Alpha Hospitality
3 affiliate, so they could see an example
4 of what downtown Rising Sun could be.
5 Among the 11 companies originally vying
6 for the city's approval Aztar, Pinnacle,
7 and Alpha were chosen as the final
8 three.
9 On August 5, 1993, Rising Sun city
10 council unanimously selected Alpha
11 Hospitality as its gaming partner. On
12 August 10, 1993, we signed a letter of
13 intent with the city to develop the first
14 proposed destination resort on the Ohio
15 River. Fulton's Landing sets the
16 standard for other gaming companies to
17 follow.
18 In order to give our Ohio County
19 residents the opportunity to learn more
20 about Fulton's Landing and the career
21 opportunities that will be available we
22 hosted a job fair and voter registration
23 day on September the 18th. What made our

1 job fair unique was that we flew in 20 of
2 our top executives from around the
3 country to give people a chance to speak
4 personally with an expert in the various
5 facets of the gaming and hotel
6 industries.
7 We took over 600 applications that
8 day, and with the cooperation of both
9 Democratic and Republican parties we
10 registered over 115 new voters. That is
11 the largest one-day registration of
12 voters in the history of Ohio County.
13 In addition to opening our newly
14 renovated office building on Rising Sun's
15 Main Street, Alpha hosted multiple county
16 wide meetings to allow people to ask
17 questions about the company and the
18 project. On November 2, 1993, Ohio
19 County residents passed the gaming
20 referendum by the largest percentage on
21 the Ohio River and had the highest
22 percentage of voter turnout in the entire
23 state.

1 The city conducted a second project
2 evaluation in January 1994 that included
3 Alpha, Collins Music Company, and Gaming
4 International. On February the 3rd Alpha
5 was once again granted as a very strong
6 number one. For the past two years we
7 have been very active in community
8 projects which you will hear more about
9 later in the presentation, and that
10 brings us here to our appearance here
11 today.
12 Alpha was the first company to
13 offer a destination resort on the Ohio
14 River and the first in the state to offer
15 an educational foundation. Today we are
16 proud to present the people of Rising Sun
17 and Ohio County to stand before you in
18 the hope of providing them with the first
19 destination resort in the state of
20 Indiana. Thank you.
21 I would now like to introduce
22 Alpha's general counsel, Sanford
23 Freedman, who will continue with the

1 presentation.

2 MR. FREEDMAN: Thank you, Mr.

3 Tollman. Chairman Klineman, members of

4 the Commission, Director Thar, members of

5 the staff, thank you very much for the

6 opportunity to make our presentation here

7 this morning. My name is Sanford

8 Freedman, and I'm general counsel and

9 vice president of Alpha Hospitality

10 Corporation and vice president and

11 corporate attorney of Alpha Rising Sun,

12 Inc.

13 I'd like to first just review the

14 corporate organization of Alpha. While

15 the company is relatively young having

16 been formed in 1993 and having been taken

17 public in November of 1993, as David

18 Frick mentioned before, principals of the

19 company have as much as 45 years of

20 experience in the travel, leisure, and

21 hospitality business.

22 In addition, a number of our key

23 officers and employees have been involved

1 over the years intensively in the gaming
2 business having been licensed in Nevada
3 and Atlantic City and now being licensed
4 in Mississippi and the state of
5 Colorado. So we think that there is a
6 well-rounded background for the project
7 we're proposing for Rising Sun.
8 The three major constituents of
9 Alpha Hospitality are Alpha Hotel
10 Management Company, of which I'll speak
11 about a little more in a moment; Alpha
12 Hospitality Gulf Coast, which is the
13 owner and operator of the Bayou Caddy's
14 Jubilee Casino in Waveland, Mississippi;
15 and, of course, Alpha Rising Sun which
16 has been designed to be the developer and
17 the owner of the Fulton's Landing
18 project.
19 Alpha Hotel Management Company, as
20 the name indicates, is a management
21 company which operates hotels on behalf
22 of third party owners. We're very proud
23 of the confidence that has been placed in

1 us by these third parties, and, as you
2 can see, our operations of 20 hotels
3 include part of the eastern and some of
4 the midwestern parts of the United
5 States.
6 I might point out that outside of
7 Alpha and affiliated companies we
8 additionally operate over 20 hotels which
9 are owned by our affiliates as well as
10 being operated by our affiliates of
11 Alpha. I think you can see that there's
12 a spread. We operate a number of Days
13 Inns; we operate an independently named
14 hotel in Orlando, Florida; and we operate
15 a Sheraton Hotel in Myrtle Beach, South
16 Carolina.
17 Just as a sign of the ability of
18 our people in the hotel management world,
19 while in the hotel industry as a whole
20 occupancy rates this past year have been
21 at approximately 65 percent we have run
22 at 79 percent, and I might say that
23 that's a relatively low figure for us,

1 but 79 percent compared to the industry
2 averages I think is some indication of
3 the ability of our people who are at the
4 hospitality and hotel side of our
5 operations.
6 The Bayou Caddy's Jubilee Casino is
7 in Waveland, Mississippi. We're very
8 proud of our ability to develop that
9 quickly. It was a fast track project.
10 Here you see our three-story barge.
11 Believe it or not that structure is
12 floating. It's 60,000 square feet, over
13 30,000 square feet of gaming space,
14 playing space, within the barge on the
15 three floors. It has restaurants,
16 showrooms, a number of different
17 activities that occur within it.
18 This is an indication of the theme
19 of the casino there which is a New
20 Orleans street theme. It's a permanent
21 Mardi Gras approach, and we have
22 entertainers and musicians circulating
23 throughout the casino all the time.

1 The total investment in the Bayou
2 Caddy's Jubilee Casino is $44 million.
3 First year casino revenues were $41
4 million. We have 52 table games, 865
5 slot machines, 650 employees. We opened
6 on January 12, 1994. We think we've done
7 a very good job in what everyone knows
8 has been a difficult and competitive
9 situation there.
10 A number of the other casino
11 operations on the gulf coast have either
12 closed or are in the process of closing,
13 and we've reiterated to the local
14 community and the state of Mississippi
15 our intention to stay the course, and we
16 think we're going to have a very decent
17 year, a very satisfactory year in
18 Mississippi.
19 I would now like to introduce the
20 president of Alpha Rising Sun, Inc., the
21 man who really has nurtured this project
22 from the Alpha point of view since its
23 inception almost two years ago, Mr. Tom

1 Aro.

2 MR. ARO: Thank you, Sandy. Good

3 morning, Chairman Klineman, members of

4 the Commission, and certainly good

5 morning to all you folks in the Rising

6 Sun First shirts. We appreciate that.

7 We have a number of speakers to

8 present to you today so I'll quickly go

9 through the roster, and then we'll get

10 into the real heart of our presentation.

11 Our first speaker is going to be Lee

12 Hillman who is the executive vice

13 president and chief financial officer of

14 the Bally Entertainment Corporation. We

15 have Joe Emanuele who is with David

16 Jacobson & Associates. Joe is our design

17 team captain of our architectural design

18 team in Atlantic City, New Jersey.

19 We have Eric Bashford from RAS

20 Securities who are our financial

21 advisors. Eric will discuss some of the

22 financing components of the project.

23 Then we have what I'd like to categorize

1 as two special presenters. One is Regina
2 Hensley who is with Alpha Hospitality,
3 and the second is a young man by the name
4 of Bryce Kendrick who has been with our
5 local operation in Rising Sun almost from
6 the beginning.
7 Quickly the topics that we're going
8 to try to cover today with you is a brief
9 description of the team, who we are; the
10 project as we envision it which is
11 basically a two-prong project, a
12 destination resort and the revitalization
13 of the downtown area so we really don't
14 make a distinction in that regard.
15 The third major topic is the
16 impact, what does all this mean in terms
17 of careers for the citizens of Indiana
18 and the surrounding communities, and what
19 does it mean in terms of revenues for the
20 state and local areas. The fifth topic
21 is a brief run through of our commitment
22 there. Bryce will handle that and again
23 speak a little bit about our history

1 there within the community. And finally,
2 certainly last but not least, is the
3 financing as to how we propose to put the
4 financial component of the overall
5 project together.
6 Mr. Tollman and Mr. Freedman
7 briefly went over the Alpha story I think
8 to give you a quick background as to what
9 Alpha Hospitality and Alpha Rising Sun is
10 composed of, but the other major player
11 to the team is the advent to the Bally
12 organization coming on board with us.
13 It's kind of as simple as an ABC type
14 thing.
15 Alpha plus Bally equals commitment
16 and capability, and we think we have put
17 those major components together now and
18 are very, very proud to have Bally's on
19 board with us. They're coming in as our
20 managers for the operations of the resort
21 and will be participating in a major way
22 with the financial component of the
23 development.

1 So I'd like to introduce at this
2 moment Lee Hillman, the executive V.P.
3 and chief financial officer of the Bally
4 Entertainment Corporation, the oldest
5 name in gaming.
6 MR. HILLMAN: Thank you, Tom. Good
7 morning, Chairman Klineman, Commissioners,
8 Executive Director Thar and the staff.
9 My name is Lee Hillman. I am executive
10 vice president and chief financial
11 officer of Bally Entertainment
12 Corporation. I appreciate the
13 opportunity to come before you today and
14 to discuss the Fulton's Landing project.
15 Our chairman, Arthur Goldburg,
16 sends his regards and apologies for not
17 being here today. He's on his way to our
18 annual shareholders meeting which begins
19 tonight in Las Vegas, and we're very
20 pleased with all of the reports that
21 we're going to be giving to our
22 shareholders later today and tomorrow.
23 In view of our position, Bally's

1 position, in the Fulton's Landing
2 project, which with your approval will
3 become manager, financer, and equity
4 partner in this project, I'd like to
5 provide you a brief overview of Bally
6 Entertainment Corporation.
7 This little graphic was produced by
8 one of our principal competitors,
9 Harrah's, and we're very appreciative of
10 them putting this together for us. What
11 this little graphic shows is that Bally
12 is one of the major six names, if you
13 will, in the gaming industry. We are a
14 major market leader both in the U.S. and
15 world wide.
16 The Bally name, of course, is world
17 renowned, and it is world renowned as the
18 oldest name in gaming but also as a
19 company which consistently delivers a
20 quality experience to our customers. We
21 have a proven success record of operating
22 multiple casinos and a depth of
23 management, which is we believe

1 comparable to anyone in the industry, and
2 a very large organization which in
3 addition to everything that we will show
4 you in the casino business also includes
5 a major fitness center business which is
6 some $700 million in revenues alone
7 including employing 200 people in the
8 state of Indiana.
9 Bally Corporation, which has been
10 New York stock listed for many years, is
11 a company with great financial stability,
12 management depth in which our principal
13 management in our casino group is some 15
14 years on average, ten years on average
15 with the Bally organization.
16 We have a significant customer
17 database as you see, and this is just in
18 the casino business, of some four million
19 plus regular customers in our database.
20 You might say in the fitness business we
21 have over four million health club
22 members. We have proprietary software
23 which enhances the Bally operating

1 capabilities which we believe are the
2 leading deliverer of operating
3 capabilities in the industry.
4 In terms of Bally's financial
5 strengths our revenues in the casino
6 business alone were nearly $1 billion in
7 1994, operating income of in excess of
8 $200 million in the casino business. As
9 I said, in addition to this there's
10 another part of our business which is
11 nearly, again, double the size.
12 In terms of balance sheet
13 considerations it's very important to
14 note that the company has nearly $200
15 million of cash as of December 31st; in
16 addition to that, almost $70 million of
17 unused credit lines available to us,
18 total assets of nearly $2 billion.
19 Bally's market capitalization is over a
20 half billion dollars which is up more
21 than five times in the last five years.
22 This map shows you the
23 jurisdictions in which we currently

1 operate. We are licensed in each of
2 these jurisdictions being Mississippi,
3 Louisiana, Nevada, of course, and New
4 Jersey. In New Jersey we operate two
5 major casinos, in Las Vegas Bally's Las
6 Vegas Resort, and tomorrow we will be
7 announcing a brand new resort in Las
8 Vegas. Our operations upcoming in New
9 Orleans and the re-opening of our
10 Mississippi property are something that
11 will happen this summer.
12 In terms of our gaming expertise in
13 the hospitality industry and in gaming
14 itself we employ over 13,000 people just
15 in the gaming side of our business. We
16 operate nearly 4,800 hotel rooms
17 presently, manage an enormous amount of
18 casino space, several football fields
19 worth, and slot machines and table games
20 to beat the band.
21 I'd like to give you a brief review
22 of some of the properties that we have.
23 I'll give you sort of a feel for those

1 properties. Bally's Las Vegas is the
2 principal convention hotel resort in Las
3 Vegas, Nevada. It operates at the corner
4 of the Strip and Flamingo Boulevard and
5 has some 2,800 hotel rooms.
6 We currently run occupancy rates,
7 and have for the past few years,
8 occupancy rates in the hotel of 95
9 percent, and the style of the property is
10 an upscale convention-hotel resort,
11 beautiful grounds, beautiful amenities
12 including a health spa for our customers,
13 the largest convention facilities in Las
14 Vegas, and a casino that is approximately
15 60,000 square feet.
16 This property is exciting for us in
17 that in addition to the property as it
18 now exists, in about two weeks we're
19 going to be opening the first monorail in
20 Las Vegas. This is a full transportation
21 system monorail, one of the former Disney
22 monorails, that will be running between
23 our property and the new MGM Grand resort

1 some half mile away.
2 The next property I'd like to show
3 you is Bally's Park Place in Atlantic
4 City. Bally's Park Place is one we refer
5 to as the money machine of Atlantic
6 City. It is the most profitable hotel in
7 the Atlantic City market and has been for
8 some 14 consecutive years. The property
9 leads in all financial categories in the
10 market including operating margins,
11 earnings with and without depreciation
12 and amortization, and every measure you
13 could throw up against a casino
14 operation.
15 It has more than 1,200 hotel rooms
16 and some 80,000 square feet of casino
17 space. It is the leading financial
18 producer in Atlantic City despite being
19 only the fourth or fifth largest casino
20 and some 40 to 50 percent smaller than
21 our largest competitor in that city.
22 We're very proud of Park Place, of
23 course.

1 Bally's Grand Atlantic City is a
2 very interesting property and, quite
3 frankly, our fastest growing property.
4 The Grand in Atlantic City is an upscale
5 casino-hotel resort with a newly expanded
6 casino of about 60,000 square feet, over
7 500 hotel rooms, and is a property which
8 it was just announced, we're very proud,
9 in 1994 became the property with the
10 highest win per square foot per day of
11 any casino in Atlantic City topping
12 Caesar's.
13 Going on, our newest property which
14 will be opening in at the end of June of
15 this year is Bally's Casino Lake Shore
16 Resort in New Orleans on Lake
17 Pontchartrain. This is going to be a
18 cruising riverboat which is now in the
19 water and having its final outfitting for
20 an opening the end of June. It will be
21 the largest cruising river boat in the
22 state of Louisiana and a property which
23 we believe is going to be an enormous

1 success and an enormous addition to the
2 New Orleans market and to Bally's overall
3 casino product.
4 Finally, Bally's Saloon and
5 Gambling Hall in Tunica County,
6 Mississippi, is a property which we were
7 one of the first properties to open in
8 Mississippi. We have recently suspended
9 that operation, and we are moving it and
10 will be re-opening it this summer at a
11 new location becoming the closest casino
12 to Memphis, Tennessee. Presently we are
13 the furthest casino from Memphis,
14 Tennessee in Tunica County.
15 This property is some 40,000 square
16 feet of casino space all on a single
17 level. The new project, already up and
18 operating, it has a 240 room hotel tower
19 which was part of the reason why we're
20 moving to the new property, and we're
21 very excited about the re-opening of this
22 property later this summer.
23 I'd like to give you just a couple

1 of comments about Bally generally
2 speaking, and that is with our expertise
3 in gaming and hospitality we think you
4 should also consider something else which
5 we bring to the table which is very
6 important to us. In fact, it is among
7 the most important things that we offer
8 to the communities in which we operate,
9 and that is in terms of employee
10 relations, training, and promotions, and
11 that goes to all phases of our society,
12 all people out there that are available
13 for promotion and hiring in the company.
14 We are very active in affirmative
15 action programs including minority and
16 women's programs both as employees and
17 vendors, the vendors to us. We have a
18 policy, a very strict policy, of hiring
19 locally and of significant community
20 involvement in each of the jurisdictions
21 in which we operate, and we hold to you
22 an investigation of that or any evidence
23 that you like.

1 We're very proud of our record in
2 the communities in which we operate.
3 We're very proud of our local hiring
4 record, and it's something that we
5 believe in not only as a matter of
6 commitment to Rising Sun and the
7 surrounding communities of southeast
8 Indiana, including Ohio, Switzerland,
9 Dearborn, Ripley, and Jennings County,
10 but it's a matter of policy which we
11 believe is good business practice.
12 In closing I'd like to just restate
13 our commitment to the development of
14 Fulton's Landing at Rising Sun, to the
15 people of Rising Sun and the surrounding
16 communities, to the state of Indiana, and
17 to you, the Commission and the staff, to
18 bring the finest in casino and
19 entertainment, which is Bally's
20 trademark, to Rising Sun, Indiana.
21 MR. ARO: Thank you, Lee. I hope
22 that pretty well summarizes why we're so
23 happy to be partnered up with Bally's

1 subject to the approval of the Gaming
2 Commission, not only their size and depth
3 and experience in the gaming industry but
4 their marketing expertise and their
5 employee track record which is the finest
6 in the industry.
7 The next slide coming up is the
8 project, the destination resort of
9 downtown revitalization. Mr. Joe
10 Emanuele from our architectural firm will
11 come in and take over this part of our
12 presentation. Joe has been the design
13 captain on the project from the get go,
14 and we think through his expertise and
15 his company's we have captured the
16 essence of what everyone is looking for
17 in Rising Sun.
18 MR. EMANUELE: Thank you, Tom.
19 Good morning, Mr. Chairman and members of
20 the Commission. My name is Joe
21 Emanuele. I'm vice president of David
22 Jacobson & Associates. I am honored to
23 present this project to you, Fulton's

1 Landing Resort, which I have been
2 involved in since July of 1993.
3 This project is much more than a
4 riverboat casino, much more than a
5 land-based hotel facility. It is an
6 entire revitalization of an existing
7 downtown community along with a major
8 development making this a full
9 destination resort.
10 The project goals, Fulton's Landing
11 Resort and Rising Sun, we want to make
12 this a world class destination resort and
13 Indiana's must see attraction as we
14 journey into the 21st century. The
15 project is of a size and magnitude which
16 will allow the revitalization of downtown
17 Rising Sun to happen simultaneously with
18 Fulton's Landing Resort and, again,
19 lastly, continuing the partnership as we
20 started from the beginning with the
21 people of Rising Sun throughout the
22 entire project.
23 David Jacobson & Associates, we're

1 nationally known architects, planners,
2 and interior designers, and we have
3 created over 60 casinos, hotel-casinos,
4 riverboat, dockside, and American Indian
5 casinos throughout the United States and
6 the Caribbean. As you can see, we've put
7 our name on 12 casinos. Some of them
8 were Bally's, Trump Plaza, Trump Castle,
9 and so forth. Several of them we are the
10 architects of record.
11 Early on we established a team
12 concept with consultants who are very
13 experienced with projects like Fulton's
14 Landing Resort who can get the job done
15 on time and on budget. This gives you an
16 example of the overall task with the
17 various members, D & J handling most of
18 the consultants in terms of the
19 land-based, Alpha handling the traffic
20 and legal and the procurement of the
21 riverboat which Tom will get into, and
22 Brown & Root Construction handling the
23 technical and engineering services.

1 Brown & Root, they will be the
2 project construction manager. They are
3 the largest engineering and construction
4 firm in the world, and they will also be
5 providing construction financing.
6 Forrest Jonren is here to answer any of
7 your questions and so are other members
8 of the team.
9 Some of the other members is MSE.
10 They will be providing civil, traffic,
11 engineering, and surveying. They are the
12 largest engineering and survey firm in
13 the state, and they are here located in
14 Indianapolis. Judd Marine will be
15 providing maritime site risk analysis and
16 marine safety plan services. They are
17 also from Indiana, and provided in your
18 booklets is a letter which states from
19 the physical inspection that our actual
20 site list is very minimal, and it's
21 explained in that booklet for you.
22 Lawson Fisher, they will be
23 providing marine engineering services.

1 They are also from Indiana. They have
2 prepared and submitted a Section 10-404
3 application to the U.S. Army Corps of
4 Engineers. Brookridge Environmental,
5 again, here in Indianapolis, they are
6 providing environmental consultant
7 services. They have prepared and
8 completed phase one environmental site
9 assessment for our project and have
10 provided in our booklets a letter which
11 concluded there are no environmental
12 concerns with our site.
13 This here is an overall aerial
14 perspective, and it explains to you our
15 concept of a Victorian pavilion
16 architectural concept which relates to
17 the surroundings. The site is located
18 adjacent to downtown Rising Sun along the
19 beautiful Ohio River and such things as
20 the riverboat terminal and hotel as you
21 can see the riverboat passing by.
22 The overall master site plan, it's
23 approximately a 150-acre site including

1 some area for future development. Access
2 to the site is from Route 56 which is
3 right here. We feel we will have a lot
4 of traffic to our site. However, traffic
5 is not the concern or the problem, it is
6 congestion, and from our traffic studies
7 Route 56 at its present level is adequate
8 for our project and traffic demand.
9 The first construction sequence is
10 our permanent recessed safe harbor
11 approximately 700 by 175. Included in
12 that would be boarding ramps and other
13 required amenities to put our riverboat
14 into operation. This can be completed in
15 four months from issue of certificate of
16 suitability from this Commission. Tom
17 Aro will get into more detail about the
18 riverboat itself.
19 Overall parking to be provided
20 totally on site, 200 guest parking
21 spaces, 400 employee parking spaces, 150
22 R.V.'s, and 9 buses. This also could be
23 constructed in four months. The

1 intention is most of our customers will
2 be entering Rising Sun from Route 56 and
3 will be able to go downtown by shuttle or
4 even perhaps horse and buggy from a
5 scheduled route from our downtown
6 entrance and also by walking along the
7 new river walk. The new river walk is
8 approximately in this area here. It
9 continues in this area of downtown Rising
10 Sun.
11 The next construction sequence is
12 the riverboat terminal with its own
13 porte-cochere, marine facilities with a
14 dock master, and other related bus and
15 patron amenities. This can be
16 constructed shortly after the safe harbor
17 and the parking construction.
18 The construction sequence will
19 continue with a 250 room hotel with its
20 own porte-cochere, a 1,200 seat showroom,
21 a two level movie theatre, restaurant,
22 enclosed swimming pool, outdoor tennis
23 and volleyball courts, children's day

1 care facility, and all other related
2 front house and back house amenities that
3 is required for a destination resort.
4 This will be constructed in 13 months
5 from the issue of certificate of
6 suitability.
7 This here is an aerial view of
8 downtown Rising Sun which is two blocks
9 long. Approximately 40 buildings are of
10 historical value which are suggested to
11 be revitalized. Due to the size and
12 magnitude downtown Rising Sun is planned
13 to be renovated simultaneously during the
14 same 13 month construction period.
15 This is what I refer to as Rising
16 Sun's past. I obtained this photo from
17 Jimmy Dorro who runs the Ohio County
18 Historical Society Museum. This picture
19 represents Main Street in Rising Sun
20 during its heyday when it was a busy
21 riverboat community for nearly half a
22 century into the 1920's.
23 This photo was taken by Jim Falley,

a local photographer in Rising Sun. Unfortunately the picture represents downtown Main Street in Rising Sun today with much less activity. This photo here is of Old Town, a shopping and entertainment attraction in Florida as previously mentioned.

This is our concept for what downtown Rising Sun will be with streetscapes, architectural amenities, and landscaping which will be identical to Fulton's Landing making this project a fully designed and organized destination resort for patrons and local residents to enjoy.

This slide is a rendering of Main Street in Rising Sun as it would appear after it was restored with our riverboat passing by on the Ohio River. Downtown Rising Sun is an existing streetscape which architects and designers try to re-create for our project. The lower rendering and photo is of Pavey's on the

1 corner of Poplar and Main, an existing
2 lawn care and equipment supply business
3 suggested to become a restaurant with an
4 outdoor cafe and a stop for the proposed
5 shuttle service.
6 This represents our feeling that a
7 golf course is an important amenity for a
8 full service entertainment destination
9 resort. Various 200-acre sites are under
10 review for development of a
11 state-of-the-art 18 hole championship
12 golf course which will be made part of
13 Fulton's Landing and Rising Sun's
14 destination resort development.
15 Job opportunities. With the
16 assistance of Brown & Root we have
17 obtained a teamwork agreement with
18 Dearborn-Ripley Building Trades Council.
19 I believe we're the only applicant who
20 has obtained such an agreement. A copy
21 of the agreement is in your booklet
22 also. We are also strongly supporting
23 local tradespeople with job

1 opportunities.
2 Governmental agencies. I guess
3 over the past two years our team has met
4 with many governmental agencies as
5 suggested who all see our project as
6 being favorable. We've met with such
7 people as Ann McMurray from Rising Sun
8 Municiple Utilities, Bob Jenkins from the
9 Indiana Department of Natural Resources,
10 and, again, we have completed, submitted,
11 and received a file number for a Section
12 10-404 application to the U.S. Army Corps
13 of Engineers.
14 Development costs. As you can see
15 here, land and land-based facilities is
16 approximately almost $39 million; F, F
17 and equipment, 11 and a half;
18 architectural engineering, five million;
19 off-site restoration of park, four
20 million, that involves three and a half
21 million for the restoration of downtown
22 Rising Sun and half a million dollars for
23 a community park; pre-opening costs,

1 seven million; riverboat casino equipment
2 and casino equipment, just under $30
3 million bringing this project to
4 approximately $96 million. With
5 additional bankroll and working capital
6 the total development cost is over $100
7 million.
8 In conclusion, Fulton's Landing,
9 the resort project, and Rising Sun in
10 Ohio County represents truly what gaming
11 in the United States should be, and that
12 is revitalization of existing
13 communities, involvement of people,
14 people like developers, designers, and
15 people in the community, many other
16 elements including revenues which will be
17 further explained in this presentation.
18 This is truly Americana as you must have
19 felt per your recent visit to Rising
20 Sun.
21 I would like to paraphrase a
22 familiar saying as it relates to this
23 project and the Commission. Ask not what

1 Fulton's Landing and Rising Sun needs
2 from you. Ask what Fulton's Landing and
3 Rising Sun will do for the people of the
4 state of Indiana. Thank you for letting
5 me present this project to you, and now
6 I'll give it back to Tom.
7 MR. ARO: Thanks, Joe. Again, just
8 real quickly I think you can see we tried
9 to capture the input that we got from the
10 local community, and we think we've
11 created an absolutely exciting
12 destination resort for Rising Sun.
13 The one element Joe did not touch
14 on that is obviously a key element in the
15 overall project down there is the vessel
16 itself. We just recently completed an
17 option with the Keel Riverboat people.
18 We have an option on a 293 by 74 foot
19 three deck gaming vessel.
20 There is a brief stat sheet in your
21 book that gives you some of the figures
22 on that. I think the key numbers are
23 though that the vessel itself is capable

of carrying 2,500 people, and it will have in excess of 1,500 gaming positions. So we feel pretty happy about that so we have the final piece of the puzzle, as we see it, locked up.

This rendering right here, or photo actually, is a sister ship to the one we've just cut our deal on, and it will be very similar to that so we believe that we've made a major step forward, again, on putting a major piece together.

Okay. The next major title of our presentation is the impact, what is this all really about when you really try to step back and see what the impact of this is. First area I would like to touch on is new jobs.

Our studies indicate -- and these have been conducted by the people at Urban Systems who have done an awful lot of work for us -- that the resort itself will produce 1,386 jobs with a payroll of

1 29 million. The multiplier for ripple
2 effect type jobs we estimate to be in the
3 neighborhood of 600 plus jobs for another
4 11 million. These are ongoing. These
5 are not one-time shots. This is
6 something that should continue on as we
7 go through time.
8 There's been talk -- I've been to
9 most of the presentations before, and I
10 know you folks have gotten questions from
11 the audience on types of jobs and so
12 forth that this type of activity brings
13 to a community. It is quite varied.
14 It's almost like a city within a city.
15 And these are not necessarily all hourly
16 type jobs. They're jobs with a career
17 line, and they touch on virtually every
18 area that you could imagine within a
19 community itself.
20 We'll certainly have several in the
21 operational areas. We'll have banking
22 type jobs, maritime law enforcement
23 related activities, certainly a great

1 deal of sales and marketing activities.
2 Also within the hospitality element
3 there's just numerous career
4 opportunities there, and what we've tried
5 -- in your booklets, again, I believe
6 you'll find a little more expanded list
7 on the types of jobs that will become
8 available.
9 And there's one statistic that I
10 would kind of like to touch on. I know
11 we are running a little close on time,
12 but, again, in your booklets there's a
13 five year payroll projection by major
14 department, and if you add up the five
15 years we're looking at $155 million in
16 payroll dollars going into the community
17 over a five year span so that's a pretty
18 significant number in any community.
19 Okay. In terms of tax revenues and
20 direct cash benefits to both state and
21 local agencies, our first year numbers,
22 again, these are based off of numbers
23 that Urban Systems worked with us in

1 developing so it's not something we just
2 grabbed out of the air. These have been
3 under quite a bit of scruitny by
4 ourselves and outside review.
5 But, again, in your book there's a
6 detail as to where these taxes are coming
7 from, but the slide summarizes it: 31
8 million from gaming and sales taxes,
9 seven million and change from property
10 taxes, our foundation contribution is
11 three million, and the one-time community
12 investment that we've touched on before
13 three and a half million for the downtown
14 restoration and the 500,000 we committed
15 for the community park for a first year
16 total of $45 million. And, again, there
17 in your book it shows you how we came up
18 with those numbers.
19 If you look out over the five year
20 span the numbers get absolutely
21 staggering, but they are very real. The
22 same categories when you add them all up
23 come to a grand total of $227 million

1 plus. Again, the components are broken
2 down in your book as to how that was
3 arrived at, but just the impact not only
4 in terms of employment but in terms of
5 tax revenues are mammoth, and it should
6 be just a fantastic investment for
7 everybody concerned.
8 The less quantifiable impacts that
9 will come as a result of this but are
10 certainly very real, again, Lee touched
11 on it with Bally's experience in terms of
12 developing local vendors and utilizing
13 them absolutely wherever possible is
14 something that we certainly have
15 demonstrated for our two years there
16 already, and we will continue. We've
17 been active participants in local
18 community events and charitible events,
19 and we would certainly continue on being
20 an active partner within the community.
21 The town and resort certainly will
22 be included in all our advertising
23 programs, and what the spinoff from that

1 is it's difficult to quantify, but, you
2 know, there has to be some pluses coming
3 from that.
4 And one other thing that we think
5 will work well with the revitalization of
6 the downtown area, at Old Town we have a
7 program called merchant dollars wherein
8 the hotels that we own and operate, the
9 guests coming through there, they're
10 given merchant dollars. It kind of draws
11 them into the shopping centers, and we
12 think that same type of program will work
13 well here.
14 That's kind of a quick run through
15 of the impacts, but the next speaker that
16 I'd like to bring up, our next two
17 speakers actually, as I mentioned early
18 on I think are special speakers, and it
19 embodies our commitment to the community,
20 and I think these two speakers embody
21 what the legislation was all about in
22 terms of young people. So I'd like to
23 introduce Regina Hensley to give you a

1 basic overview of the educational
2 foundation.
3 MS. HENSLEY: Thank you. My name
4 is Regina Hensley. I am the assistant to
5 Mr. Tom Aro, president of Alpha Rising
6 Sun, Inc. I have been working in
7 Mississippi since Alpha Hospitality
8 purchased the company. I began working
9 for Mr. Aro almost immediately assisting
10 him in the (Inaudible).
11 In May of 1993 the opportunity for
12 gaming in Indiana looked like a real
13 possibility. Being from Indiana Mr. Aro
14 asked for my input and suggestions. I
15 have been deeply involved with the
16 project ever since helping with
17 everything from town hall meetings, job
18 fair and voter registration festival, and
19 the development of the educational
20 foundation. That is why I am here today,
21 to share with you my vision of the Alpha
22 Foundation.
23 As a former educator I have seen

1 the needs of various school districts.
2 As a graduate of Brookville High School I
3 have experienced the needs of Indiana
4 high schools personally. Over a year ago
5 we sat down and tried to figure out a way
6 to share the money needed for planning
7 with neighboring counties.
8 In addition to participating in the
9 city's share the wealth program we at
10 Alpha wanted to do something more for the
11 residents of Ohio County, Indiana. Many
12 ideas were kicked around, but the
13 addition of the educational foundation
14 program seemed to be something that would
15 reach many people.
16 As the foundation was developed a
17 decision was made to contribute 50 cents
18 from every paid admission from Fulton's
19 Landing to education. Since a majority
20 of our employees will come from a 50 mile
21 radius the counties of Franklin,
22 Jennings, Ohio, Ripley, and Switzerland
23 were chosen as the target areas for the

1 foundation.
2 We thought the best way to involve
3 the community in the foundation was to
4 invite educators to participate on the
5 board of directors along with
6 representatives from Alpha. We estimate
7 that $1 million will be contributed to
8 the Alpha Foundation during the first
9 year of operation and over five million
10 in a five year period.
11 Over the last few weeks I have had
12 the opportunity to speak in person and by
13 phone with many superintendants and
14 principals in the five county area. I
15 shared with them our vision of the Alpha
16 Foundation. Their enthusiasm for the
17 foundation was overwhelming.
18 I asked each of them what things
19 are needed to make the education in these
20 counties better. Some lists were long,
21 some short, but all similar, moneys for
22 the continuation of Red Ribbon Week,
23 upgrading of computer software, library

1 books, upgrading of science labs, reading
2 program enhancement, remedial and gifted
3 program enhancement, stay in school
4 programs, and above all scholarships for
5 graduating seniors. The Alpha Foundation
6 was created to bridge just these kinds of
7 gaps.
8 One educator I spoke with called
9 southeastern Indiana the forgotten
10 corner. We at Alpha would like to take
11 away the word forgotten and replace it
12 with the word successful. As future
13 employees the success of these students
14 will be linked directly to Fulton's
15 Landing. As future leaders their
16 successes will be linked directly to
17 southeastern Indiana. Through the Alpha
18 Foundation we believe that with these
19 students success will become a way of
20 life. Thank you.
21 MR. ARO: Thank you, Regina. Our
22 next speaker just to quickly go through
23 what our involvement and commitment in

1 the community has been is Bryce
2 Kendrick. Bryce is from Rising Sun,
3 Indiana.
4 MR. KENDRICK: Thank you, Mr. Aro.
5 Chairman Klineman, members of the Indiana
6 Gaming Commission, Executive Director
7 Thar and staff, my name is Bryce
8 Kendrick, and I can't tell you how much I
9 am honored that Alpha Rising Sun,
10 Incorporated gave a local man like me the
11 chance to speak to you today.
12 I am a life long resident of
13 southeast Indiana, grew up in Greendale,
14 went to school in Lawrenceburg, two towns
15 I'm sure you're very familiar with by
16 now. After graduating from Ball State
17 University in 1990 with a degree in
18 telecommunications I got a job as sports
19 director at a local radio station in Ohio
20 County. Yes, I was actually one of the
21 very few people who drove to Ohio County
22 to work everyday.
23 Shortly after that my wife and I

1 moved to Rising Sun in 1991. We have a
2 two and a half year old son nicknamed the
3 Terminator and a five month old baby girl
4 who will absolutely melt your heart.
5 Rising Sun and Ohio County have
6 come a long way in trying to earn one of
7 the state's five riverboat licenses on
8 the Ohio River, a journey that began
9 nearly two years ago. One of the first
10 organizations to come to our scenic river
11 town was Alpha Hospitality Corporation in
12 June of '93. Alpha officials were in awe
13 of the area's rolling hills, the serenity
14 of the gently flowing Ohio River, but
15 most of all of the genuine kindness that
16 was abundant in the people in the place
17 that I'm proud to call home.
18 Alpha was so impressed with Rising
19 Sun and Ohio County the company never
20 considered another site. Since that time
21 Alpha Rising Sun's Fulton's Landing
22 destination resort has continued to set
23 the standard for quality and commitment

1 for other gaming companies to follow.
2 Alpha was the first company to
3 offer three and a half million dollars
4 for downtown restoration, the first
5 company to offer $500,000 for a city
6 park. They were the only company to be
7 rated number one in two separate
8 evaluations by the city, the only company
9 to hold multiple city and county meetings
10 on gaming as well as, the people know,
11 Alpha was the only applicant to support
12 the Ohio County referendum.
13 But the two most distinguishing
14 factors are that Alpha Rising Sun is the
15 only applicant to offer a multicounty
16 revenue sharing plan with money
17 designated exclusively for education, and
18 Alpha is the only Ohio County applicant
19 past or present who had a company
20 executive in town everyday to meet and
21 talk with the people.
22 This person to person, face to face
23 contact has been Alpha Rising Sun's

1 trademark from the very beginning,
2 sharing and exchanging thoughts and ideas
3 on how two entities could best work
4 together to revitalize what was once a
5 thriving river city, and I can tell you
6 the people of my community have been very
7 grateful to Alpha for always sticking by
8 them. Alpha is part of the family.
9 I think what really created this
10 unique, inseparable bond between Alpha
11 and the people of Rising Sun were the
12 multiple strategy sessions held in our
13 office in preparation for the gaming
14 referendum. Alpha and city officials
15 along with a strong and determined group
16 of local residents did everything they
17 possibly could to bring Fulton's Landing
18 destination resort one step closer to
19 reality.
20 Their hard work and tremendous
21 efforts paid off as the Ohio County
22 November 1993 referendum passed by the
23 largest margin of any county on the Ohio

1 River. Those initial meetings have
2 created a grass roots organization to
3 promote Ohio County's destination resort
4 proposal. I think you have heard of
5 them, Rising Sun First.
6 The number of the group's cross
7 section have grown to over 400 members
8 strong. Their spirit and determination
9 to bring more than just a riverboat to
10 Ohio County has been unmatched in the
11 state, and Alpha is very proud to have
12 been the only company to have stood
13 beside them from the very beginning.
14 In fact, before we left Rising Sun
15 one member told me Don't worry, You know
16 who we're pulling for. The mutual
17 admiration between Alpha and Rising Sun
18 First runs very deep. Those feelings can
19 neither be denied nor disputed.
20 Alpha has supported nearly 50 local
21 activities, events, and organizations
22 since its arrival in June of '93, whether
23 it be financially, with marketing, or

1 with manpower. Scholarships, school
2 activities, youth and civic projects,
3 parades and festivals have all benefited
4 from this company's caring devotion to
5 the people it represents.
6 And while the businesses in Ohio
7 County may not be large in number Alpha
8 went out of its way to buy from local
9 merchants. There is not another gaming
10 company in the entire state that has
11 shown the commitment to the people it
12 represents like Alpha has shown to the
13 people of Ohio County.
14 Alpha has earned the people's
15 respect, their trust, and their
16 friendship by making them a partner of
17 Fulton's Landing in Alpha Rising Sun. It
18 was their ideas, their concerns, and
19 their suggestions that made Fulton's
20 Landing destination resort what it is
21 today. It's not only Alpha's project,
22 it's the people's project.
23 On a personal note let me share

1 with you what Alpha has meant to me.
2 When Mr. Aro hired me in 1993 his initial
3 thought was to have me provide the
4 company with news and information about
5 the city and occasionally answer some
6 questions, but much to my satisfaction
7 the job became more.
8 The company has allowed me to use
9 and enhance the skills I learned in high
10 school and college. I've done press
11 releases, radio and newspaper ads. I've
12 done traffic studies, interviewed people,
13 analyzed applications, prospects, and
14 marketing studies. I even met with
15 potential suppliers to learn more about
16 their products and services.
17 But, most importantly, Alpha has
18 given me the opportunity to express my
19 thoughts, my opinions, and my ideas.
20 They listen to what people have to say.
21 They encourage you to make a
22 contribution. Alpha Rising Sun gives the
23 people a chance to explore their talents

1 and use them to their fullest extent.
2 That is what makes the company
3 successful, and that is what makes it a
4 pleasure to come to work every day. I'm
5 hoping that nearly 1,400 other people
6 like me will get the same opportunity to
7 work for these people. I hope that 1,400
8 other people like me will get to hear
9 their supervisor say What do you think,
10 What is your opinion.
11 I'm hoping Ohio County will be able
12 to use the talents of its high school and
13 college graduates instead of exporting
14 nearly all of them to other counties or,
15 worse yet, out of state. It's time for
16 the people of Rising Sun and Ohio County
17 to come home. Things are finally moving
18 in the right direction for a community
19 that has suffered through one
20 disappointment after another.
21 Promises of economic recovery have
22 come and gone, but since Alpha arrived in
23 June of '93 the people of my community

1 are enthusiastic, rejuvinated, and want
2 to make things happen. For example, the
3 local business and professional
4 association which meets in our office now
5 plans for six major events a year instead
6 of just one.
7 When the referendum was passed you
8 have to understand the people of Rising
9 Sun were not voting just to allow gaming
10 into their community. These people were
11 voting on a vision, voting for a
12 destination resort they very much helped
13 to create. The signs and flyers posted
14 throughout the county said Vote Yes for a
15 Destination Resort.
16 Together we passed the referendum.
17 Together we put Rising Sun and Ohio
18 County on the map. Together we shaped
19 and molded Fulton's Landing into a world
20 class destination resort. And with your
21 approval we will go forward together and
22 complete the vision the people of Ohio
23 County and southeast Indiana have so

1 proudly supported for the last two
2 years.
3 So, my fellow citizens, on behalf
4 of Alpha Rising Sun, Incorporated I thank
5 you for the tremendous support you've
6 given this company since day one. Your
7 efforts have been greatly appreciated,
8 your suggestions and comments have been
9 insightful, your friendship and
10 camaraderie have been invaluable.
11 We've been an unbeatable team for
12 the last two years, and, members of the
13 Commission, I am asking you to cast your
14 support for the company that has and will
15 continue to dedicate itself to the people
16 it represents. Yesterday we had a
17 vision. Tomorrow we'll have our future.
18 Alpha Rising Sun, Incorporated will not
19 let you down. Thank you.
20 MR. KLINEMAN: Mr. Frick, I know
21 when you're having fun time goes fast,
22 and you are running out. How much
23 longer?

1 MR. ARO: About five more minutes.
2 MR. KLINEMAN: You're going to get
3 into the financing so I think I'll grant
4 you that time.
5 MR. ARO: Thank you very much. We
6 are trying to speed it up. Coming to the
7 final element is the financing. I think
8 we do have a wonderful team together.
9 We've got a great project, and I think
10 we've demonstrated our commitments. So
11 how do we put this all together from a
12 financial perspective, and to walk us
13 through that we'll start with Eric
14 Bashford of RAS Financial Securities.
15 MR. BASHFORD: Good morning. I'm
16 Eric Bashford. I'm the director of
17 investment banking at RAS Securities.
18 Our firm is a firm that focuses on middle
19 market financing. Over the last three
20 years we have completed over 40 offerings
21 on both a public and private basis
22 raising something over $5 billion.
23 The Rising Sun facility is one that

1 we expect will generate $153 million in
2 revenues in the first year with operating
3 earnings of some $56 million. This was
4 principally developed, these projections
5 were developed, as a result of our study
6 commissioned with Urban Systems, and it's
7 interesting to note that some 80 percent
8 of these revenues are expected to come
9 from people from Ohio and Kentucky so
10 these are out of state revenues that are
11 coming in to contribute to the local
12 economy.
13 Project cost at Fulton's Landing is
14 some $100 million. The original
15 financing plan for this called for an
16 interim cash flow, if you will, that
17 would come from the operating profits in
18 the first nine months which we projected
19 to be some $29.7 million actually in net
20 cash flow over the first nine months on
21 $103 million in revenues.
22 In addition, the original financing
23 plan called for a $50 million net private

1 placement of subordinated convertible
2 debentures. These would be sold by us to
3 major institutional investors in the
4 United States. The fact that Alpha is a
5 public company significantly adds to the
6 viability of getting this round of
7 financing completed.
8 In addition, the plan called for a
9 $30 million placement of a first mortgage
10 and equipment financing. As you may be
11 aware, the vendors of gaming equipment
12 will supply almost 100 percent financing
13 for the equipment, slots, etc., that they
14 provide into the casino operations.
15 In addition, bank financing is
16 readily available from major
17 institutional banks, commercial banks in
18 the United States on a mortgage basis.
19 It's a very conservative amount of
20 financing we've projected here relative
21 to the total size of this project.
22 If you note, the financing plan
23 that we have in place as originally

1 projected shows that the interest
2 coverage ratios are some five to one.
3 Standard in the industry is roughly two
4 to one on these ratios. That means about
5 five dollars is available to cover each
6 dollar required in debt service. This is
7 a very, very conservative plan.
8 Of course, the world has changed
9 with Alpha Hospitality signing the casino
10 management agreement with Bally on
11 February 27th. Bally certainly added an
12 additional significant dimension to the
13 plan which increases the liklihood and
14 attractiveness of the overall financing.
15 In addition to Alpha's equity
16 commitment of $10 million to the Rising
17 Sun project, of which $2 million has
18 already been spent to date, Bally has
19 committed to put some $31 million in
20 equity into the project. This equity
21 consists of some $10 million in
22 development, preopening, and cash and
23 bankroll requirements, a million dollars

1 for a partnership interest, and $20
2 million in the form of nonvoting
3 preferred equity which carries a
4 cumulative dividend of prime plus three.
5 It has a priority return from cash flow
6 on the project.
7 This funding that Bally's committed
8 to us to funding in this transaction will
9 allow the development and construction
10 work to commence immediately upon the
11 issuance of the certificate of
12 suitability by the Indiana Gaming
13 Commission.
14 At this point I'd like to
15 reintroduce Lee Hillman, executive vice
16 president and CFO of Bally's who will
17 talk a little bit about Bally's
18 experience in raising capital for these
19 kinds of projects.
20 MR. HILLMAN: Thank you very much.
21 In the interest of time I could just tell
22 you that we're going to come up here and
23 write the check, which we have the

1 ability to do, but you want something
2 that is thoughtful and something that
3 really demonstrates that we know what
4 we're doing.
5 Bally has done in the last two
6 years some $1.5 billion in financing that
7 is on balance sheet and an additional
8 approximately $100 million of off balance
9 sheet financing in terms of equipment
10 financing and leases relative to our
11 casino projects. As was just stated,
12 Bally has committed some $31 million of
13 equity to this project, and,
14 Commissioners and staff, we have provided
15 you a letter from our chairman which
16 details that $31 million commitment.
17 What is significant though in
18 bringing this together is that the vessel
19 and equipment financing which was spoken
20 about is something that is readily in
21 place for us. We have done these types
22 of transactions very recently. In fact,
23 the format, the structure we are using

1 for this project, is similar to what we
2 have used in Mississippi and New Orleans,
3 our two most recent projects.
4 Those are based on Bally's raising
5 of an equity fund nearly two years ago
6 which provides the initial equity
7 financing and back stops our ability to
8 complete the projects. We go out and we
9 put together the construction financing
10 together, join it with our equity
11 dollars, build the projects, and then as
12 it becomes advantageous we then replace
13 that financing with permanent long-term
14 financing at the most economically
15 advantageous rates. We believe it's the
16 smartest way to do business, and that's
17 really what we're all about, trying to
18 make money for this project.
19 While I'm up here what I'd like to
20 do is bring up a gentleman by the name of
21 Todd Kaplin who is a managing director of
22 Merrill Lynch and our financial advisor
23 just to make a couple of comments.

1 Merrill Lynch has joined us, and I'd like
2 Todd to make one or two statements here.
3 MR. KAPLIN: Thanks, Lee. I'll
4 just take a couple of quick moments to
5 comment on what Merrill Lynch brings to
6 the team here today. Many of you know
7 the name Merrill Lynch I'm sure. We're
8 the biggest broker in the entire
9 country. What you may not know is that
10 we have raised more capital for U.S.
11 companies every year for the past seven
12 years running.
13 I'm delighted to be invited here
14 today to work once again with my friends
15 at Bally. As a market leader in their
16 field we have been pleased to help them
17 raise the preponderance of that billion
18 and a half since the beginning of 1993 in
19 a variety of different formats and
20 venues.
21 Having reviewed the facts and
22 circumstances of this project extensively
23 with the team here I think we're very

1 comfortable at Merrill Lynch that there
2 are a variety of different ways and means
3 for us to put together the 60 odd million
4 of permanent financing once the project
5 gets going, and we are sure that whether
6 that be public, private, secured,
7 unsecured, what have you there will be a
8 variety of different alternatives to
9 pursue at the appropriate time.
10 MR. HILLMAN: Just finishing up,
11 the financing, some $31 million in
12 present financing, is already in place in
13 back stop for the construction of the
14 land-based piece already committed to by
15 the construction company, Brown & Root, a
16 subsidiary of Talbott Corporation, one of
17 the major corporations in America. So we
18 feel comfortable with the financing here
19 and believe it presents you with a
20 project which is structured in the manner
21 it should be. Thank you very much.
22 MR. ARO: Just summing up again
23 very quickly -- and I appreciate the

1 extra minutes, Mr. Chairman -- we think
2 we have put together an absolute first
3 rate team to pull this project off, and
4 we think we've developed a project that's
5 responsive to the community and to good
6 business sense.
7 I think we have demonstrated our
8 commitment by our activities over the
9 past two years, and I believe with the
10 advent of Bally and Merrill Lynch we have
11 certainly put the financial piece in
12 place here. So that coupled with our
13 boat I think we're ready to go, and we're
14 ready to move as quickly as you folks
15 are, and I thank you very much for your
16 time and attention, and I guess we'll go
17 to Q and A. Thank you.
18 MR. KLINEMAN: Thank you very much
19 for that presentation. I appreciate it.
20 I guess we need to start off where you
21 people ended which is in the financing
22 package. I really want to understand
23 what Bally is willing to do black line,

1 bottom signature for this project. I
2 guess I appreciate Mr. Merrill Lynch
3 saying, you know, he's confident. I want
4 to know what Bally is putting into this
5 project without strings, without an
6 equity position so that we can consider
7 the financing package.
8 MR. HILLMAN: Mr. Chairman, we are
9 committed to this program and this
10 project, and we are willing to finance
11 the project entirely. We felt it was in
12 everyone's interest to present the
13 structure which we believe is most
14 advantageous which calls for the $31
15 million of equity moneys going in, but
16 Bally is committed to this project and
17 will provide financing for this project
18 in its entirety as necessary.
19 MR. KLINEMAN: We're looking to
20 Bally at this stage as its financing
21 entity as if you were Chase Manhattan or
22 Bank One or whoever. Am I looking to the
23 wrong pot?

1 MR. HILLMAN: You can look to that
2 pot, if you will. That's fine to look to
3 that pot. We're willing to stand in as
4 that pot.
5 MR. KLINEMAN: Then I would want to
6 know what are the terms of the financing
7 package, the complete package. I
8 understand the 31 million. I guess I
9 understand it. But can you bring us
10 forward from the 31 million into the rest
11 of the money that is required by the
12 project and give me some feeling that
13 this is an unconditional commitment on
14 behalf of Bally's irrespective of what
15 other position you might later attain in
16 this project?
17 MR. HILLMAN: It is an
18 unconditional commitment to the project.
19 The structure that we've shown you which
20 is inclusive of the vessel financing, the
21 equipment financing, and the construction
22 financing are things that we've put in
23 place already in developing this

1 project. This is something we do day in
2 and day out every year.
3 So I could tell you that I wasn't
4 going to use that financing and just
5 write the check myself, and I would do
6 that if I had to, but I already have this
7 available to me. It is in place. These
8 are all organizations and companies and
9 vendors that we have used before on many
10 projects.
11 Again, I can show you what we did
12 in New Orleans. I can show you what we
13 did in Mississippi. We built those
14 projects ourselves with our own money.
15 However, using construction financing is
16 just -- it's something that is available
17 just out of the normal course. We are
18 committed to this project. We will write
19 the check if that's what is necessary.
20 MR. KLINEMAN: Well, it doesn't
21 upset me that you might not write the
22 check yourself. It leaves me still not
23 completely satisfied unless I hear that

1 you are, for instance, going to guarantee
2 whatever borrowing that needs to be
3 done.
4 MR. HILLMAN: We have to -- I'm
5 sorry.
6 MR. KLINEMAN: And I don't see
7 anything in writing that tells me --
8 MR. HILLMAN: In order to do the
9 financing that we've talked about in
10 terms of the equipment financing, the
11 vessel financing, the construction
12 fincancing, those carry Bally guarantees
13 with them to those financing sources so
14 that is without saying. We've done that,
15 again, in Louisiana and Mississippi
16 situations. We would do that here.
17 Those will carry Bally guarantees. As I
18 said, we would write the check if we had
19 to. That means if we do the financing we
20 will guarantee the check.
21 MR. KLINEMAN: Well, I saw Mr.
22 Goldburg's letter, but I didn't see
23 anything in there saying We will

1 guarantee.
2 MR. HILLMAN: We can give you
3 another letter. We thought that letter
4 was directed to a particular issue that
5 we were attempting to deal with at the
6 time, but we'll give you another letter.
7 MR. KLINEMAN: Okay. But you
8 orally here represent that whatever
9 financing is required Bally will supply
10 it --
11 MR. HILLMAN: I do.
12 MR. KLINEMAN: -- or guarantee it
13 so it can be supplied. And then we next
14 need what the terms of this -- and if it
15 is unconditional it needs to so state.
16 What are the terms of this commitment by
17 Bally? What is necessary to put this
18 financing in place?
19 MR. HILLMAN: We will provide you a
20 letter with all of that as you now
21 request it. The terms would be similar
22 to the preferred financing that you see
23 in the letter that you have today.

1 MR. KLINEMAN: That would be as has
2 been suggested by --
3 MR. HILLMAN: Yeah, People's 3.
4 MR. KLINEMAN: Cumulative dividend
5 of prime plus three. Then we get into
6 the priority return of contributed equity
7 from the development operation operating
8 in capital cash flow. In other words,
9 you would start to get repaid after some
10 prior charge?
11 MR. HILLMAN: Out of the cash flows
12 of the operation.
13 MR. KLINEMAN: And is there a
14 percentage or just total?
15 MR. HILLMAN: Out of the cash flows
16 leaving obviously whatever needs to be
17 done for capital expenditures, etc. It's
18 standard terms that we've used on
19 projects before.
20 MR. KLINEMAN: I would like to see
21 some pro forma how this thing would work
22 out. Are we going to end up with an
23 entity that is building up a retained

1 earnings, or are we going to end up with
2 an entity that won't be any bigger five
3 years from now than it is today?
4 MR. HILLMAN: It would be building
5 up earnings quite considerably, quite
6 frankly, and you're talking about without
7 equity was your original statement to
8 us. Without equity means that everything
9 can't be left in. Equity would leave the
10 money into the project. If that is an
11 equity position it would build it up on
12 the books that much faster, but in terms
13 of real value you'll have an enormous
14 growth of retained earnings on this.
15 MR. ARO: In our Part II filings
16 and our pro formas that were developed
17 along with the Urban studies at that time
18 we had a financing component built into
19 that, but even if it went to 100 percent
20 financing such as we're suggesting now
21 that would still leave considerable
22 earnings at the end of the day for the
23 venture.

1 So kind of echoing what Lee has
2 said, the balance sheet of the venture
3 would certainly be growing in health and
4 prosperity as we go through time. It
5 wouldn't be taking the last nickel out of
6 the operation by any means. It would be
7 a very solid, substantial entity.
8 MR. KLINEMAN: Anyone else want to
9 get into the financing while we're on
10 this aspect of it? Mr. Thar?
11 MR. THAR: This letter that you are
12 referring to to Mr. Tollman is of May 10,
13 1995, with regard to the financing
14 commitment. Is that the letter being
15 referred to?
16 MR. TOLLMAN: Yes.
17 MR. THAR: So that letter was not
18 submitted so it could be analyzed by our
19 analysts?
20 MR. TOLLMAN: No, just to show --
21 MR. THAR: So the financing set
22 forth in this letter is not the financing
23 originally set forth in the application?

1 MR. TOLLMAN: Correct.
2 MR. ARO: Again, we tried to touch
3 on that. We tried to touch on that in
4 the presentation. Eric Bashford touched
5 on that as to what was in our Part II
6 filing back in January of 1995. Our view
7 of the world and how the financial
8 components could be constructed was as
9 presented to the Commission.
10 With the advent of the Bally
11 organization coming into the mix it
12 certainly changed the potential way to
13 structure that part of the deal, and that
14 is what we were trying to present today
15 is trying to walk you from where we were
16 back in January to where the reality is
17 today.
18 MR. THAR: I understand. You
19 understand we have had no opportunity to
20 analyze this financial package, that we
21 have spent a considerable amount of time
22 analyzing an outdated financial package.
23 MR. ARO: I think two things we

1 were trying to convey, that with the
2 advent of Bally it certainly enhances the
3 project's ability to secure more
4 favorable terms and financing. Is the
5 existing financing still doable? Yes,
6 and I think Eric spoke to that. That is
7 a doable program, but it's not
8 necessarily the most logical one to do in
9 light of today's reality.
10 MR. THAR: As I read the letter of
11 May 10th it is conditioned on Bally
12 having an equity position; is that
13 correct?
14 MR. HILLMAN: No, it is not.
15 MR. KLINEMAN: We need to identify
16 the people who are going to answer.
17 We're going to have this problem
18 continuously.
19 MR. HILLMAN: You asked me for an --
20 MR. KLINEMAN: Why don't you state
21 your name one more time.
22 MR. HILLMAN: Lee Hillman. You
23 asked me for the unconditional guarantee

1 of Bally, and I gave that to you. The
2 letter in the context the letter was
3 written is a different context than the
4 question that was asked earlier so in
5 responding to you, Director Thar, the
6 answer is that the way the letter is
7 prepared is regarding a preferred equity
8 position.
9 MR. THAR: I understand that now,
10 but throughout the presentation you had
11 spoken of "Bally as our partner." That's
12 been the whole theme of the presentation
13 aside from the letter so the funding as
14 I'm hearing it is, in fact, conditioned
15 upon Bally being allowed to come in in
16 some ownership position.
17 MR. HILLMAN: No, or manager.
18 MR. THAR: That is a different
19 issue. Gaming operation manager is
20 totally different.
21 MR. HILLMAN: Let us start from
22 that point. When you speak of partner,
23 there are partners and there are

1 partners, and we are willing to come in
2 as manager of this project and financer
3 on this project with your approval. If
4 the approval extends further that we can
5 take an equity position we are ready to
6 do so. We would hope it would be very
7 attractive to you that we would be
8 willing to put our equity dollars into
9 this and make that kind of commitment to
10 the project.
11 MR. THAR: Then to get back to
12 Chairman Klineman's question, what is the
13 financing package assuming no equity
14 position in the project for Bally's?
15 MR. HILLMAN: Assuming that we are
16 managers of the project and assuming that
17 we are approved as financers of the
18 project, is that what you're are asking?
19 MR. THAR: Assuming only that you
20 agree to provide financing, that's it,
21 not that you're a manager, not that
22 you're an equity partner, what is the
23 unconditional agreement of Bally's?

1 MR. HILLMAN: Bally will finance
2 the project.
3 MR. THAR: Now, to go the same way
4 Chairman Klineman was going, what would
5 be the interest rate? What are the terms
6 of the loan? How much are you willing to
7 finance, and where is it going to come
8 from?
9 MR. HILLMAN: Where it would come
10 from, you saw that we have significant
11 cash on hand already in terms of equity
12 dollars -- sorry, not equity dollars,
13 credit, additional credit availability.
14 That is also at our hands. In terms of
15 the specific terms I will -- as I told
16 the Chairman, I will present you with an
17 additional letter of specific terms of
18 the financing, but they will be similar
19 to the terms of the letter that you have
20 in front of you.
21 MR. THAR: But you don't have that
22 information today?
23 MR. HILLMAN: I just told you it

1 would be similar to the terms that you
2 have in that letter today.
3 MR. THAR: Okay. That's all I have
4 on the financing.
5 MS. BOCHNOWSKI: Would you from
6 Bally's -- this puts us in a real awkward
7 position because it changes the
8 application completely. Would you feel
9 comfortable if we did not approve you?
10 It's something we haven't done an
11 investigation. We don't know at this
12 point whether we could approve you as
13 manager or equity owner at this point.
14 Would you feel comfortable still
15 financing this operation and leaving it
16 up to Alpha Rising Sun to totally manage
17 it, own it, whatever? Do you feel
18 comfortable financing this operation and
19 just leaving it at that, that this will
20 be a successful operation in your opinion
21 without your involvement other than
22 financing?
23 MR. HILLMAN: Well, we think it

1 will be a successful operation without
2 our involvement, but we would also feel
3 comfortable that if you would approve --
4 and, quite frankly, we are here today
5 knowing that you can't approve us today.
6 MS. BOCHNOWSKI: Right.
7 MR. HILLMAN: But we would feel
8 also comfortable knowing or believing
9 that you can approve Alpha today and with
10 Bally's standing in where it is on this
11 project approve Bally down the road. We
12 would feel very comfortable with that.
13 But, nevertheless, to answer your
14 question, we feel very comfortable with
15 this project in Alpha's hands.
16 MR. VOWELS: So it is unconditional
17 that if you were not to be an equity
18 partner or managing partner that you
19 would still do the backing?
20 MR. HILLMAN: We would back this
21 project.
22 MR. VOWELS: It's unconditional
23 then?

1 MR. HILLMAN: Yes.
2 MR. KLINEMAN: We still need the
3 details. I mean, I'll take your word you
4 will unconditionally provide the
5 financing.
6 MR. HILLMAN: Had I known this was
7 the line of questioning I would have
8 brought the checkbook.
9 MR. KLINEMAN: Well, as you said
10 before, that probably would be the thing
11 that would cause these questions to be
12 answered.
13 MR. HILLMAN: I do not think this
14 would be a point of controversy.
15 MR. VOWELS: During the
16 presentation there was stated over and
17 over again how Alpha had been one of the
18 first, if not the first, to be involved
19 in the riverboat process. When was it
20 that you first got in touch with Bally's
21 and decided to make this agreement which
22 isn't even a week old from this letter?
23 MR. ARO: We started our

1 discussions with the Bally folks right
2 around the first of the year.
3 MR. VOWELS: Why not before then?
4 MR. ARO: Pardon?
5 MR. VOWELS: Why not before then?
6 You've been doing this for almost two
7 years. Why didn't you start to get this
8 lined up with Bally's before January?
9 MR. ARO: Well, I think a number of
10 things happened, certainly happened in
11 the financial markets. When Indiana
12 first legalized gaming the appetite out
13 there for financial products related to
14 gaming companies was much, much stronger
15 than it was a year later. When the
16 process got kind of knocked out of the
17 blocks during the challenge the world
18 changed in many respects.
19 As those areas started clearing and
20 we started looking at the project and the
21 process of moving again we failed to
22 ensure the success of it. Teaming up
23 with an organization such as Bally's

1 absolutely will ensure the success of the
2 project from the financial component to
3 the operating component, the marketing
4 component.
5 We're very, very comfortable that
6 the project stands on its own two feet
7 without Bally, but Bally certainly does
8 bring, as we tried to present to you
9 folks today, brings a strength and depth
10 and breadth in the gaming industry that's
11 really second to none.
12 MS. BOCHNOWSKI: Describe to me --
13 well, course, now basically we've said
14 that you do have the Bally's financing so
15 we really don't need to even consider the
16 old financing although you say that is
17 still an available route?
18 MR. ARO: Well, that was a
19 structure that our financial advisors at
20 that time thought was the most
21 advantageous structure to the venture,
22 but markets change, things change, and
23 how that makes sense to be put together

1 in May or June of this year versus when
2 we were talking back in November,
3 December, January, six months ago, things
4 change. So what was perceived to be the
5 absolute best thing for the financing
6 component at that time probably isn't so
7 today and Bally notwithstanding.
8 MR. THAR: With regard to the
9 financing picture, excuse me, one more
10 question in this area. You have made it
11 very difficult for the Commission to
12 consider it. The Commission had
13 previously rejected the concept of
14 considering the strength Bally's brings
15 to your application when it did not allow
16 Bally's to use a vendor application to
17 bring Bally's in. Bally's was allowed to
18 come in if they wanted to as a financial
19 arm only with an up front statement that
20 they probably would pursue an equity
21 interest later on. We have not gotten
22 what that financing would be absent the
23 equity position or the gaming manager

1 position so what we asked for we haven't
2 gotten today. How are we to consider the
3 financing? All we have heard is that a
4 letter is coming later that will have the
5 details, and what you are asking us to do
6 is consider the strengths Bally brings to
7 this to make it successful which we have
8 previously said we cannot do at this
9 stage.
10 MR. ARO: But I think, Jack, if you
11 go back to where we were in early January
12 and what our advisors were telling us was
13 the most logical approach to this thing
14 where they may have marketed those
15 debentures or who we may have talked to
16 in terms of third party financing, those
17 companies and entities and financial
18 institutions certainly could have changed
19 in that same time period.
20 I don't know that I understand
21 where you're coming from with your
22 question, but I don't know that there's
23 such a change in terms of what the Bally

1 organization has just committed to you
2 folks, and we would have presented this a
3 little bit differently had we known that
4 that was the road we should be on here,
5 but we can sell --
6 MR. THAR: What Bally's has said is
7 We will finance the project 100 percent
8 if necessary, We believe in the success
9 of the project, and We will do so without
10 a equity position or without a manager
11 position. And we said What are the
12 terms, and they said Very similar to what
13 is in the other thing, We will send you a
14 letter. What have I missed?
15 MR. ARO: What's your question?
16 MR. THAR: Well, that's what we
17 have heard, and my position is very
18 simple. We are in a difficult position
19 because we don't know what the details of
20 the financing package would be from
21 Bally's to finance Alpha Rising Sun, the
22 applicant, until we get the letter.
23 MR. HILLMAN: I guess let me

1 address it two ways and see if either of
2 these satisfy what you're asking because
3 I'm a little confused. But in one manner
4 we could just tell you that we will buy
5 the financing that RAS has proposed and
6 on the terms that you have seen before if
7 that's terms that would be in the context
8 that the Commission and staff would want
9 to put a fence around it, for instance.
10 However, quite frankly, those terms
11 are probably outside or not as favorable
12 as what we would ultimately get today
13 given the changes in the financial
14 markets that have occurred and our
15 confidence in the project and also our
16 view of the future of this project so
17 that as an outside bound I would tell you
18 that those terms are probably quite
19 reasonable to use in your analysis, but
20 we could do better.
21 And what would that be? Well,
22 certainly it would be the terms, at a
23 minimum, of standard vessel and equipment

1 financing that we use today where we
2 would stand in instead of the vendors in
3 those cases and provide the same
4 financing that we've received many, many
5 times, or stand in the construction
6 company's shoes. Same way.
7 The standard construction financing
8 that we've used on other projects we will
9 use the same terms, and we will provide
10 those to you. All I can tell you is
11 those specific terms which I can provide
12 you will be at least as favorable as what
13 you have seen in terms of the RAS
14 proposal.
15 Without having prepared for this
16 specific line of questioning coming in
17 here today I don't want to stand here and
18 tell you it will be X.2 percent rate over
19 Y number of months with these caveats and
20 covenants and so forth, but I think that
21 what you have seen in terms of the RAS
22 proposal you can certainly use as the
23 outer bounds of the financing, and those

1 work very well with the pro formas and
2 the projections we have shown you. I
3 hope that's adequate. If you have some
4 other questions --
5 MS. BOCHNOWSKI: I would think that
6 our main concern would be that this is
7 unconditional financing. I certainly
8 don't think we would want to -- we can't
9 allow the fluctuations in the market, but
10 we would need probably some kind of
11 confirmation that this is unconditional,
12 that we're not going ahead, let's say,
13 granting this license and then down the
14 road we don't approve you for equity
15 position and we don't approve you for
16 management position that you pull out.
17 MR. HILLMAN: I understand your
18 concern.
19 MS. BOCHNOWSKI: Personally that
20 would be what I would be worried about.
21 MR. HILLMAN: I completely
22 understand it. I'm trying to satisfy
23 your line of questioning. In terms of

1 the chairman we have stated that it's
2 unconditional. In terms of specific
3 terms, as I said, I'm trying to give you
4 the best to my knowledge of the specific
5 terms stating if you want firm terms the
6 RAS proposal would be at least adequate.
7 We could do better. And, as I said
8 earlier, we will give you a letter to
9 that effect. We don't have it in writing
10 today but we will.
11 MS. BOCHNOWSKI: Part of the
12 financing, that also comes from cash
13 flow, correct?
14 MR. HILLMAN: In the original
15 plan.
16 MS. BOCHNOWSKI: That was the
17 original plan, but I still saw cash flow
18 written up there on --
19 MR. HILLMAN: That was the original
20 plan that he was describing at that
21 time. We've taken that out of the mix.
22 MS. BOCHNOWSKI: Good, because I
23 want to go in if the projections aren't

1 correct then that becomes a problem.
2 MR. HILLMAN: Right. The letter we
3 provided was designed just to take that
4 off the table.
5 MS. BOCHNOWSKI: Okay. And I
6 haven't read that yet. Great.
7 MR. KLINEMAN: Let me get into what
8 you call construction financing to be
9 supplied by Brown & Root Building. All
10 of us know what generally is called
11 construction financing which is a
12 short-term commitment during the
13 construction phase. Is that what you're
14 talking about, or are you talking about
15 something other than that?
16 MR. HILLMAN: The construction
17 financing is already there and in place.
18 What Bally will provide is a take-out of
19 that financing which I'm telling you
20 unconditionally today we will stand to
21 take out that financing if necessary if
22 other financing cannot be found. What
23 I'm telling you is I believe very

1 strongly other financing can and will be
2 found as we've done many, many times, but
3 we will stand in and guarantee that
4 ourselves.
5 MR. KLINEMAN: Anything further?
6 MR. VOWELS: I have just one
7 question. Based upon the level of
8 admissions in the gross profit margin
9 that Fulton's has anticipated in relation
10 to the Gaming Commission it seems to
11 appear their operation would generate
12 enough cash flow to repay the long-term
13 debt within five years. Do you
14 anticipate that to be realistic?
15 MR. HILLMAN: Yes, I do anticipate
16 that to be realistic.
17 MR. VOWELS: Have they provided you
18 with similar numbers?
19 MR. HILLMAN: Yes.
20 MR. KLINEMAN: Well, let's change
21 the subject just for a minute. We
22 probably will come back to you. We want
23 to get into Alpha's operations down in --

1 the Bayou operation. As you know, we
2 have been informed of a whole series of
3 lawsuits which arose out of your
4 operation down there, and it gives us
5 obviously some considerable concern.
6 And other than the responses that
7 we thus far have received, which in some
8 instances, most instances, basically say
9 We've paid it, We're going to get
10 released, or We've made an arrangement
11 for a periodic payment schedule so that
12 lawsuit's going to be put on the shelf or
13 something like that, tell us what was the
14 cause of the raft of lawsuits and claims
15 arising out of your operation down
16 there.
17 MR. ARO: Well, I think a couple of
18 things contributed to that. Number one,
19 we went on a very, very fast track
20 program down there to develop that
21 project. We ran into some major cost
22 overruns on our construction program. We
23 ran into some difficulties with some of

1 the people that did some of the sub work
2 on it that ended up in some disputes.
3 And I think it was just almost kind
4 of a power curve type of situation that
5 in our mad dash to get it open we were
6 just pressing on all fronts to get it
7 open, and I think most all of those
8 issues are behind us. I think we've
9 either come to grips where we had some
10 disputes with some of our contractors for
11 either the quality of the work or the
12 level of the work that was done. I think
13 we pretty much have those issues behind
14 us.
15 We certainly do have some ongoing
16 type legal issues that happen. We've got
17 insurance claims that are out there.
18 We've probably run through that facility
19 since we've opened certainly over two
20 million people I would guess, and there's
21 slips and falls and claims and what have
22 you of that nature.
23 MR. KLINEMAN: Those are really

1 minor, and we're not looking at those.
2 We're talking about the breach of
3 contract lawsuits, the lawsuits which
4 fall under the category of just not
5 paying your bills I'll call it. That's
6 not the legal word of art that we've used
7 here, but it's the one that comes to
8 mind.
9 MR. ARO: Well, I think we got
10 involved in that in terms of the fast
11 tracking of that project, there's no
12 question about that, but I do believe we
13 have put most of that behind us.
14 MR. KLINEMAN: What is to make me
15 feel that we are not going to have the
16 same series of problems down in Rising
17 Sun should you be granted the license?
18 MR. ARO: Well, this project is
19 coming together in a much different
20 pattern, if you will. It's a much more
21 studied process. We will know exactly
22 what we're in for before we get into it.
23 The financial components to carry the

1 project out are in place so it's just a
2 horse of another color. What we did down
3 there looking back with 20/20 hindsight
4 we shouldn't have approached it that
5 way.
6 MR. KLINEMAN: You didn't really
7 have the money to do that project; would
8 that be a fair conclusion?
9 MR. ARO: No. I think the fair
10 conclusion would be that in our sizing of
11 the project and the components that we
12 put in place and what it ultimately
13 turned out to be were two different
14 things. Had we had everything nailed
15 down to a much more finite degree before
16 we got started those financial components
17 would have taken a different complexion.
18 And then there was an existing deal Mr.
19 Tollman also mentioned when we bought in
20 down there. We did not start that from
21 scratch.
22 MR. KLINEMAN: What's that supposed
23 to mean?

1 MR. ARO: Pardon me?
2 MR. KLINEMAN: What does that
3 mean?
4 MR. TOLLMAN: Stanley Tollman. We
5 acquired a company that had a lot of
6 problems, had been trying to develop
7 this, and we inherited a company that
8 already had a lot of claims against it so
9 we dealt with that and the fast tracking,
10 and quite a few of the problems that went
11 on were problems that we inherited which
12 we believe we have sorted out.
13 MR. VOWELS: When did you buy that
14 company?
15 MR. ARO: Late May of '93 I believe
16 it was. They were already in the process
17 at that time with the development
18 process.
19 MS. BOCHNOWSKI: We want to make
20 sure that if you would be successful in
21 obtaining a license that you're not going
22 to have cost overruns, that you're not
23 going to have these kinds of problems,

1 and I would be real concerned if I were
2 Bally's about this issue and want to make
3 sure that I knew exactly what the cost
4 was going to be, to feel that you have
5 already done your homework on this
6 project that apparently wasn't done in
7 the other project.
8 MR. ARO: Yeah. We went too fast
9 on the other. Certainly in retrospect it
10 should have been approached in a little
11 different manner. In this project we
12 have gone through our numbers with the
13 Bally operating people. I think they're
14 very comfortable. I'm sure they can
15 speak to that question themselves, but
16 it's just a totally different character
17 of a project.
18 We jumped in in Mississippi while
19 the boat was going by type of thing, and,
20 as Mr. Tollman suggested, we did inherit
21 -- there was some baggage in that boat
22 that we had to deal with, and it
23 complicated the process. This is not a

similar type deal.

MS. BOCHNOWSKI: Well, time is of the essence. I think this Commission really wants quality projects. We do not want you to just be in there so interested in making this gambling money that you can make on these boats that you don't do a quality job and that the cost overruns are there and that we have, as Alan said, this series of problems.

MR. ARO: That was one of the points that we were trying to make in our presentation in terms of the team that we've put together here in all elements of it starting with the design team, with the David Jacobson people, and the various people doing the design work and some of the construction work once we get into it. That process is going forward in a much more studied manner, and nobody's going to jump into this thing without knowing what it's going to look like.

1 MR. KLINEMAN: What are the current
2 operating results down in Bayou Caddy's?
3 MR. ARO: The operating results for
4 '94, I think we made a little bit of
5 money on the operating line. It wasn't
6 anything significant by any means.
7 MR. KLINEMAN: That brings another
8 problem to my mind which is the possible
9 diversion from this project to pay some
10 of those back debts that you've got down
11 there, for instance, and I don't believe
12 this is something that your prior owners
13 did, but here's a lawsuit filed on
14 February 15, 1995, for $1,552,500. The
15 response we had is that the payments are
16 now current. It doesn't say anything
17 about that lawsuit being dismissed. It's
18 obvious based on my experience in the
19 debtor field that it's obvious that
20 somebody wants out of that note, and you
21 have got to take them out at some point
22 in time. It hasn't been rewritten, has
23 it?

1 MR. ARO: No, it hasn't.
2 MR. KLINEMAN: And they want out,
3 don't they?
4 MR. ARO: No, they don't.
5 MR. KLINEMAN: But the lawsuit
6 still is pending?
7 MR. ARO: No, I don't believe so.
8 MR. KLINEMAN: I'm being told the
9 lawsuit has been dismissed?
10 MR. FREEDMAN: We will get you
11 verification of that.
12 MR. KLINEMAN: We're getting --
13 MR. ARO: This is Sanford Freedman,
14 our general counsel.
15 MR. FREEDMAN: I'm Sanford
16 Freedman. My current understanding
17 that's in the process of being
18 withdrawn. PDS is not pursuing the
19 lawsuit, and they have been working with
20 us to arrange a recasting of that note in
21 a way that would be satisfactory to us
22 and to them.
23 MR. KLINEMAN: But that has not

1 been completed?

2 MR. FREEDMAN: We're in the

3 process. Conversations are going on. As

4 of last Friday we had our latest

5 conversation, and I think that will be

6 done very shortly. Could I point out

7 just one thing, Mr. Chairman? The big

8 difference between here and Mississippi

9 is that the big cost overrun in

10 Mississippi was the gaming barge itself,

11 that three-story vessel that you saw.

12 We did that on a fast track basis

13 because that was the only way to get that

14 going and get ourselves functioning as

15 early as possible. In this case, as Mr.

16 Aro has mentioned, we have an option on a

17 boat that's in existence. It's not

18 something that's going to be fast

19 tracked. We know what our costs are

20 going to be. We know the size --

21 MR. THAR: You've got to speak into

22 the microphone, sir.

23 MR. FREEDMAN: What we're saying is

1 we are not doing a fast track vessel
2 here. We have got a commitment to the
3 vessel so that the largest cost problem
4 in Mississippi does not exist in the
5 Rising Sun project. We have locked in
6 the boat, and we consider that very
7 significant in terms of our application
8 to the Commission.
9 MR. KLINEMAN: Along the same
10 lines, how about the First National Bank
11 of Glencoe which involves a suit filed
12 November 7, 1994, for $305,000 for ten
13 vehicles leased and that you have failed
14 to pay for them and that the judge
15 ordered on November 22, 1994, that the
16 vehicles be seized? However, you filed a
17 motion to block the seizure. Where is
18 that case?
19 MR. FREEDMAN: The buses were not
20 -- vehicles were not seized. We still
21 own them. I believe that the amount in
22 contention has been paid completely, and
23 I believe that the lawsuit has been

1 withdrawn, dismissed, and we'll get you
2 verification of that.
3 MR. KLINEMAN: What was the last
4 thing you said?
5 MR. FREEDMAN: We'll get you
6 verification that lawsuit's been
7 dismissed. I'm not sure of the date of
8 those letters. That was in February I
9 believe, Mr. Chairman.
10 MR. KLINEMAN: I'm sorry. You're
11 telling me --
12 MR. FREEDMAN: The response on
13 those issues from Alpha was in February.
14 We can give you an update of the status
15 of all of those matters within the next
16 few days.
17 MR. KLINEMAN: Well, you have a
18 project that's barely breaking even, and
19 you have all these back debts, and when I
20 grew up and ordered the pay back debts
21 you have to earn profits or you can't
22 pick up back debts, okay? So you don't
23 have anything that gives me much comfort

1 as far as a project that is not making
2 money, and you have all these back debts
3 to satisfy out of your current
4 operations. The only way you can satisfy
5 old debts is out of profits I learned.
6 MR. FREEDMAN: Yeah. We have
7 undertaken in Mississippi, and Mr. Aro is
8 directly involved in this, an extensive
9 new marketing program for the casino in
10 Mississippi, and we anticipate having a
11 very good summer and fall months. We
12 have been willing here to undertake, if
13 it's necessary for anyone's comfort
14 including this Commission, to insulate
15 the project here so no funds are siphoned
16 off of profits so reserved retained
17 earnings for this project are here, and
18 we will supply the undertakings and the
19 structure necessary to ensure the
20 Commission that in no way will Rising Sun
21 be hurt by actions of the company
22 elsewhere.
23 MR. KLINEMAN: Those walls are not

1 in existence today?
2 MR. FREEDMAN: We can put that
3 together very simply.
4 MR. KLINEMAN: Well --
5 MR. ARO: Just one other to your
6 question. There's been substantial
7 injection of money into the Mississippi
8 operation as well so not only, as Sandy
9 suggested, we're doing some things
10 operationally where we've turned a corner
11 down there, but we have put considerable
12 sums into the operation to take care of
13 some of the cost overruns in the
14 construction phase and so forth.
15 MR. KLINEMAN: Well, you wouldn't
16 like to tell us, do you have a new
17 partner down there, or how does new money
18 come in?
19 MR. ARO: A good deal comes right
20 from this gentleman sitting behind me.
21 MR. KLINEMAN: Why don't you tell
22 the record who you are pointing to.
23 MR. ARO: Mr. Stanley Tollman.

1 MR. VOWELS: There seems to be in
2 the investigation here on the part of
3 Alpha Gulf Coast, Incorporated what may
4 be described as routine delayed payment
5 practices. I have a real concern about
6 what that may do to potential vendors in
7 the southeastern portion of Indiana.
8 Would you care to alay my fears in that
9 regard?
10 MR. ARO: Well, again, I think
11 we're trying to represent to you folks
12 that this project is quite different from
13 the Mississippi project. As we envision
14 this to be structured financially and
15 from a physical plant standpoint going
16 forward and the profitability of this
17 project is going to be markedly different
18 from the Mississippi project.
19 The Mississippi project, again,
20 coming back to that, in our haste to get
21 the thing up and running through the fast
22 track process we did pile up a
23 considerable amount of construction

1 expenses that we had not originally
2 anticipated. Those have been met by
3 moneys coming through the operation and
4 additional moneys coming in from the
5 principal stockholders of the company.
6 That is a scenario that we just do
7 not envision in Indiana nor are we going
8 to get involved in that type of thing. I
9 think we've learned our lesson there, and
10 we have approached this in a much more
11 studied manner.
12 MR. VOWELS: The cost of the
13 construction overrun costs in
14 Mississippi, what do you blame that on?
15 MR. ARO: I'm sorry?
16 MR. VOWELS: The construction
17 overrun costs in Mississippi, what do you
18 attribute that to?
19 MR. ARO: Well, I think at that
20 particular time period down in
21 Mississippi there was a tremendous amount
22 of development going on. There was a
23 shortage of labor materials and qualified

1 people to work on projects, and I do
2 believe the people in the construction
3 industry, if you will, certainly took
4 advantage of a window of opportunity and
5 charged the full retail price for their
6 services, if you will, for services
7 provided to them, and our experience
8 there in that regard was not different
9 from any other.
10 MR. VOWELS: Why didn't you
11 anticipate that?
12 MR. ARO: Pardon me?
13 MR. VOWELS: If you had
14 construction overrun costs why didn't you
15 anticipate that? Didn't that seem like
16 it was readily apparent it was going to
17 happen?
18 MR. ARO: No. Again, we went into
19 it in a fast track mode. Our
20 construction people tried to do their
21 best estimate as to what they thought the
22 final number was going to be. We were
23 building a marine environment which is

1 unique not only to contractors but
2 certainly ourselves and did not have any
3 experience in building on vessels and
4 building maritime facilities, and, quite
5 frankly, I think we underestimated the
6 cost of that.
7 MR. VOWELS: What's the status of
8 Mr. Hundley? My understanding is he's
9 resigned.
10 MR. ARO: That's correct.
11 MR. VOWELS: And we have a listing
12 of individuals that his shares were
13 transferred to. Are you familiar with
14 those individuals?
15 MR. ARO: Some of them I am.
16 MR. VOWELS: Do any of them share
17 the same last name as Mr. Hundley? Are
18 you aware of what the relationship of Mr.
19 Hundley and those individuals' ages are?
20 MR. ARO: He transferred some
21 shares to his brothers and I believe his
22 sisters.
23 MR. FREEDMAN: Sanford Freedman

1 again. Mr. Hundley transferred some
2 shares to two adult brothers, two
3 sisters, two adult daughters of his, and
4 transferred shares to a minor son in
5 trust, the sole trustee of which is Mr.
6 Tollman, the chairman of Alpha
7 Hospitality.
8 MR. VOWELS: What percentage was
9 transferred to that minor son in trust?
10 MR. FREEDMAN: Approximately -- I
11 don't have the exact number but
12 approximately, it changed a little bit
13 from our submission, about 475,000
14 shares.
15 MR. VOWELS: What percentage is
16 that?
17 MR. FREEDMAN: Four percent.
18 MR. THAR: It's over 22 percent of
19 the shares Mr. Hundley had.
20 MR. FREEDMAN: Of the total shares
21 of the company it's under five percent.
22 MR. VOWELS: No. What Mr. Hundley
23 -- I'm trying to figure out, is this guy

1 shamming us or not? He wouldn't provide
2 federal and state tax return information
3 to us. From what I understand he also
4 didn't provide the necessary information
5 to the Commission in Mississippi, and I'm
6 trying to figure out what's going on.
7 How old is this minor?
8 MR. FREEDMAN: The minor was a
9 child I think three or four years old,
10 but he has given up full control of those
11 stocks, and a trust document has been
12 signed.
13 MR. VOWELS: Do you have any idea
14 why he wouldn't respond to the
15 information Mr. Thar requested?
16 MR. FREEDMAN: No, I do not.
17 MR. VOWELS: Do you have any idea
18 why he wouldn't submit the information to
19 the Mississippi authorities when they
20 requested it from him?
21 MR. FREEDMAN: No, I do not.
22 MR. VOWELS: How old a man is Mr.
23 Hundley?

1 MR. FREEDMAN: Mr. Hundley is
2 approximately I think 52 or 53 years
3 old.
4 MR. KLINEMAN: What's going on here
5 with Mr. Hundley? Do you want to tell
6 us?
7 MR. FREEDMAN: I wish I knew, Mr.
8 Chairman.
9 MS. BOCHNOWSKI: But he's your
10 president, vice chairman?
11 MR. FREEDMAN: No more. He has
12 resigned from all his positions, and he
13 told us it was for personal reasons, and
14 he withdrew from the company. He's
15 withdrew from any active or inactive role
16 in the company at all. He has not
17 participated in any of the work since the
18 date of his resignation, and I can't
19 answer for his personal reasons in doing
20 this.
21 What I have been concerned with is
22 to make sure our representations to the
23 Commission that he is disposing of all of

his shares which he directly or indirectly controls be carried out, and that is in the process of being carried out over the last several weeks.

MR. KLINEMAN: Is it completed now?

MR. FREEDMAN: No. It will be completed in about the next six days.

MR. KLINEMAN: And do we have a list of where his shares are going?

MR. FREEDMAN: Yes. If you don't I can supply that tomorrow morning. The numbers may have changed slightly, Mr. Thar, from one person to another, and if I may have permission I'll submit -- there are no new people involved. I'll submit an up to date list of the various transactions that have transferred to you, and I can fax that to you tomorrow.

MR. THAR: Well, to go to what both the commissioners, Ms. Bochnowski and Mr. Vowels, and Mr. Klineman were all asking, if you just take the number of shares

1 transferred to people named Hundley it's
2 74.5 percent of the shares he
3 controlled. It's in excess now -- it was
4 22.5 percent of the transfer to the minor
5 child, but now you've increased that by
6 about 50,000 shares so it's probably
7 closer to 25 percent to the infant
8 alone.
9 And if you take all the people who
10 could be sisters, such as the people
11 named Hanks, Bowman, and Berman, that's
12 85 percent of the shares he controlled.
13 There is no indication he was paid
14 anything for the shares. He just
15 transferred them. There was nothing in
16 the documents that was given to the
17 Commission in the investigation that
18 indicates he has divested himself of the
19 control of those shares.
20 Secondly, there's been no response
21 as to what position his wife Joan has
22 with Alpha Hospitality, and she refused
23 to respond to the same inquiry of the

1 Commission. And we have nothing that
2 indicates that she is anything but still
3 associated with the company, and she was
4 what, 4.25 percent owner?
5 MR. FREEDMAN: I believe that is
6 correct.
7 MR. THAR: So that would translate
8 to approximately 4.25 percent in the
9 Alpha Rising Sun?
10 MR. FREEDMAN: Yes, sir.
11 MR. THAR: And she refused to
12 provide us with any information. Do you
13 understand how this looks?
14 MR. FREEDMAN: I understand, and,
15 first of all, with regard to the first
16 part of your statement I can supply you
17 with copies of the documents of
18 transfer. The documents of transfer make
19 clear that under the terms of the sale to
20 the purchaser the transferee has the
21 voting rights and all rights with regard
22 to the stock. I can supply you with
23 copies of the trust agreement with regard

1 to Mr. Tollman's, our chairman, authority
2 and exclusive control over the
3 disposition and voting of those shares.
4 With regard to Mrs. Hundley it was
5 not our understanding that if we take her
6 as an independent stockholder of under
7 five percent shares you would ask for any
8 information from her. My understanding
9 was that you were looking for that
10 information as part of the submission
11 from Mr. Hundley when Mr. Hundley was an
12 applicant before the Commission.
13 MR. THAR: If that's the way you
14 understood it then we apologize for not
15 being clear. We wanted it from both, but
16 since they refused to be interviewed it
17 was impossible to verify it with them
18 personally. What is Mr. Hundley's
19 present relationship, if any, with Alpha
20 Hospitality? Does he have any
21 relationship in any capacity with the
22 corporation?
23 MR. FREEDMAN: None.

1 MR. THAR: What about Joan
2 Hundley?
3 MR. FREEDMAN: None except as a
4 stockholder.
5 MR. THAR: Other than a
6 stockholder?
7 MR. FREEDMAN: Yes.
8 MR. KLINEMAN: Mr. Hundley has no
9 buy-out agreement, golden parachute, or
10 some sort of relationship with your
11 company?
12 MR. FREEDMAN: No. As part of his
13 resignation he also asked the board -- he
14 agreed with the board to terminate his
15 existing employment agreement with the
16 company. There are no golden parachutes,
17 no buy-outs, no funds being paid to him
18 by the company or any of its
19 subsidiaries.
20 MR. KLINEMAN: Now or in the
21 future?
22 MR. FREEDMAN: That is correct.
23 MR. KLINEMAN: You are under no

1 obligation to pay him anything?
2 MR. FREEDMAN: That is correct.
3 MR. THAR: Does he bear any
4 relationship now to Alpha Gulf Coast?
5 MR. FREEDMAN: No. He also
6 resigned -- no, he was not on the board
7 of Alpha Gulf Coast so he didn't have to
8 resign, but he bears no relationship,
9 official or unofficial, with Alpha Gulf
10 Coast. He was an officer and director of
11 Alpha Rising Sun, Inc., and he has
12 resigned from those positions.
13 MR. VOWELS: It's strange to say
14 the least. The Gaming Commission
15 received a letter from Mr. Aro on April
16 25, 1995, which had attached Mr.
17 Hundley's resignation letters to Mr. Thar
18 in one of his prior requests which are
19 all prior to his resignation, and it
20 seems that in Mississippi they had the
21 same problem. The background
22 investigations for Mr. Tollman, as a
23 matter of fact, and Mr. Hundley are still

1 pending.
2 Part of the problem we're going to
3 have here is if we give somebody a
4 license and after we're all finished and
5 our main job is going to be to regulate
6 this industry, I think we have a
7 responsibility not only to the citizens
8 of the state of Indiana but to ourselves
9 to limit the amount of headaches that
10 we're going to have to deal with at that
11 time, and I'm feeling really uneasy about
12 what I am hearing and dealing with the
13 regulatory scheme here as time goes by
14 that this isn't going to be some really
15 slippery eel that we've given ourselves.
16 MR. FREEDMAN: Mr. Vowels, could I
17 say at the suggestion and request of the
18 Mississippi Gaming Commission, because at
19 the time they were overwhelmed in terms
20 of the investigatory work they were
21 doing, Mr. Tollman and, in fact, Mr. Aro
22 also I believe and our CFO, Mr. Jim
23 Cutler, submitted applications to the

1 Colorado gaming authority at the request
2 of the Mississippi people.
3 They were investigated by the
4 Colorado people, and Mr. Tollman, Mr.
5 Aro, and Mr. Cutler were all granted
6 licenses by the Colorado gaming
7 authorities, and that information at the
8 request of the Mississippi people was
9 transferred to them. At that point we
10 were waiting for Mississippi to pick up
11 especially on Mr. Tollman here, and they
12 just recently said Yes, Now we're going
13 to go ahead with our own investigation.
14 But they have relied upon the
15 investigation and licensing procedures of
16 the Colorado gaming authority, and that
17 was at their request, not at our
18 suggestion at all. And if you check, and
19 we can give you verification, Mr. Tollman
20 has been licensed in Colorado.
21 MR. KLINEMAN: We're going to move
22 to another subject unless other people
23 want to talk about this.

1 MS. BOCHNOWSKI: Well, I guess are
2 you looking at the proposal here because
3 kind of on the same line as this we
4 understand that you had some problems
5 with the Bayou Caddy's Jubilee Casino and
6 that you were fined, and your George
7 Baxter also had his gaming license
8 revoked, and maybe you'd like to address
9 that.
10 As a Commission we are bound by the
11 law that was passed to look not only at
12 financial stability but at the character
13 of the people that were licensed so this
14 is a great concern so I think this kind
15 of follows this line of questioning. I'd
16 like you to go into that a little bit.
17 MR. ARO: George Baxter was one of
18 the individuals that was there in the
19 founding group, if you will, that we
20 bought into when our company got involved
21 in the Bayou Caddy's operation down
22 there. There were five individuals that
23 had started that whole undertaking, and

1 George was the president of that group of
2 five.
3 He has a 40 odd year background in
4 the gaming business. He started out in
5 Reno, Nevada, many, many years ago, and
6 at least on paper his credentials look
7 pretty good. There were a couple of
8 events that Baxter was involved with that
9 I think he certainly, best case, used
10 poor judgment. It wound up to I fired
11 him in January, and it's gotten beyond a
12 point that it made any sense at all to
13 try to work with this guy going forward.
14 MR. THAR: To follow up on that, I
15 mean, Bayou Caddy's is 100 percent owned
16 by Alpha Gulf Coast which is 100 percent
17 owned by Alpha Hospitality, correct?
18 MR. ARO: That is correct.
19 MR. THAR: During the time that
20 Baxter's running the casino down there
21 for you, and you have 100 percent
22 responsibility being the owners, there
23 are sexual harassment complaints filed

1 against him, after the casino's closed he
2 turns off the surveillance cameras and
3 runs a Big 6 thing for amusement, then
4 subsequently since you fired him he had
5 an information filed against him for
6 money laundering through the casino while
7 he was in your employ. Now, that's a
8 pretty strong track record for the head
9 person of a casino over a relatively
10 short period of time.
11 MR. ARO: I don't disagree with
12 that at all.
13 MR. THAR: What was Alpha
14 Hospitality and Alpha Gulf Coast doing to
15 oversee this casino which had the
16 lawsuits pending against it?
17 MR. ARO: In the one instance where
18 there was a wrongful discharge suit
19 against him I believe that that's not
20 correct, and we're fighting that. I
21 think those charges were not warranted
22 nor substantiated.
23 The hurricane party incident, the

1 casino was closed. There was a threat of
2 a hurricane coming through. The civil
3 defense people basically told us that we
4 had to shut down. A skeleton crew was
5 left on board. All other employees were
6 evacuated. The storm did come in. There
7 was a couple feet of water on the road
8 coming down to the casino so there wasn't
9 anybody that could have gotten to it, and
10 this small group of people that were left
11 to kind of ride out the storm, in the
12 tradition of the Mississippi gulf coast
13 and hurricane parties, had a party.
14 MR. THAR: We're familiar with the
15 facts. The question is really Alpha
16 Rising Sun is, in essence, Alpha
17 Hospitality as we look at it, and Alpha
18 Hospitality's going to -- or hopes to
19 operate a casino here, and they're
20 already operating one in Mississippi.
21 And what are the checks and
22 balances and oversights that would be put
23 in place here that were obviously not in

1 place in Mississippi that allowed this
2 series of events to occur which resulted
3 in Baxter's termination and subsequent
4 charges filed in federal court for money
5 laundering?
6 MR. ARO: Well, the system of
7 internal control and procedures and so
8 forth, they were in place down there.
9 George had the title of president, and he
10 was not somebody down in the food chain
11 in terms of directing the operation. Did
12 he exercise some bad judgment along the
13 way? Yes. I personally spent a good
14 deal of time down there, but
15 unfortunately I was not there the night
16 the casino was closed because of the
17 threat of the hurricane coming in. Had I
18 been there that wouldn't have happened.
19 But I personally was not made aware
20 of it, again, until about three weeks
21 after the event, and we then started our
22 own investigation at that time. I don't
23 know if you have a rogue employee, if you

1 will, you know, just how tight a reign
2 you can put on every person that works
3 for you in an organization that size.
4 MR. THAR: But you have hit the
5 nail on the head. He wasn't down in the
6 food chain. He was the top man. What
7 are the systems of checks and balances
8 that you can put in place to make sure
9 this doesn't happen again either there or
10 here, and we are primarily concerned with
11 here?
12 MR. ARO: Well, I think the board
13 oversight and the more active
14 participation of the internal audit
15 functions, but even having said all of
16 that if somebody goes haywire on you, if
17 you're not there at that instant that's
18 not going to stop the event from
19 happening regardless of how many checks
20 and balances you have.
21 You have an organization with a
22 thousand plus employees. If somebody
23 throws a shoe, you know, what are you

1 going to do? You try to deal with it.
2 If there's some structural weakness in
3 the organization you try to shore it up
4 obviously, but you can't be big brother
5 to every employee on the payroll.
6 MR. FREEDMAN: Mr. Chairman, if I
7 could just -- and, Mr. Thar, my name is
8 Sanford Freedman. There were three items
9 involving Mr. Baxter. Number one, before
10 the casino even opened there was a
11 lawsuit for wrongful discharge and one
12 for sexual harassment by an ex-employee.
13 In all honesty, we are still vigorously
14 defending those because whether Mr.
15 Baxter was involved or not we do not
16 think anything wrong was done, and I
17 think we're probably -- one of them is
18 going to be resolved very quickly and
19 very favorably to us.
20 However, we just think we have a
21 right to defend ourselves in the charges,
22 and the incident with the Big 6 wheel
23 occurred -- as Mr. Aro said, no matter

1 what internal controls, no matter what
2 supervision you have, people can go off
3 and do crazy things. And all I can say
4 in our defense is that as soon as Mr. Aro
5 learned about this two things happened.
6 Mr. Baxter was a director of the
7 Alpha Gulf Coast Company. We asked and
8 received immediately, within a day, his
9 resignation as a director. He was put on
10 suspension pending our own internal
11 investigation and the investigation by
12 the gaming authority and the local liquor
13 authorities in Mississippi.
14 And, may I point out, we were the
15 ones who immediately contacted both of
16 those agencies to inform them what was
17 going on, and I think if you look at the
18 record of the Gaming Commission they
19 mention that we cooperated fully.
20 Now, because it was a violation of
21 the authority -- and you are right, the
22 corporation is responsible for a person
23 especially that high up in the food chain

1 -- we agreed with the Gaming Commission
2 to pay a $25,000 fine, and if you look at
3 the resolution of the Gaming Commission
4 they acknowledge the full cooperation.
5 Now, with regard to the latest in
6 the saga of Mr. Baxter he was evidently
7 money laundering for a U.S. customs agent
8 though he didn't know it was a customs
9 agent. The assistant U.S. attorney
10 handling the matter in the city of New
11 Orleans has stated both to our counsel
12 and to the press that there was no
13 evidence, there is no indication, and
14 there is no investigation going on
15 looking either to the activities of Alpha
16 as a corporation or any of its other
17 employees or officers, and I think that
18 was a pretty good bill of health from the
19 U.S. attorney.
20 Now, in order to deal with this
21 situation and follow up on your question,
22 we went to outside counsel, gaming
23 counsel in Mississippi, and asked them on

1 behalf of the board of directors of Alpha
2 Hospitality, the parent company, to
3 conduct an immediate investigation of all
4 of the circumstances surrounding this
5 Baxter money laundering incident and to
6 suggest any changes in our procedures
7 which they think should be undertaken as
8 a result of this affair.
9 I am told that we will receive that
10 report within the next week, week and a
11 half, and we are very happy to share that
12 report with you as soon as it comes in
13 from independent counsel, and as I said
14 we're just talking about a couple of days
15 for that report to be given to the board
16 of directors of Alpha.
17 MR. KLINEMAN: Let's switch the
18 subject. Let's talk about the boat a
19 minute. You originally submitted -- we
20 were going to have a Jeffboat boat, and
21 now we're going to have this other one.
22 Could you tell me how many gaming
23 positions you are proposing on the new

1 proposed boat?
2 MR. ARO: 1,500.
3 MR. KLINEMAN: That is down from
4 what your original proposal was, some
5 1,800 gaming positions. Have you revised
6 your projections accordingly?
7 MR. ARO: No. We went back through
8 our projections, and in terms of, for
9 lack of a better term, in terms of
10 occupancy statistics, if you will, the
11 1,500 gaming positions more than handily
12 accommodates our original estimates of
13 what revenues were, and we did not see
14 the need to adjust that down at all.
15 We're looking in terms of numbers.
16 We've gone through our cruise
17 schedule, what we think would be the
18 logical cruise schedule, and we go from a
19 low of about 20 percent occupancy level,
20 if you will, up to a high of 70 some odd
21 percent. So the fact that the number of
22 gaming positions has changed a bit does
23 not impact on our ability to service the

1 same level of customers that we had
2 originally estimated.
3 MR. KLINEMAN: That's a 20 percent
4 change. That's not just an insignificant
5 amount of change.
6 MR. ARO: No. But, I mean, in the
7 numbers when you go through we never in
8 any of our projections suggested that the
9 boat would be running at 100 percent
10 capacity at an 1,800 player position
11 complement. We were never ever close to
12 100 percent of capacity.
13 MR. KLINEMAN: But there is this
14 concept of room, that people need room to
15 conduct this operation, and your boat's
16 going to be considerably smaller than the
17 proposed boat; is that not correct?
18 MR. ARO: I'm sorry?
19 MR. KLINEMAN: Your new boat's
20 going to be considerably smaller than the
21 other one, than the Jeffboat boat?
22 MR. ARO: It's a few thousand
23 square feet smaller, but the size of the

1 boat itself -- I've been on the boat down
2 there. It's quite a comfortable boat. I
3 don't think the experience is going to be
4 one of a sardine type thing.
5 MR. KLINEMAN: You own a similar
6 boat someplace?
7 MR. ARO: No, no. The boat is
8 complete, and the photo that we showed in
9 our presentation is a sister ship to the
10 boat that we're talking about, and I have
11 been on that boat.
12 MR. KLINEMAN: Where is that boat?
13 MR. ARO: In Hulman, Louisiana.
14 MR. KLINEMAN: Lee, have you people
15 made some independent projections based
16 on the proposed boat and so forth since
17 you probably have done some due diligence
18 I hope since you're making some pretty
19 strong commitments?
20 MR. HILLMAN: Lee Hillman. Right,
21 right, yes. We have done our own due
22 diligence on the vessel itself, on the
23 projections. We're very comfortable with

1 the projections. Can we do better than
2 that? Possibly. We're very comfortable
3 with them I guess would be the best
4 response to that.
5 In the context of your line of
6 questioning before, the fact that we have
7 a vessel here which is already
8 constructed is another factor which makes
9 Bally very comfortable as to the
10 probability of success of this project.
11 Your line of questioning regarding the
12 Alpha situation down in Mississippi is
13 one that we're very well aware of.
14 And, Commissioner, you asked the
15 specific question or comment that Bally
16 would have a great interest in this, and
17 indeed we do. We're very knowledgeable
18 about their situation down in
19 Mississippi, what they were trying to
20 construct and the timetable, and we are
21 -- the fact that this vessel is already
22 completed is something that takes a lot
23 of that risk out of the picture.

1 Let me make one other statement.
2 One of the things that interested Bally
3 particularly in Indiana versus
4 Mississippi given that we have the
5 capability to invest in either
6 jurisdiction today in terms of financial
7 capability is one of a very significant
8 difference today in those two
9 jurisdictions and particularly how the
10 state of Indiana has gone about their
11 development of gaming in the state versus
12 Mississippi.
13 The controlled atmosphere of
14 Indiana is very appealing and makes it a
15 significant financial difference when
16 you're talking about development, and
17 what went on in Mississippi in the case
18 of Alpha and many other companies, the
19 conditions down in Mississippi at those
20 times in terms of people going in and
21 fast tracking and free money being
22 available to put up projects that really
23 didn't make any sense was considerable.

1 So it's certainly been part of
2 Bally's consideration as to the limited
3 licensing nature of the Indiana gaming
4 environment and the very studied and
5 measured development that is going on in
6 Indiana.
7 MR. KLINEMAN: Well, you're
8 actually moving your location in
9 Mississippi as I understand it; is that
10 correct?
11 MR. HILLMAN: Yes, we are. That
12 speaks right to the point.
13 MR. KLINEMAN: You're closing the
14 one in Tunica and moving someplace up
15 river?
16 MR. HILLMAN: We were at the time.
17 This is very -- when we got into the
18 Tunica situation Arthur Goldburg and I
19 met with the Gaming Commission down in
20 Mississippi which was the initial Gaming
21 Commission, and they made representations
22 to us as to what would be an acceptable,
23 approvable gaming site under the

1 Mississippi law in those representations
2 which were widely publicized at the
3 time.
4 The Moon Landing site, which we
5 ultimately built, was designated the
6 closest to Memphis site that would be
7 approved for gaming in the state of
8 Mississippi. Subsequent to that that
9 Gaming Commission left office, a new
10 commission came in, the lay of the land
11 changed entirely. I use that term
12 considered because what was previously
13 land suddenly became water, and they
14 approved sites well north of our site.
15 So what we are doing here is moving
16 back to a position of favorable location
17 into a site that is well north. Now,
18 that speaks also to the rather
19 uncontrolled development of gaming in
20 Mississippi and contrasts that to what is
21 going on in the state of Indiana.
22 MR. KLINEMAN: Let me just ask you
23 some specific questions about your due

1 diligence. The project as submitted to
2 us showed an average annual adjusted
3 gross gaming receipts per square foot of
4 $3,126. Is that a figure that you can
5 buy into?
6 MR. HILLMAN: Yes.
7 MR. KLINEMAN: 3,126 per square
8 foot?
9 MR. HILLMAN: Yes. You have me at
10 a disadvantage. You have the numbers in
11 front of you, and I haven't looked at
12 them in several weeks but --
13 MR. KLINEMAN: Do you happen to
14 have your projections with you?
15 MR. HILLMAN: I'll tell you what, I
16 have one of my vice presidents here.
17 MR. KLINEMAN: I'm not asking you
18 to look at what Fulton's has told us in
19 the past. I'm really asking you, have
20 you looked at those kind of figures, and
21 do you, Bally, buy into those figures?
22 MR. HILLMAN: Yes, we buy into the
23 projections represented to the Gaming

1 Commission.
2 MR. KLINEMAN: But you don't want
3 me to go over them one by one since you
4 don't have them in front of you?
5 MR. HILLMAN: Well, I don't have
6 them in front of me, and it's been a
7 while since I've looked at them. As Tom
8 stated, we started these conversations
9 back in January, and it's been a while
10 since we've gone through detailed
11 projections, and my staff and associates
12 have handled that in the meantime.
13 MR. KLINEMAN: And the original
14 boat had 22 square feet per gaming
15 position, and I think that's less now
16 because the boat is smaller, but the
17 number of gaming positions is less too.
18 And we had a $69,462 gross gaming
19 receipts per gaming station which would
20 have to be up now if the total
21 projections are going to be the same, and
22 you have 300 less gaming positions so you
23 probably have in the neighborhood of

1 $75,000 or so?
2 MR. HILLMAN: Again, my
3 recollection of those projections were,
4 as Mr. Aro stated, the occupancy that was
5 assumed in those projections was not
6 anywhere close to 100 percent so in terms
7 of a strict measurement of gaming win per
8 gaming position and the modification of
9 the number of gaming positions it should
10 not in any way be construed as having a
11 direct effect or an indirect effect on
12 the revenues.
13 We want to optimize the size of the
14 casino. To give you an example of that,
15 our casino in Atlantic City, the Grand,
16 which is our smaller of two casinos,
17 which, as I stated, in 1994 had the
18 highest win per square foot of any casino
19 in Atlantic City, that casino produces
20 revenues and gaming wins around the
21 middle of the pack in terms of the 12
22 casinos that operate in Atlantic City
23 although last year it was by far the

1 smallest casino in Atlantic City.
2 So occupancy has a great deal to do
3 with gaming revenues and also in terms of
4 your profitability, and that's something
5 that you look to. We at Bally's are
6 going to look to drive profits at any of
7 our operations, and that is much more
8 important than a sheer box car number of
9 what gaming revenues would be.
10 MR. THAR: One question with regard
11 to the boat. The boat that you are
12 discussing now is the boat that's
13 presently in existence, correct?
14 MR. HILLMAN: Yes.
15 MR. THAR: I am under the
16 impression that that was built for 1,300
17 gaming positions, or presently has 1,300
18 gaming positions, and that you intend to
19 put 1,500 gaming positions in it.
20 MR. ARO: No. It's configured for
21 a little over 1,200 slot machines and 40
22 table games.
23 MR. THAR: That was the original.

1 My information was that it was configured
2 for 1,300 positions regardless of how you
3 put them together, and 1,200 slots was a
4 little bit of a push on that boat.
5 MR. ARO: I haven't seen the
6 numbers. As I say, I've been on the
7 boat. I've not ever seen that number.
8 MR. THAR: What is the blend that
9 you intend to have?
10 MR. ARO: I'm sorry?
11 MR. THAR: What is the number of
12 slot machines versus number of games?
13 MR. ARO: Roundly 1,200 slot
14 machines and 40 table games.
15 MR. THAR: So your position is the
16 boat will comfortably handle that based
17 upon the way it was built?
18 MR. ARO: Yes.
19 MR. KLINEMAN: Anybody have
20 anything else?
21 MR. VOWELS: What is the square
22 footage on this new boat?
23 MR. ARO: It's a little over 25,000

1 square feet.
2 MR. VOWELS: It's 292 feet by how
3 much?
4 MR. ARO: Seventy-four.
5 MR. VOWELS: The old boat was 335
6 by 70 and 40,000 square feet. You're
7 telling us that the annual adjusted gross
8 gaming receipts are going to be the same
9 as you reported to the Commission in your
10 application?
11 MR. ARO: Yes.
12 MR. VOWELS: Looking through your
13 annual adjusted gross gaming receipts the
14 calculations that we have show that
15 they're about 12 percent above the
16 average for all of the averages of the
17 Ohio and Switzerland County applicants
18 and nine percent above the Evansville
19 licensee and 20 percent above the average
20 in Illinois.
21 From what I see here there is an
22 increase each year in the annual adjusted
23 gross gaming receipts although the

1 attendance numbers are staying the same,
2 and also the gaming receipts per gaming
3 position increases each year. How and
4 why is that possible particularly now
5 that we have a smaller boat with less
6 amount of gaming positions? Can you
7 explain that to me, please?
8 MR. ARO: Well, I don't have the
9 numbers that you are looking at, but in
10 terms of comparing them to the existing
11 results that the Illinois boats are
12 currently experiencing on a player
13 position basis I think we're still
14 projecting around 72, 74 percent of what
15 the current Illinois boats are
16 experiencing on a rolling 12 month
17 period.
18 If you look at our per passenger
19 revenue number we're still projecting
20 something less than the rolling 12 month
21 Illinois experience. So, I'm sorry, I
22 don't have the same numbers that you are
23 looking at, Mr. Vowels, to respond

1 specifically to your question, but we
2 assessed the market when we did our
3 initial projections, and that was done by
4 Urban Systems initially.
5 We certainly did some of our own
6 due diligence. Those numbers
7 subsequently have been validated by the
8 Bally folks, and what we projected
9 initially seems to be holding up to what
10 the reality has been in the Illinois
11 boats.
12 MR. VOWELS: Your admission
13 average, $8.50 per admission, the average
14 in Ohio and Switzerland County is $7.26,
15 and in Evansville it's $4.84. Is that
16 where you intend to make up some of the
17 loss in the higher than average admission
18 revenue?
19 MR. ARO: Well, what we did in our
20 projections, we have about $4 going out I
21 believe it is to the various
22 authorities. We tried to assess what the
23 marketplace was. I can't speak on behalf

1 of the other applicants, but that was our
2 best assessment at that point in time,
3 and I don't think there's anything that's
4 developed since then that would really
5 suggest that we change from that.
6 MR. VOWELS: What's the cost of the
7 boat that you are purchasing?
8 MR. ARO: I'm sorry?
9 MR. VOWELS: The cost of the boat.
10 MR. ARO: 17.5 million.
11 MR. VOWELS: And what was the cost
12 of the construction of the boat in
13 Jeffersonville?
14 MR. ARO: I'd have to go back into
15 the numbers. I don't have that off the
16 top of my head.
17 MR. VOWELS: Was it more than 17
18 and a half million?
19 MR. ARO: I believe it was. I
20 don't remember specifically.
21 MR. VOWELS: I'd like to backtrack
22 a little bit here back to Mr. Thar's
23 letters to you. A lady named Patricia

1 Cohen, Mr. Thar had requested information
2 based upon Miss Cohen at least one time,
3 and going through these letters I'm sure
4 it was more than one time. Can you
5 explain to me -- specifically I see a
6 letter dated March 21, 1995, to you, Mr.
7 Aro, requesting specific information be
8 received from Miss Cohen and that she was
9 to furnish that information. Can you
10 explain why she was hesitant or delayed
11 in getting that information to the
12 staff?
13 MR. ARO: I think Sandy Freedman
14 can probably better answer that.
15 MR. FREEDMAN: Sanford Freedman
16 again. As I understand it, Mrs. Cohen --
17 the deficiency vis-a-vis the
18 investigative people at the staff
19 involved a tax return for 1993. I
20 believe a letter was sent last week to
21 the staff from the accountant for her and
22 her husband explaining the reason for the
23 delay in the completion of that tax

1 return, and this is from the outside
2 accounting firm which is preparing the
3 tax return.
4 I believe the letter explained some
5 of the reasons for the delay in the tax
6 return and indicated in the letter that
7 they expected the tax return would be
8 completed within 30 days and submitted at
9 that time to the Gaming Commission. And
10 I believe that was the one element that
11 was not supplied. To my knowledge
12 everything else was supplied to the
13 investigative staff of the Commission.
14 MR. VOWELS: After the March 21st
15 letter is what you're saying because
16 there are five different topics here that
17 Mr. Thar --
18 MR. FREEDMAN: Yes, I believe so,
19 sir, yes. I believe they did. Now, if
20 I'm missing one I apologize, but I was
21 informed that she had taken care of
22 everything except that one tax return.
23 MR. VOWELS: One thing as simple as

1 detailing her shareholder interest in
2 Alpha Hospitality Corporation, Mr. Thar
3 had a request that she provide that
4 percentage of ownership, and we do
5 finally have that in here.
6 MR. FREEDMAN: That was in the
7 application from day one I believe, but
8 I'm not trying to be argumentative about
9 it. I assume she supplied that
10 information directly to the Commission.
11 To my knowledge the tax return was the
12 one failing.
13 MR. VOWELS: I guess part of my
14 problem here is that in the documents
15 that have been provided to the Gaming
16 Commissioners from the investigation
17 there are things that are coming up here
18 as far as not coming forth with
19 information upon demand or within a
20 reasonable time that we've never
21 experienced in either Gary or Evansville,
22 and it strikes --
23 MR. FREEDMAN: I think the

1 investigative staff is aware of there was
2 some personal reasons which caused the
3 delay in the filing of her tax return
4 which was really a joint tax return with
5 her husband which I think are
6 understandable but nothing that I think
7 it's appropriate to raise here. That is,
8 as I understand it, in the process of
9 being remedied right now.
10 MR. VOWELS: Let's go to a little
11 different tax issue. Part of the revenue
12 to the county is the county's assessment
13 of the boat and the property upon the
14 land. In Hancock County, Mississippi,
15 the numbers we have received from the
16 assessor's office is that there is an
17 unpaid property tax assessment against
18 Bayou Caddy's Jubilee Casino of about a
19 half million dollars in February of
20 1995. What is the status of that dispute
21 with the assessor's office down in
22 Mississippi?
23 MR. ARO: We have really a

1 significant difference of opinion on
2 values and what is taxable under
3 Mississippi law. There's a couple of
4 court cases down there. We're not
5 involved in them but similar type issues
6 where barges are excluded for property
7 tax purposes, and the Hancock County
8 assessor who assessed the entire
9 development did not take that into
10 consideration.
11 That was a major difference of
12 opinion, and the other fundamental thing
13 is the numbers that he used we do not
14 feel are representative of the true value
15 of the facility down there so we are
16 going through the process of challenging
17 the valuation in the normal course of
18 events.
19 MR. VOWELS: How many other
20 gambling entities are in Hancock County?
21 MR. ARO: In Hancock County, one.
22 MR. VOWELS: Just yours?
23 MR. ARO: We're the only boat in

1 the county, in the unincorporated county
2 area.
3 MR. VOWELS: So you're the only
4 entity that has to deal with this
5 particular assessor in that county?
6 MR. ARO: Yes. But it's more of a
7 state wide issue. There are some of the
8 boats in the Biloxi area that are
9 challenging the law because their boats
10 were assessed for property taxes, and
11 Mississippi law suggests that that's not
12 correct.
13 MR. VOWELS: In reference to your
14 employees, how many part-time -- well,
15 how many employees do you anticipate in
16 total if you receive the license and were
17 up and running?
18 MR. ARO: 1,386.
19 MR. VOWELS: And how many of those
20 would be fulltime employees?
21 MR. ARO: That's essentially the
22 fulltime employee equivalent. There
23 could be -- the people count could be a

1 little greater but eventually it would be
2 1,386.
3 MR. VOWELS: Would you have any
4 part-time employees other than that?
5 MR. ARO: I'm sure we'll have some,
6 but that's not a major part of how we
7 would approach the staff.
8 MR. VOWELS: And fulltime employees
9 would be participating in corporate
10 healthcare plans, 401K program?
11 MR. ARO: Yes, they would.
12 MR. VOWELS: All of the fulltime
13 employees that you indicated?
14 MR. ARO: Fulltime employees, yes.
15 MR. THAR: Follow-up question to
16 what Mr. Vowels asked you about, the
17 $8.50 admission revenue. You showed in
18 the information submitted to us and which
19 is in our reports that you charge that
20 admission revenue for five years. Do you
21 honestly think you'll be able to maintain
22 $8.50 admission as competition comes up?
23 MR. ARO: I think if there's indeed

1 competition in the neighboring states you
2 would have to look at how you market your
3 entire operation, and that would
4 certainly be a line you would have to
5 look at, and, again, I think that would
6 be driven by what might happen in
7 Kentucky and Ohio in gaming.
8 MR. THAR: My view of the industry
9 is the admission charge is one of the
10 first things to go when the competition
11 gets heated up.
12 MR. ARO: Well, I think it depends,
13 again, on the venue, and if your neighbor
14 down the street is not charging and you
15 are charging that would certainly be
16 something.
17 MR. THAR: During the presentation
18 it was noted that 50 cents of every paid
19 admission would go to the education
20 foundation. What about comps?
21 MR. ARO: We had structured it on
22 paid admission.
23 MR. THAR: Paid admission?

1 MR. ARO: Yes.
2 MS. BOCHNOWSKI: So, in other
3 words, if you dropped the admission
4 charge then there would be no education
5 foundation?
6 MR. ARO: No. Our plan -- our five
7 year plan is based on, as Mr. Thar
8 suggested, there would be some admission
9 charges throughout that period of time.
10 Our commitment to the community was to
11 contribute to the educational
12 foundation. We use that only as a means
13 of trying to structure a program going
14 forward so if indeed down the road
15 because of competition or some other
16 reason there were not paid admissions
17 going in we would not step away from that
18 commitment to the foundation.
19 MR. KLINEMAN: You would follow up
20 on behalf of the children? You would pay
21 the 50 cents even if you dropped the
22 admission fee to a buck or 50 cents,
23 whatever? You still wouldn't short the

1 children?
2 MR. ARO: Yeah. It's a mechanical
3 way of contributing regardless if we're
4 getting a dollar or no dollars or ten
5 dollars.
6 MR. KLINEMAN: Well, no dollars you
7 get nothing, but 50 cents or over you
8 would pay?
9 MR. ARO: Yes.
10 MR. THAR: Do you have a marketing
11 agreement with HFS?
12 MR. ARO: Yes, at Bayou Caddy's.
13 MR. THAR: Is that with HFS or
14 NDC?
15 MR. ARO: HFS, I think HFS.
16 MR. THAR: For what period of time
17 does that go? How long is that marketing
18 agreement?
19 MR. FREEDMAN: Sanford Freedman
20 again. I'm informed that the agreement,
21 the ten year agreement, is terminated by
22 us at the end of five years.
23 MR. THAR: Is the payment on that

1 agreement paid on a percentage?
2 MR. FREEDMAN: Yes, it is.
3 MR. THAR: And the percentage of
4 what?
5 MR. FREEDMAN: Gross gaming
6 revenues.
7 MR. THAR: Gross gaming revenues or
8 the win?
9 MR. FREEDMAN: Same.
10 MR. THAR: You're looking at the
11 same thing?
12 MR. FREEDMAN: Yes.
13 MR. THAR: What's the percentage?
14 MR. FREEDMAN: It's three percent,
15 Mr. Thar.
16 MR. THAR: What did you get for
17 that aside from their marketing? What
18 did Bayou Caddy's Casino get for that
19 agreement aside from the marketing?
20 MR. FREEDMAN: Well, that involved
21 -- it was a package which involved some
22 financing by HFS Gaming Corp. at the
23 time, and when we made the arrangements

1 for the financing there we made
2 arrangements for the marketing
3 agreements. It was really done as one
4 package. At the time there were certain
5 arrangements made if we proceeded with
6 the Indiana project, and those
7 arrangements were terminated at our
8 request some time ago.
9 MR. THAR: Do you presently have
10 with regard to the Indiana project any
11 similar marketing agreement with HFS or
12 NDC?
13 MR. FREEDMAN: No, there is none in
14 existence.
15 MR. THAR: Have you found this
16 three percent over five years to be
17 burdensome with regard to meeting your
18 debt service?
19 MR. FREEDMAN: Yes. It's a lot of
20 money. It was part of an overall
21 package.
22 MR. THAR: Are you current on those
23 payments?

1 MR. FREEDMAN: Yes. I'm informed
2 we are current on the payments.
3 MR. THAR: You kind of hit it on
4 the head. It seems like it is a lot of
5 money. Has that been part of the problem
6 being able to pay other creditors?
7 MR. FREEDMAN: Not really because
8 you have to combine that with what was a
9 fairly favorable rate on the financing
10 that they did, and we had -- putting
11 those two together it was a very
12 reasonable deal, and I don't think we can
13 say that that affected our ability to
14 deal with other creditors.
15 MR. THAR: Do you do any marketing
16 with Bayou Caddy's other than through HFS
17 or NDC?
18 MR. ARO: Yes.
19 MR. THAR: Do you have a marketing
20 budget in addition to that?
21 MR. ARO: Yes. We advertise radio,
22 television, billboards, quite extensive
23 direct mail programs, special event type

1 things.
2 MR. THAR: That will not be the
3 situation in Ohio County if you're
4 licensed?
5 MR. ARO: With HFS?
6 MR. THAR: Right.
7 MR. ARO: That's correct.
8 MR. THAR: You will not have that
9 situation?
10 MR. ARO: We will not have a
11 marketing agreement with them.
12 MR. KLINEMAN: You won't have a
13 marketing agreement with anyone so far as
14 you know; is that right?
15 MR. ARO: That's correct.
16 MR. THAR: You talked about the
17 revitalization of downtown to fit in with
18 the Fulton's Landing overall
19 architecture. Is that something the city
20 wants?
21 MR. ARO: Yes. When we first came
22 to Rising Sun and we met with the task
23 force folks there that whole concept

1 started evolving which was to develop
2 something that was complimentary to one
3 another so that we're not building a Star
4 Wars type resort out on the side and the
5 downtown is trying to recapture the charm
6 that it had.
7 MR. THAR: Maybe I heard it
8 backwards. What you're really saying is
9 Fulton's Landing, the new stuff you
10 build, will fit in with the way Rising
11 Sun is?
12 MR. ARO: Right. It's a Victorian
13 flavored theme that we are proposing.
14 MR. THAR: I don't remember. Was
15 the golf course a part of your original
16 application?
17 MR. ARO: We had talked -- in our
18 original application we had spoke of a
19 golf course as an amenity that obviously
20 goes hand in hand with this type of
21 development.
22 MR. THAR: I don't remember seeing
23 any money set aside for the development

of a golf course.

MR. ARO: No, there was not. You are correct in your observation.

MR. THAR: So that would not be part of the 99.8 million?

MR. ARO: No, it's not part of the 99, no. We have looked at several pieces of property that would lend itself to that type of development.

MR. THAR: So today's the first we would have heard of it?

MR. ARO: No, not necessarily. We said in our original application that the golf course was certainly something we were looking at. At that time when that was filed we did not have it pinned down to specific sites, and we're still evaluating the sites that we have on that.

MS. BOCHNOWSKI: Do you have a timetable? You mentioned the timetable for the specific project. Do you have a timetable when the golf course would come

1 on line?

2 MR. ARO: Well, as we envision it

3 it's kind of a sequencing time event

4 where the initial efforts would be put

5 into development of the safe harbor area,

6 the parking and cueing pavillions and so

7 forth to allow the project to get up and

8 running. The natural evolution just

9 flows, and it's not very disruptive to

10 the gaming activity and to the hotel

11 site.

12 The evolution from there, and it

13 would depend -- I don't want to make a

14 representation here that's not in place,

15 but it would depend on if we're

16 successful in acquiring the land to do

17 the golf course. That would be the next

18 logical sequencing after the hotel

19 portion of the resort is complete.

20 MR. THAR: I thought you had

21 indicated during the course of your

22 presentation that you received an

23 application number from the Army Corps of

1 Engineers.
2 MR. ARO: Yes.
3 MR. THAR: What is that?
4 MR. ARO: 199500687.
5 MR. THAR: I mean what do you mean
6 by an application number? What is it? I
7 have not heard that term.
8 MR. ARO: Maybe I can refer to the
9 engineers. Docket number.
10 MR. THAR: In whose name is that
11 application?
12 MR. ARO: Alpha Rising Sun.
13 MR. THAR: Could we get a copy of
14 that document?
15 MR. ARO: Sure.
16 MR. THAR: With regard to Bally's,
17 if Bally's finances this project what is
18 the effect on Bally's other application
19 in the state?
20 MR. HILLMAN: The effect on our
21 other application that we have standing
22 is that our obligations to our partners
23 on that application are such that we

1 would keep this investment 9.5 percent.
2 The 9.5 equity structuring we presented
3 to you is based on the structure of those
4 other obligations essentially so in terms
5 of the applications they would still
6 stand.
7 MR. THAR: Let's assume for the
8 moment that you don't get an ownership
9 position and all you do for Alpha Rising
10 Sun is finance it, that's it.
11 MR. HILLMAN: It has no effect.
12 MR. THAR: You still have the
13 resources to go ahead under the other
14 project?
15 MR. HILLMAN: Oh, yes, oh, yes.
16 MR. THAR: And with regard to the
17 $10 million equity commitment that Alpha
18 had presented today as being their
19 portion of the financing package does
20 that include the two million you've
21 already spent?
22 MR. ARO: Yes, it did.
23 MR. THAR: Does that in any way

1 leave the project short in capital?
2 MR. ARO: No.
3 MR. KLINEMAN: Anybody else have
4 anything? I just have one for Mr.
5 Hillman. In connection with your
6 unconditional financing what kind of a
7 noncompete agreement will Bally's give us
8 so we feel secure that you won't go out
9 and compete so that this project would
10 not be able to fund the repayment of the
11 commitment you're going to make?
12 MR. HILLMAN: Well, I guess my
13 understanding of the competition or the
14 licensing process in Indiana is such that
15 the other license being --
16 MR. KLINEMAN: No. I'm talking
17 about Kentucky, Ohio. What kind of real
18 and honest to goodness noncompete -- I
19 don't think anybody from Rising Sun would
20 want you across the river in whatever the
21 name of the --
22 MR. HILLMAN: Well, your crystal
23 ball is better than mine. You tell me

1 what you want. Quite frankly, we'd be
2 willing to give you a noncompete that
3 would be whatever --
4 MR. KLINEMAN: I would obviously
5 think that something in terms of circular
6 miles would be something that would give
7 me some confidence that you wouldn't see
8 a better opportunity down the road or
9 across the street.
10 MR. HILLMAN: Sure. And, quite
11 frankly, we'd be happy to do that. You
12 pick the range that you think is
13 reasonable and --
14 MR. KLINEMAN: Well, I'm not in
15 your business. I have no idea so you
16 tell me, and we'll go from there. I
17 mean, you don't have to do it today.
18 MR. HILLMAN: Okay. I've been
19 asked to do a lot today. We'd be happy
20 to do that. It's a reasonable thing for
21 you to request, and we'd be happy to do
22 that.
23 MR. KLINEMAN: Thank you.

1 MS. BOCHNOWSKI: I'm sorry. I
2 checked my notes, and I do have one other
3 question. You've predicted you're going
4 to have quite a large crowd coming here.
5 Does it not concern you that the roads
6 are terribly inadequate to Rising Sun?
7 How are all these people going to get
8 there safely, get out of there safely? I
9 would think that would be a concern of
10 yours.
11 MR. ARO: Well, it is a concern,
12 and I think you folks are aware of some
13 of the projects that the state has that
14 will be getting going shortly.
15 MS. BOCHNOWSKI: The last rumor I
16 heard was that funding was taken away
17 from that road -- what is it -- 53 or 56,
18 whatever number it is.
19 MR. ARO: I think Joe Emanuele
20 touched on it briefly in his
21 presentation. The amount of traffic is
22 not necessarily a terrible thing. It's
23 whether it gets bottled necked, and as

1 far as 56 goes the traffic surveys that
2 are done and taken into consideration,
3 the cruising schedules and so forth, that
4 part of the roadway from the beltway
5 around Cincinnati is more than adequate
6 to handle the anticipated additional
7 traffic that we see coming in there.
8 I think where it gets a little more
9 dicey is in Lawrenceburg and Aurora,
10 coming through there, and certainly with
11 the turning lanes that are being planned
12 for that that's going to alleviate some
13 of those problems.
14 And obviously we will have to wait
15 and see what happens, but we would try to
16 time our cruises in such a manner to
17 minimize the congestion issue as much as
18 possible. It's not in anybody's
19 interest, you know, to have people coming
20 out having a bad experience or having an
21 unsafe experience.
22 MS. BOCHNOWSKI: The safety of the
23 roads is as big a concern to me as --

1 MR. ARO: Well, I worked up at Lake
2 Tahoe for a number of years, and Highway
3 50 which comes up from Sacramento to the
4 south shore, the last 25, 30 miles of it
5 is a two-lane switch back mountain road,
6 and the visitor count I think in the Lake
7 Tahoe basin is something like four
8 million people a year. And it's not an
9 autobahn by any means, but they certainly
10 get there. They get there when it's
11 snowing like crazy, and they get there
12 when it's quite lovely.
13 MR. THAR: The only difference
14 though, Tom, is that riverboats by
15 cruising creates artificial deadlines.
16 MR. ARO: That's true.
17 MR. THAR: And that is part of our
18 concern is that somebody leaves ten
19 minutes late somewhere they've got to
20 make up ten minutes to get there whereas
21 in Tahoe whenever you get there you can
22 go in.
23 MR. ARO: That's a valid point, and

1 I don't know what totally you can do
2 about that because it is the nature of
3 the beast. But, again, our thoughts were
4 to try to be sensitive to the traffic
5 patterns that exist right now and try to
6 dovetail into that as best we can and try
7 not to compound any problems.
8 We are hoping also that some of the
9 amenities we are planning at the resort
10 are going to allow people to enjoy other
11 things than beating it out there and
12 jumping on the boat. When they get there
13 there's going to be restaurants, and
14 we've got some entertainment facilities
15 planned for it and so forth, and, of
16 course, we've got the downtown issue
17 which we're very actively trying to
18 promote.
19 So I'm not going to say that won't
20 happen, but we are trying to be sensitive
21 to that issue, and we are trying to work
22 through that and try to minimize it as
23 best we can.

1 MR. KLINEMAN: I think we've gotten
2 to the end of the line here just because
3 we're approaching the lunch hour. I'm
4 going to impose upon you gentleman to
5 maybe stick around to be available just
6 right after lunch in case there were some
7 omitted questions which we think of over
8 the lunch hour.
9 If we don't we'll go immediately
10 into the next presentation, and you will
11 then be excused until probably clean-up
12 time when we might have some additional
13 questions. But I think we'll stand in
14 recess until 2:15 at which time if you
15 gentlemen will come back and if we have
16 anything we'll pose questions then.
17 (At this time the noon recess was
18 taken, after which the following
19 proceedings were had:)
20 MR. KLINEMAN: We'll come back to
21 order again. We have come up, Mr. Frick,
22 with a couple of omitted questions so I
23 guess we'll fire away at whoever you feel

1 can best answer the question.
2 We are concerned about the $10
3 million investment that you show as your
4 equity share of the project and where
5 that money would come from.
6 MR. ARO: That commitment would
7 come from --
8 MR. KLINEMAN: Could you identify
9 yourself again.
10 MR. ARO: I'm sorry. Tom Aro.
11 Those funds would come from the Bryanson
12 group of which Mr. Tollman is a principal
13 shareholder.
14 MR. KLINEMAN: And what will be the
15 terms of that?
16 MR. ARO: Straight equity
17 investment.
18 MR. KLINEMAN: And are those funds
19 available presently, or would they be --
20 MR. ARO: Yes, they are.
21 MR. KLINEMAN: -- raised in some
22 fashion?
23 MR. ARO: No. They are available.

1 MR. KLINEMAN: They are available
2 in Bryanson?
3 MR. ARO: That's correct.
4 MR. KLINEMAN: Anybody else have
5 any further questions? I think with that
6 you gentlemen are excused, and we thank
7 you very much for your presentation and
8 for staying over through the lunch hour.
9 MR. ARO: Thank you very much.
10 MR. KLINEMAN: I guess we now will
11 reverse as we did before, go down and sit
12 in the front row, and we'll have the next
13 presentation from the Rising Sun
14 Riverboat Casino and Resort. I have
15 about 2:26 or so so you may proceed. You
16 want to correct my time?
17 MR. DALY: I was just going to ask
18 for two more minutes. Actually I think
19 we'll be brief.
20 MR. KLINEMAN: If you finish by
21 3:30 --
22 MR. DALY: Do we get extra points?
23 Chairman Klineman and members of the

1 Commission, my name is Pat Daly, and I'm
2 the president of the Rising Sun Riverboat
3 Casino and Resort venture. It is
4 certainly my pleasure to come before you
5 here today to present to you what we
6 believe is a very exciting and unique
7 project.
8 As you heard before, it has been
9 two long years since our partnership came
10 together to form this venture. Our
11 intent has been to develop a multifaceted
12 resort that we hope will present us the
13 highest prospective revenues collected by
14 the state and local governments and
15 provide significant economic development
16 over a wide geographic area.
17 To this end we have created an
18 organization of people with strong
19 backgrounds in development, in maritime
20 experience, in entertainment, and in
21 gaming expertise giving the Rising Sun
22 Riverboat Casino and Resort venture the
23 diversity to establish Rising Sun,

1 Indiana, as the focal point and
2 destination resort, conference center,
3 and casino complex in the tri-state
4 area.
5 I would like now to introduce my
6 partners to you. Mr. Jim Everett. Jim
7 has a broad background in maritime
8 experience as a principal of
9 International Marine and Gaming. Jim is
10 involved in the integration of casino and
11 entertainment operations in water borne
12 environments. He has recently completed
13 overseeing the preliminary engineering
14 and design work in connection with the
15 refurbishing and conversion of the 12,000
16 ton Empire Queen.
17 Mr. Paul Partridge. Paul is a
18 partner in the accounting firm of
19 Partridge and Scribner & Company and is
20 also a director of International Marine
21 and Gaming. Paul over the past several
22 years has been involved extensively in
23 the investigation of the financial

1 feasibility and operations of water borne
2 gaming in the United States market.
3 Mr. Al Luciani, who you'll see
4 later in the presentation, is nationally
5 known and respected as a great innovator,
6 marketer, and manager of casino
7 operations. Al is the CEO of American
8 Gaming and Entertainment. He has served
9 as an executive with the Golden Nugget
10 and is generally credited with having
11 helped to create the most successful
12 casino in North America, Foxwoods Casino
13 and Resort in Connecticut.
14 In his prior life Al was a deputy
15 director of the division of criminal
16 justice in the state of New Jersey, and
17 as the Assistant Attorney General in that
18 state he was instrumental in drafting
19 their casino control act.
20 Now, my role in this venture is to
21 do what I love to do best, and that is to
22 plan and to build. As the owner and
23 founder of our current firm, a

1 construction management firm, a real
2 estate brokerage firm, and as the
3 president of Commercial Development
4 Company I have been fortunate enough of
5 having been involved in over $1 billion
6 worth of commercial development either
7 from the standpoint of design,
8 construction, or ownership.
9 In my civic life as the vice
10 chairman of McCormick Place and Navy Pier
11 in Chicago I have also had the honor of
12 overseeing the $1.5 billion expansion of
13 one of America's largest convention
14 centers as well as the largest mixed -- I
15 have to read this one -- the largest
16 mixed use maritime, cultural,
17 entertainment, retail, conference, and
18 museum complex that we call Navy Pier in
19 Chicago.
20 Now, to support our efforts we have
21 assisting us an expert team of
22 individuals and professionals. Inez
23 Taylor is our site representative in

1 Rising Sun, Indiana, has been there since
2 we opened our office in March of last
3 year. Krieg, Devault, Alexander &
4 Capehart of Indianapolis are our
5 attorneys.
6 Paul I. Cripe, Incorporated of
7 Indianapolis are our civil engineers.
8 A & F Engineering & Company of
9 Indianapolis are our traffic engineers.
10 PFDA, Incorporated are our architects and
11 planners. Armanco, Incorporated helps us
12 with our construction management
13 services.
14 Joseph Able & Associates are
15 economic development and city planning
16 consultants; Municipal Finance Consulting
17 Services, Incorporated, tax increment
18 financing and consultation; Host
19 Marketing Corporation, hotel and
20 convention consultants; Captain Detrick
21 Giles of American Gaming and
22 Entertainment, our maritime consultants;
23 and Hyatt Development Corporation,

1 financing.
2 Recognizing that riverboat gaming
3 legislation was passed in order to create
4 economic development and tax revenues to
5 state and local governments, as I've
6 said, we have approached our project with
7 the intention to maximize tax revenue and
8 provide real economic development.
9 We view riverboat gaming as a
10 catalyst for true economic development,
11 that during its period of exclusivity the
12 enormous tax generation and cash flow of
13 riverboat gaming be utilized effectively
14 to maximize its long-term impact on state
15 and local economy, that during this
16 period riverboat gaming be used to
17 underwrite sustained growth and thereby
18 create real opportunity, recognizing that
19 increased competition will most likely
20 come to this area.
21 To that end we are committed to
22 building a destination resort,
23 conference, retail, entertainment, and,

1 the reason that we're all in this room
2 today, a riverboat casino complex that,
3 as I said, will be the focal point of the
4 tri-state area.
5 In general terms we are building
6 upon the natural beauty of this stretch
7 of the Ohio River and will link an
8 historic Indiana river city with the
9 amenities and conveniences of a top
10 quality destination resort. The most
11 important element of our development is
12 the riverboat casino. However, its
13 impact is amplified and supported by the
14 integration of the other development
15 parts.
16 The hotel, the conference center,
17 the performance pavilion, the factory
18 outlet center, and, of course, the
19 18-hole golf course each play important
20 roles on a synergistic and a stand-alone
21 basis. In the future, whether gaming
22 continues to be the primary attraction,
23 each of these individual elements will

1 attract and give long-term economic
2 benefit to the larger community and
3 through linkage will provide for the
4 revitalization of Rising Sun, Indiana.
5 May we dim the lights, please? In
6 our planning we have designed our
7 development in a way that will enhance
8 the notion of a distinct riverfront town
9 set in a rural landscape. Our main
10 resort campus occupies 190 acres of
11 riverfrontage while our golf course sits
12 on 230 acres of rolling hills overlooking
13 the Ohio River. We have taken advantage
14 of the ample area to spread out and
15 maintain the scale and the feel of
16 historic Rising Sun.
17 As you drive into Rising Sun you
18 are struck by the sharp contrast between
19 the town and its agricultural fields and
20 the green-treed edge around the town's
21 perimeter. We have maintained that green
22 edge around our development by providing
23 large landscaped areas and park spaces

1 where we abut and which we share with the
2 community.
3 We have selected an architecture
4 that reflects the gentle features of
5 historic Rising Sun with ample use of
6 stone and wood and a scale that blends
7 with the town. In short, we have
8 attempted to create a soft, friendly
9 environment with no hard edges that
10 reflects the town that we adjoin.
11 We have also mitigated the impact
12 of the expected two million visitors per
13 year to this development by intercepting
14 the bulk of the traffic well north of the
15 city and internalizing that traffic
16 throughout our development. We have put
17 our day trippers and our busiest elements
18 of the development, such as the
19 riverfront casino and the factory outlet
20 center, away from the town.
21 We have placed our shared amenities
22 -- the parks, the performance pavilion,
23 the river walk -- and the overnight

1 facilities -- the hotel and conference
2 center -- on the city side, buffered but
3 still strongly linked to the business
4 district to keep those Ohio and Kentucky
5 tourist dollars in Rising Sun and in
6 Indiana.
7 Certainly the centerpiece of our
8 development is the riverboat casino.
9 This boat, the Colonel Pepper, will be
10 designed after the historic Ohio paddle
11 wheelers of the 19th century. The boat
12 itself will have 71,000 square feet with
13 34,000 square feet of gaming area and can
14 accommodate 2,500 passengers. It is
15 harbored in a man made basin and marina
16 protecting it from river traffic and
17 floating debris.
18 Adjacent to the pier is a 30,000
19 square foot concourse, restaurant, and
20 entertainment pavilion. In front of the
21 pavilion and adjacent to the existing
22 commercial area to the south we have
23 initially planned a 100,000 square foot

1 factory outlet mall. This type of center
2 is a regional magnet and will compliment
3 and not compete with the new downtown
4 retailers. The center would also provide
5 an alternative to riverboat activities
6 and allow guests to stop during the pre-
7 and postboarding periods. This center
8 can be expanded to over 300,000 square
9 feet.
10 The hotel is planned initially as
11 150 units and a 50,000 square foot
12 multipurpose exhibition meeting space and
13 conference center. This facility is
14 expandable to 600 units and will be
15 designed to attract small businesses,
16 corporations, and professional
17 associations in Indianapolis, Cincinnati,
18 Louisville, and Lexington for corporate
19 meetings and conferences.
20 Our hotel management consultant,
21 Host Mark, has been our marketing
22 resource and is uniquely qualified since
23 its CEO, Mr. Bud Cataldo, is the

1 department chairman of the Chicago
2 Convention and Tourism Bureau, and Mr.
3 Mel Padla is the former acting director
4 of that organization. They have a
5 tremendous depth in this market.
6 Next, overlooking the Ohio River
7 and with the Kentucky hills as a dramatic
8 backdrop is our performance pavilion.
9 That is where on summer nights the
10 community and our guests can come
11 together and enjoy live performances on a
12 blanket under the stars or sheltered
13 underneath the roof of a 500-seat
14 pavilion.
15 The final element on the resort
16 campus is the river walk and recreational
17 wetlands. The riverfront is an asset
18 that gives both a visual and recreational
19 enjoyment and provides yet another link
20 to Main Street and the community.
21 And what destination resort would
22 be without an 18-hole golf course?
23 Minutes away is the 18-hole Bogus Hollow

1 golf course on 230 beautiful rolling
2 acres overlooking the Ohio. In addition
3 to the course, the resort will also offer
4 recreational vehicle parking for
5 overnight guests.
6 Now, throughout the resort campus
7 we will be continuously running trams to
8 link each of these elements as well as
9 the entire development to Main Street,
10 first, to mitigate auto traffic within
11 the community and, secondly, to provide
12 strong economic linkage to the downtown
13 business district.
14 Now, our entire project is $98
15 million, and when completed we will have
16 spent $50 million on the land
17 acquisition, the land-based component of
18 this facility. Can we turn the lights
19 up, please?
20 Now, in addition to Rising Sun,
21 Indiana, providing one of the most
22 beautiful sites on the Ohio River it also
23 presents one of the most buildable. Of

all the sites in southeastern Indiana our Rising Sun site has the highest elevation and is the largest land area. The entire developed area of our site is above the 100 year flood plain, and all of our developed structures will be ten feet above that.

Our vessel will be harbored in a man made basin protecting it from river traffic and floating debris, as I said before. The riverboat itself will be moored adjacent to the facility allowing a 20 foot high escarpment separating the facility from the flood way. Our river boat will cruise on one of the safest stretches of the Ohio River and well within the Indiana state boundry.

Utilities are directly to the site and require only modest upgrade to support our facility and future city development. We had submitted our 404 permit last February to the Army Corps of Engineers, and all comments from the Army

1 Corps of Engineers to date have been
2 positive. There are no significant
3 environmental issues. There are no known
4 endangered species. There are no
5 significant wetland issues. The site has
6 no evidence of archeological
7 significance. There is no substantial
8 disturbance of the flood way.
9 Off-site improvements to service
10 our traffic are standard for this size
11 project and are not unusual. Our main
12 Route 56 with the addition of this
13 development's peak traffic demand is
14 still operating at only 65 percent design
15 capacity. In addition, the city and the
16 Indiana Department of Transportation have
17 been involved in conversations and
18 negotiations to make a good road system
19 even better and safer.
20 And, finally, the city has a fully
21 serviced with utilities temporary site.
22 We have a temporary boat, and our project
23 could be in operation within six months

1 after the issuance of a license. Now,
2 having said all that and recognizing the
3 fact that I have a natural bias, we have
4 all of our experts here to answer any
5 specific questions that the Commission
6 may have during our question and answer
7 period.
8 And last but certainly not least,
9 and probably most importantly, we have an
10 unconditional commitment for $99 million
11 of financing from an affiliate of the
12 Hyatt Development Corporation. We have
13 the site, we have the plan, we have the
14 money, and now that I have told you that
15 we will build it Mr. Luciani will now
16 tell you that they will come.
17 MR. LUCIANI: Chairman Klineman,
18 Commissioners, Executive Director Thar,
19 my name is Alfred Luciani. I'm president
20 of American Gaming, and I want to begin
21 by saying flat out we're really excited
22 about this project. This gives people
23 like Pat and I an opportunity to have

1 vision and to create what we think we do
2 best, and that's create entertainment,
3 create longevity in the sense of the
4 creation of a destination resort.
5 What I'd like to do first is to go
6 over the viability of our projections and
7 the premises of those projections so that
8 we can address the viability of what
9 we'll call the Cincinnati market. We did
10 three different sets of projections, one
11 based upon 4,000, another based upon
12 6,000, and the last based upon 8,000
13 passengers per day.
14 We believe that it's certainly
15 reasonable for us to take the middle
16 projection of 6,000 passengers a day and
17 project that there would be approximately
18 2.2 million passengers on an annualized
19 basis. Those were the bases for our
20 primary projections.
21 The number of table games that we
22 projected were 75 for an average win of
23 $1,280, by all standards relatively

1 conservative. The number of slot
2 machines utilized were 1,339 for an
3 average daily win of $152, again,
4 relatively conservative when viewed in
5 the context of recognized markets. The
6 average win per passenger per day, $50,
7 again, attempting to be on the
8 conservative side while recognizing the
9 potential of the marketplace.
10 What happens is in the context of
11 these numbers we end up with a particular
12 yield, a certain gross revenue, a
13 certainly level of expenses, and a
14 certain earnings before depreciation,
15 interest, tax, and amortization which is
16 basically the test of performance in our
17 industry.
18 The yield, as we see it, based upon
19 these, again, fairly conservative
20 projections, the gross revenue for the
21 first full year would be about a hundred
22 and forty-five six on $109 million in
23 gaming win. There would be about $87

1 million in expenses and the yield on the
2 EBTIDA line of about $27.5 million.
3 Factoring a growth of about five
4 percent we see us growing from a hundred
5 and forty-five six in revenue to about
6 173,000,000 over the course of five years
7 and from $109 million in gaming win to a
8 hundred and thirty-three. On the basis
9 of these numbers there's a certain yield
10 to the state of Indiana and a certain
11 yield locally that we can invest.
12 On the basis of a gaming tax, which
13 is a direct tax on the gaming win, we
14 would range from about $22 million to
15 about $26.5 million in five years
16 assuming that there's a flat admission
17 tax and the same number of passengers are
18 constant which is just an assumption.
19 It's an arbitrary assumption. It would
20 be about $6.5 million attributed to the
21 admissions tax.
22 In addition to the statutory tax
23 and the sharing there would be a local

1 revenue participation on the basis of a
2 dollar a head on all the participants
3 entering the boat so there's about $2.2
4 million. Again, we're projecting no
5 increase in numbers, and we believe that,
6 again, to be a conservative estimate.
7 On the basis of sales tax, given
8 the nature of our installation with
9 factory outlet, food and beverage
10 facilities, and the like we expect that
11 somewhere just under $900,000 to about a
12 million one would be generated, and all
13 told we would look at around $31.5
14 million ranging up to about $36.5 million
15 over the course of the first five years
16 of operation.
17 When analyzing this particular
18 market on a comparable basis, and the
19 reason I continuously use the word
20 conservative, we looked at and tend to
21 compare on a proportionate basis known
22 markets and project on the basis of a
23 proportionality of those known markets

1 with the game as we define it in Rising
2 Sun in this particular instance.
3 We believe the overall Cincinnati
4 market to be well over $500 million in
5 potential. The issue is how do we
6 realize that potential. We reach that
7 conclusion on the basis of
8 proportionality based on the number of
9 people within 25 miles, 850,000; within
10 50 miles, two million; and within 100
11 miles, seven million.
12 And recognizing that there's going
13 to be more than one installation we
14 believe that, again, if we look at the
15 per capita income, the number of people
16 that are available, and the experiences
17 in places like Illinois, Connecticut,
18 and, yes, even Atlantic City, we believe
19 that there can be a greater level of
20 enjoyment of revenue than we're
21 projecting right now.
22 Now, what does that depend upon?
23 It depends, quite simply, on whether or

1 not we accomplish our mutual goal, our
2 goal with that of Rising Sun, and that is
3 the creation of an attraction that is
4 lasting, that becomes a resort
5 destination. The issue revolves around
6 why Rising Sun, and the why around Rising
7 Sun is one that really epitomizes my
8 experience, and I'd like to share for a
9 couple of minutes what that means.
10 Having grown up in the Atlantic
11 City experience we've seen what a lack of
12 political will can result in. We've seen
13 what changing plans, lack of zoning can
14 result in. We've seen what land
15 speculation can frustrate. We've seen
16 shenanigans from a political perspective,
17 and we've seen an industry that was
18 individually successful but unfortunately
19 the resort died.
20 On the other hand, we see what
21 Rising Sun has done for itself. They
22 have a plan, they have a mission, they
23 have a vision. Happily we fit with

1 that. Happily our description meets
2 their description of their goal and our
3 goal. And as a consequence we can create
4 this environment of a destination resort
5 because of the predictability of where we
6 go.
7 Another example of what I'd like to
8 point to as a more recent one for me and
9 that was Foxwoods up in Connecticut. We
10 did an original installation based upon a
11 $65 million budget, and, yes, indeed we
12 built a casino, but we built waterfalls,
13 and we built restaurants, and we built
14 other amenities so that when people came
15 they had a complete and diversified
16 entertainment experience.
17 That little installation now has
18 grown into in excess of $300 million. It
19 has in excess of 4,000 slot machines,
20 each earning over $400 a day. It has
21 over 200 table games, each earning over
22 $2,500 a day. But what it is, it's a
23 testament to the creation of what we're

1 all talking about, a lasting destination,
2 a place where people can come and spend
3 time.
4 And that, frankly, is the
5 difference. Not to berate other
6 locations, but the difference here is the
7 opportunity that we have and Rising Sun
8 has to have a land-based opportunity that
9 is there hard and fast, bricks and
10 mortar, as an attraction where we can
11 build it as one destination, one resort
12 with all the amenities that are going to
13 attract people for years and years to
14 come.
15 Unlike some of the other locations
16 in the state that don't enjoy the
17 opportunity of utilization of acreage, we
18 have ample acreage to build pretty much
19 anything that's in anybody's dream, and
20 so dream we will. The difference here is
21 Rising Sun and its raw material. The
22 difference here is the support locally
23 for the delivery of that dream and that

1 vision.

2 What we have in our little program

3 is 190 acres plus a golf course. We have

4 a hotel. It starts at 150 rooms and is

5 planned to go to 600. Of course, we have

6 the riverboat. That riverboat has 1,950

7 gaming positions as planned. It has

8 about 22 square feet per gaming position

9 which we consider to be comfortable.

10 It has a conferencing center, a

11 multipurpose room of 50,000 square feet

12 to create a new market. It has

13 entertainment facilities that will allow

14 up to 2,500 people to be accommodated

15 both under shelter and on the lawn.

16 It has 100,000 square feet of

17 factory outlet that is intended to

18 compliment the downtown vision of Rising

19 Sun, and we have a plan that integrates

20 that downtown vision with this resort so

21 that we are talking about a massive

22 attraction, something that allows

23 critical mass that people talk about when

1 they leave, people talk about when they
2 get home which causes more people to come
3 and see what it's really all about. And
4 what it really is all about is what we
5 think we're really all about, and that is
6 the creation of an entertainment
7 experience.
8 This diversity, this critical mass,
9 this entertainment feature is available
10 to the state. It is wanted by the city
11 of Rising Sun. We would love to be able
12 to do it with you. We believe that we
13 are compatible in our development
14 schemes. We believe that our goals are
15 compatible with those of the city.
16 We believe that some of our
17 marketing notions, like the Rising Sun
18 dollars that come out of our promotional
19 and complimentary expenses, will help
20 ensure the integration of downtown and
21 the success of merchants there.
22 We believe that our commitments
23 under the development fund for $3.5

1 million for the redevelopment of the
2 central city area, of a half million
3 dollars for park acquisition, of $2.1
4 million estimated based on admissions for
5 Rising Sun utilization in addition to the
6 revenue sharing Rising Sun has
7 accommodated with adjoining counties, and
8 beyond our development agreement we've
9 agreed to fund $300,000 as seed money for
10 convention and tourism development.
11 We, like projects of a similar
12 size, expect to employ about 1,400
13 fulltime equivalents. We expect that
14 we'll see about 150 part-time folks. We
15 expect that our payroll will be $30
16 million approximately in the first year
17 and will grow to about $35 million over
18 the course of five. We believe that
19 we'll have $10 million in benefits
20 because we think that our workers have to
21 be protected, and they have to be
22 comfortable with the security of their
23 job and their health.

1 We believe that we will expend in
2 excess of $43 million on the basis of
3 local goods and services, and I emphasize
4 local. It is our intention to prioritize
5 local vendors, goods, services. It is
6 our intention to prioritize local hiring
7 and to do our own training so that these
8 people can be properly equipped. It is
9 our intention to implement recognized
10 affirmative action programs with respect
11 to employees as well as with vendors.
12 We expect that, in addition, 300
13 construction jobs will be implemented,
14 and over $400 million will be dedicated
15 to hard construction. We look to the
16 creation of opportunities and careers.
17 We look for people to move to Rising Sun,
18 not away, to southeast Indiana, not away,
19 and for the first time I think in a long
20 time to reverse the trend not only of
21 people but of dollars.
22 We have the capability of
23 implementing a temporary boat, a boat

1 that is owned by our largest shareholder,
2 that we can rent on a month to month
3 basis until our permanent vessel is
4 completed. That boat is near readily
5 available and can be made available in 30
6 days. We believe that we can be in
7 business, assuming we can get the
8 necessary permits, in four to six months,
9 and I say that with great confidence.
10 We opened Foxwoods and trained
11 every single person other than the
12 supervisors from November and opened on
13 February 15th. It's a very large task,
14 but it's one that is very gratifying, and
15 we're certainly willing to undertake it
16 again.
17 We believe that the temporary
18 facility would accommodate 1,400
19 passengers and 1,300 gaming positions.
20 It has 28,000 square feet of gaming
21 space. It also has approximately 22
22 square feet per gaming position because
23 we think that there's a level of comfort

1 that's required in order to satisfy the
2 market.
3 We also have a barge that is
4 immediately available that would function
5 as a food and beverage outlet, an
6 assembly location, and a ticket
7 location. That barge is 50 feet by 267
8 feet, and, as I said, we have worked out
9 a temporary mooring location with the
10 cooperation of Rising Sun at the foot of
11 Main Street so that we can proceed
12 immediately on construction on the site
13 without getting in our own way.
14 I'd like now to introduce Nick
15 Pritzker who will address the financing
16 commitment of the Hyatt Corporation.
17 Thank you.
18 MR. PRITZKER: Thank you, Al. Good
19 afternoon, ladies and gentlemen. My name
20 is Nick Pritzker. I'm the president of
21 Hyatt Development Corporation, and I very
22 much appreciate the opportunity to once
23 again address this Commission on behalf

1 of the Hyatt family of companies.
2 I am here to indicate our support
3 of this project, support that will take
4 the form of a commitment to loan up to
5 $99 million to this venture. Hyatt has
6 that cash on hand and is not relying on
7 any third parties. We have submitted
8 documents supporting our financial
9 capabilities in this regard.
10 There's little question in anyone's
11 mind that the southeast Indiana gaming
12 market will be extremely strong.
13 Although access to this market in this
14 situation is not ideal, we all expect the
15 competition will follow from Ohio and
16 Kentucky. Future competition will, by
17 it's very nature, likely be better
18 located for these markets than the sites
19 you are considering in southeastern
20 Indiana.
21 Having said that, the reason that
22 we are prepared to stand here today and
23 say that we are willing to invest so

1 heavily in this development is that we
2 are extremely impressed with the plans
3 that you have been presented with here
4 today. We think that the resort elements
5 that have been identified will create a
6 true destination, one that will continue
7 to be viable in the future in the face of
8 any competition.
9 We are also very impressed by the
10 process that the city of Rising Sun has
11 undertaken to ensure that the development
12 gets built in a fashion that will greatly
13 benefit not only the city but the entire
14 region. This resort has room to evolve
15 to meet future demands.
16 The destination that will result
17 will have a broad appeal that will add to
18 the gaming experience and enhance its
19 ability to compete in the future. With
20 Hyatt's experience in casino and resort
21 development and operation around the
22 world we feel reasonably comfortable in
23 making this assessment.

1 The terms of our commitment provide
2 for an unconditional commitment to lend
3 up to $99 million to this project. As
4 you know, our commitment includes an
5 option that will be subject to your
6 approval for Hyatt to convert its loan
7 into an equity interest into the fine
8 partnership that was presented to you
9 today and to assume a leading management
10 role.
11 We are not requesting your
12 consideration of this option at this
13 time. Our commitment to loan is not
14 conditioned upon a preapproval of our
15 probity. However, if you find this
16 application worthy of a finding of
17 suitability you should expect that we
18 will ask you subsequently to reconsider
19 our probity, and, unless you find us
20 unfit, we would expect to exercise the
21 option.
22 We see many projects around the
23 country and around the world, and I can

1 honestly say this is one of the most
2 exciting ones we've seen anywhere. I am
3 confident that the team that you have
4 before you today will produce a product
5 that the city of Rising Sun will be proud
6 of, that the state of Indiana will be
7 proud of, and that all of us will be
8 proud of too.
9 Thank you for your consideration.
10 I would like to ask Pat Daly to come up
11 and give a summation.
12 MR. DALY: Could we turn up the
13 lights, please? I'm tired of seeing it.
14 When it's built you won't be though.
15 We're way ahead of schedule. I hope this
16 counts. Al just said I guess we just
17 talk fast.
18 What we have presented to you today
19 is a program that maximizes government
20 revenue and provides true and sustained
21 economic development and growth. We have
22 not presented a riverboat casino with a
23 resort. We have presented a destination

1 resort, hotel, conference, retail complex
2 with a riverboat casino.
3 We have presented a temporary
4 vessel and a temporary site that will
5 allow us to commence operations
6 immediately upon permitting and begin to
7 create those revenues and begin to create
8 that growth. We have presented a site
9 that of all the sites we are aware of is
10 the best from the standpoint of
11 permitting, from the ability to build,
12 safety of cruising, and depth of market.
13 We have presented a team with
14 diverse expertise that can ensure that
15 what we plan will be built and be
16 successful, a team that believes in the
17 structural linkage to the community. It
18 recognizes that riverboats, while they
19 enjoy their exclusivity, become the drive
20 train of a much larger economic engine, a
21 team that is committed to being a partner
22 with the community to ensure that like a
23 true partnership we both thrive and we

1 both prosper.
2 We have presented a project that
3 has a full funding commitment by the
4 Hyatt Development Corporation, an
5 organization whose knowledge and
6 expertise in this industry by their
7 commitment confirms what I have said.
8 And, finally, and most importantly,
9 what brought us to this region was the
10 market. What brought us to this location
11 was the ideal conditions to safely
12 operate a riverboat along this stretch of
13 the Ohio River. What brought us to this
14 site was the high and the ample land that
15 would guarantee a successful
16 development. But what convinced us of
17 that success and what has kept us here is
18 the city, the community and the people
19 who live in it.
20 From the city administration to the
21 gaming task force to the port authority
22 to the members of Rising Sun First out
23 here in the audience who attend every

1 meeting and volunteer for every task,
2 this community has shown a commitment and
3 has taken a direction that ensures a true
4 public/private partnership that will
5 guarantee the success of this project.
6 You know, Carl Sandburg referred to
7 my hometown, Chicago, as a city with big
8 shoulders, and, grant you, Rising Sun may
9 not be the same in size, but it's
10 certainly just as big in stature, as big
11 in commitment, and as big in direction.
12 We are proud to be a part and we
13 certainly hope to become a partner of
14 this community.
15 And to the members of the
16 Commission and staff, we thank you for
17 your commitment to the state of Indiana,
18 and we hope that you will look favorably
19 upon our application. Thank you very
20 much.
21 MR. KLINEMAN: Thank you very much
22 for your presentation. We'll go back
23 up. Our schedule calls for a break now,

1 but I think maybe we picked up a little
2 extra time, and at the consent of the
3 group we'll go forward and take our break
4 a little later.
5 So, again, I want to thank you for
6 your presentation. Mr. Daly, I guess I
7 will look to you to be the spokesperson,
8 the designated person, as far as who will
9 answer whatever questions we have.
10 MR. DALY: I will direct traffic.
11 MR. KLINEMAN: Having said that, I
12 leap right into Mr. Pritzker's area which
13 is the financing.
14 MR. PRITZKER: Getting right to the
15 point, Mr. Chairman.
16 MR. KLINEMAN: Again, we're
17 certainly happy to see you. Your
18 perseverance will be duly noted. Just
19 give us a little information, if you
20 will, on your $99 million unconditional
21 commitment. What exactly is the form,
22 interest rate, and security, that kind of
23 stuff?

1 MR. PRITZKER: Mr. Chairman, it's
2 $99 million up to covering the cost of
3 the project, first mortgage secured by
4 the assets of the corporation. It's a
5 nonrecourse loan. It bears interest at
6 the rate of 18 percent cumulative. It
7 requires a sweep of all the cash flow for
8 repayment of principal and interest.
9 Those are the key terms.
10 MR. KLINEMAN: Is there a written
11 commitment that's been given?
12 MR. PRITZKER: There's a
13 preliminary commitment, yes.
14 MR. KLINEMAN: Preliminary you
15 say?
16 MR. PRITZKER: We don't have full
17 loan documents, no, but we do have a
18 binding letter of intent.
19 MR. KLINEMAN: Okay. Have you
20 submitted that to the Commission yet?
21 MR. PRITZKER: Mr. Thar, I believe
22 you have that document, do you not?
23 MR. THAR: I honestly don't

1 remember seeing it. Do we?
2 MR. PRITZKER: Yes.
3 MR. THAR: Is that what you gave me
4 the other day?
5 MR. DALY: Yes.
6 MR. THAR: Yes, we do.
7 MR. KLINEMAN: The staff handles
8 quite a few pieces of paper. $99 million
9 commitments can get lost.
10 MS. BOCHNOWSKI: Mr. Pritzker, you
11 indicated that down the road now or
12 probably once if this company is given a
13 license that you will be seeking an
14 equity position and a management
15 position. If that were to be approved
16 would this hotel that they're building be
17 a Hyatt hotel?
18 MR. PRITZKER: Yes. The hotel
19 would be operated by and marketed by
20 Hyatt. All the elements would be
21 operated by Hyatt.
22 MS. BOCHNOWSKI: All of the
23 elements of the hotel or of the entire

1 project?
2 MR. PRITZKER: I'm referring
3 specifically to the golf course, the
4 gaming operation, and to the hotel.
5 MS. BOCHNOWSKI: That's basically
6 everything, isn't it?
7 MR. PRITZKER: Not the retail.
8 MS. BOCHNOWSKI: Not the retail.
9 Now, as to the operation and the
10 construction of this mall is there
11 somebody -- does this company really have
12 experience to be developing a mall? You
13 said North Pier and all that.
14 MR. DALY: In real life my
15 architectural firm has developed $1.5
16 billion worth of shopping centers in 26
17 states and I think probably 450 centers.
18 As a developer and owner we have
19 developed over eight and a half million
20 square feet in California, Florida, Iowa,
21 Minnesota, Illinois. That's the primary
22 thrust of our development background is
23 retail centers.

1 MS. BOCHNOWSKI: So that ideally
2 the way this would all pan out is that
3 your expertise would be in the retail,
4 and the Hyatt would be in the other part
5 of the operation?
6 MR. DALY: Yes.
7 MS. BOCHNOWSKI: And the marketing
8 ideally, assuming everything's approved,
9 would be through Hyatt or through the
10 Pritzker organization? I'm concerned
11 about marketing ability, experience in
12 this gaming industry.
13 MR. PRITZKER: It would be Hyatt
14 marketing subject to approval. It would
15 be operative in all of the elements other
16 than the retail of this project.
17 MR. THAR: May I ask a follow-up on
18 that? Just to follow up, if Hyatt were
19 allowed to get an equity position and
20 allowed to become the operations manager
21 where does that leave Mr. Luciani because
22 I thought it was represented that he
23 presently has -- his company has an

1 agreement to run the casino?
2 MR. DALY: That is correct. Mr.
3 Luciani and his company will come back
4 into an ownership position, and our team
5 with regards to gaming expertise,
6 maritime, numbers, and development
7 expertise will be partners with the Hyatt
8 group so all those elements will still be
9 there.
10 MR. THAR: Who becomes the gaming
11 operations manager?
12 MR. DALY: Hyatt.
13 MR. THAR: Is that with Mr.
14 Luciani's agreement?
15 MR. DALY: Yes.
16 MR. LUCIANI: That is correct.
17 MR. DALY: And to correct myself,
18 the letter was handed to Mr. Hannon but
19 in your presence.
20 MR. PRITZKER: I'd just like to add
21 that obviously with somebody of Mr.
22 Luciani's ability and stature as a
23 partner Hyatt would obviously look upon

1 that as a resource.
2 MR. THAR: Well, I guess our
3 concern is even if they end up as
4 operations manager they want a
5 percentage. We're not going to be paying
6 two percentages on this license, are we?
7 MR. PRITZKER: That's correct. The
8 only management fee would go to the Hyatt
9 group under those circumstances, yes.
10 MR. THAR: Will there be any
11 internal lawsuits over this?
12 MR. PRITZKER: I can assure you
13 none from my end.
14 MR. LUCIANI: None from ours. This
15 is a cooperative approach. It is one
16 that is relatively realistic in light of
17 the financial world today. And we heard
18 some moans about the 18 percent interest
19 rate. I'd like to call the attention of
20 the Commission to the fact that financing
21 of these projects is difficult today. In
22 the normal course of events a project in
23 Las Vegas is paying 14.5 percent plus 7

1 percent of cash flow, and, quite frankly,
2 we believe that the terms and conditions
3 and cooperation of Hyatt are very
4 advantageous to get this project done.
5 So this is a very cooperative
6 arrangement.
7 MS. BOCHNOWSKI: So the 18 percent
8 interest rate, is that including your
9 management fee let's say, or is a
10 management fee on top of this 18
11 percent?
12 MR. PRITZKER: Let me clarify the
13 situation. The 18 percent that I
14 referred to is purely the loan that we're
15 talking about. In the event of
16 conversion the loan changes. What we're
17 going to propose to you, in fact, our
18 option with Pat's group provides for
19 under conversion that although we
20 continue to provide all $99 million we do
21 so under a different arrangement where
22 the interest rate is in the nature of a
23 preferred return.

1 It's not a loan but a preferred
2 equity return, and that return is 16
3 percent and not 18 percent. But to
4 answer your question, in both of those
5 cases the management fee is above and
6 beyond the 18 percent and the 16 percent
7 respectively.
8 MS. BOCHNOWSKI: Do you generally
9 charge a percentage of revenues,
10 percentage of net, percentage of gross?
11 How does that --
12 MR. PRITZKER: It is calculated as
13 a percentage of gross gaming win and a
14 percentage of EBTIDA.
15 MS. BOCHNOWSKI: If you could
16 expand on that.
17 MR. PRITZKER: The gross gaming
18 revenue is the essentially gross number.
19 Adjusted gross revenue is the appropriate
20 accounting line under GAPP financing, and
21 it's earnings before interest, taxes,
22 depreciation and amortization is the
23 meaning of EBTIDA. We take a small

1 percentage of EBTIDA which is a pretty
2 standard thing.
3 MS. BOCHNOWSKI: What is a small
4 percentage of EBTIDA?
5 MR. PRITZKER: Specifically the
6 arrangement that we have is three percent
7 of gross gaming win and five percent of
8 EBTIDA.
9 MR. THAR: Three percent of gross
10 gaming win or three percent of gross
11 gaming win plus three percent of all
12 other gross revenue?
13 MR. PRITZKER: It's three percent
14 of all gross revenue, that's correct,
15 because of the other elements of the
16 project, the hotel, the golf course, and
17 so on. The three percent is on all of
18 those revenues.
19 MR. KLINEMAN: There's a chart you
20 used in your presentation which is in our
21 booklet entitled Summary of Financial
22 Projections, and it's got revenues,
23 expenses, and -- how do you pronounce

1 that one again?
2 MR. PRITZKER: EBTIDA.
3 MR. KLINEMAN: Are those based on
4 the Hyatt proposal being put in place, or
5 are they based upon some other scenario?
6 MR. PRITZKER: Those were
7 projections that were supplied by Mr.
8 Luciani and his company. Obviously we
9 have looked at and reviewed those numbers
10 and made our own market analysis of the
11 situation if that's your question.
12 MR. KLINEMAN: Yes. Then my next
13 question would be what are the changes
14 from what we see here in your scenario?
15 MR. PRITZKER: We have no
16 additional projections to give to you at
17 this time. We feel that the numbers that
18 Mr. Luciani has presented are realistic,
19 that they're conservative, and that
20 they're very achieveable in this market
21 so we're happy about them.
22 MR. KLINEMAN: I'm talking about
23 the gross, the revenue. I'm talking

1 about coming down the line.
2 MR. PRITZKER: In terms of
3 operating margins?
4 MR. KLINEMAN: Yes.
5 MR. PRITZKER: Well, again, we feel
6 that the margins that he has produced are
7 reasonable in light of our experience in
8 casinos and riverboat casinos, and we are
9 not proposing at this time to say we
10 would do better or worse than those
11 projections.
12 MR. KLINEMAN: My question is: Is
13 there going to be a heavier load into the
14 expense side than what is shown in the
15 projections? And maybe I'm not asking
16 the right question.
17 MR. LUCIANI: The projections are
18 based upon earnings before interest,
19 taxes, amortization, and depreciation so
20 those numbers don't change whatsoever
21 with respect to the Hyatt arrangement.
22 They're set. It is below that line that
23 would be affected by the Hyatt

1 arrangement.

2 Now, the management fee that we are

3 dealing under the Hyatt arrangement is

4 the same management fee that we had

5 originally based upon our management

6 agreement. So as a practical matter what

7 you have before you is identical through

8 that line that we call EBTIDA.

9 MS. BOCHNOWSKI: So basically you

10 had to give up what you considered your

11 management fee in order to obtain this

12 financing from and this agreement with

13 Hyatt?

14 MR. LUCIANI: Yes. But what we did

15 was exchange it for an equity

16 participation, a carried equity

17 participation, and a right to make a

18 capital contribution to gain a larger

19 equity participation. So, as I said,

20 this is a very friendly, I think very

21 opportunistic situation for Rising Sun

22 and the state of Indiana.

23 MS. BOCHNOWSKI: So you see this as

1 a good situation for you as well as
2 Hyatt?
3 MR. LUCIANI: Absolutely. I mean,
4 I think that this is the way that we can
5 stand here and say to you there is an
6 absolute 100 percent certainty that this
7 project is real.
8 MS. BOCHNOWSKI: Well, that does
9 make a big difference.
10 MR. LUCIANI: From our perspective
11 if we had to participate in something
12 that was real that we thought was really
13 important for all of us collectively to
14 accomplish, for us to bring in a Hyatt
15 and for them to stand up here and say
16 what they said, I mean, clearly what we
17 end up with is a whole lot more than the
18 speculation of Do you really have the
19 financing, Where is it coming from, Are
20 you going to fund it through cash flow.
21 This is it. It's right here on the
22 table, and the check's in the mail. So
23 from a practical standpoint what I think

1 we're delivering to you today is the
2 absolute certainty of completion of what
3 we've described to you.
4 MS. BOCHNOWSKI: Has your timetable
5 changed with this new addition of Hyatt,
6 and can you go into what your timetable
7 is?
8 MR. DALY: Well, we have talked
9 about the temporary facility. We have
10 the boat. We have the option to lease
11 it. We have the site, and we'll begin
12 the permit if it's found to be suitable
13 for application. The first thing to
14 happen, of course, on a construction time
15 line based on when the license of
16 suitability is identified we obviously
17 have to deal with and contend with
18 weather conditions as far as being able
19 to dredge the marina.
20 So we would assume that, again, the
21 first issues come with the marina and the
22 basin and the holding area for the
23 riverboat itself, and the hotel and the

performance pavilion would begin immediately. The golf course would follow because the nature of golf courses, as I understand, it takes two years for them to mature before you can get someone out there hitting the first balls so that would be coming along the line.

The last element, and this is the most difficult, and I should have said in my comments, and I apologize, we have taken a very small factory outlet center, 100,000 square feet. When I say small I think we're talking about 15 to 20 tenants. What we have to do is generate the traffic. When two million people a year begin to come this site will become known as the place to be for these kinds of tenants.

We specifically did something that would not compete with the downtown area. It makes it a little bit harder for our development, but we specifically

1 did something that would not compete with
2 the existing area including Lawrenceburg
3 and Aurora. This is something that does
4 not exist in this marketplace. It is not
5 going to detract from any other
6 competition. It will enhance the area.
7 But unfortunately we have to
8 produce the bodies first before we can
9 induce the interest in the tenants. So
10 in that instance that will be the last
11 element, and it's going to be driven by
12 the market.
13 And, again, if it's successful and
14 if there are people coming to the area
15 and we're bringing four million people or
16 so a year the viability of this being a
17 300,000 square foot center certainly is a
18 feasible situation. The 100,000 foot
19 center is a starting point, and the
20 300,000 feet is something we feel we can
21 accomplish once we begin to generate the
22 traffic and identify this as a market.
23 MR. KLINEMAN: You say there's

1 nothing like it within some radius; is
2 that correct?
3 MR. DALY: In the immediate four or
4 five county area it just doesn't exist.
5 There's one located between Cincinnati
6 and I believe Dayton and then one in
7 Kentucky. They're typically on
8 interstate highway systems.
9 MR. KLINEMAN: I know they're
10 springing up.
11 MR. DALY: It's a tremendous growth
12 area in the retail market, and there's a
13 lot of users who want to get their
14 product in the stores, but they have to
15 be assured there's going to be enough
16 bodies walking around the area.
17 MR. KLINEMAN: In your
18 architectural rendering the only sign
19 that was visible to my eyes was Gift
20 Shop, and I was thinking I bet that's not
21 what the people of downtown Rising Sun --
22 MR. DALY: That's what I did not
23 want the architects to present. They

also took the masts off the sail boats in the river. That just happens. I'm sorry.

MR. THAR: May I ask a few?

MR. KLINEMAN: Go ahead.

MR. THAR: A couple things with regard to Rising Sun, and if I can refer to you as Rising Sun and then the city of Rising Sun, have you entered into any kind of agreement with the city of Rising Sun?

MR. DALY: Yes, we have. We have executed a development agreement with the city. It provides for what we identified in our presentation, a $500,000 grant for a park, $3.5 million for the -- I believe they're going to use as a revolving loan for redevelopment of downtown Rising Sun to upgrade the existing store fronts and create an ambiance that is matching what we have agreed to.

We went one step beyond. We also identified a $300,000 convention and

1 tourism grant so that they can begin
2 marketing as we begin marketing, that we
3 work in tandem and try to create what
4 we've seen in Aurora, Illinois, and some
5 other locations where they have the
6 staff. They have people on site.
7 We're almost like a mall where we
8 can start to bring on people who can
9 identify the types of things they should
10 have in the downtown district, how they
11 should market themselves, how they should
12 reach out to the media community from the
13 standpoint of marketing rights in
14 conjunction with the opening of our
15 development.
16 We have also identified a timetable
17 with regards to target dates and outside
18 dates on delivery of our various elements
19 of the project. They have specific
20 performance and liquidated damages if we
21 don't produce as we promised. We have
22 identified that we would not sue anybody
23 on a voluntary basis with regards to the

1 application. We identified that we would
2 protect and hold harmless the city from
3 any other types of legal suits.
4 We have identified that we will
5 work closely together, that we will
6 survey our own site, that we will provide
7 our own clean-up and security and traffic
8 controls, and we will work with them,
9 again, as a true public/private
10 partnership.
11 MR. THAR: Are there any other
12 long-term commitments other than what I
13 understand to be one-time monetary
14 payments?
15 MR. DALY: Well, I think it's with
16 the license as far as our relationship
17 with the community. Oh, the revenue
18 sharing. I'm sorry. I forgot. We are
19 also obviously identifying a dollar per
20 capita with regards to additional
21 contributions to the city, and that is
22 ongoing.
23 MR. THAR: With regard to the

1 property, is that property that will be
2 owned by the development or leased from
3 the city of Rising Sun?
4 MR. DALY: No. We have options on
5 the 190 acres that we presented. We have
6 an option and contract on the 230-acre
7 prospective golf course. We voluntarily
8 identified that if we were not the
9 successful applicant we would turn the
10 property back to the city to give to the
11 successful applicant so there would be no
12 difficulty as far as this development
13 going forward. We've obtained those
14 options. We've done our typical due
15 diligence with regard to title search,
16 soils, and engineering as we would in any
17 venture.
18 MR. THAR: One last area still
19 going to the city of Rising Sun and your
20 development, have you made any
21 commitments with regard to easing traffic
22 problems other than the way you've
23 structured your development? Have you

1 put any money aside for the aid to road
2 development or anything like that?
3 People can talk about the road being at
4 only 65 percent capacity, but if you have
5 driven down the highway and you want
6 6,000 more people per day to use it one
7 has a hard time knowing how they can do
8 that safely. So what kind of commitments
9 has your development put towards
10 alleviating that problem?
11 MR. DALY: We haven't been asked to
12 -- we've provided professional services
13 in regards to investigation of the
14 special service district, enterprise
15 zones, TIF funding, and, again, we'll be
16 responsive to any requests that the city
17 has. I would also like to, if you're
18 interested, Al's experiences with regard
19 to similar developments that he's had if
20 you'd be interested to hear those.
21 MR. THAR: Well, I think in June
22 we're going to here from the Indiana
23 Department of Transportation with regard

to these roads so if you have something you'd like to add on that I'm sure the Commission would like to hear that because we have heard the public comment with regard to the highways, and they have also driven the roads themselves, and putting 6,000 more people for your development and then more people for some other development is kind of a scary proposition because we have an overall feeling that, and maybe you will want to address this also, to put a project this size in a place like Rising Sun will alter the community in a way that it can never go back to the way it is today. If the Commission makes that decision it has to know that it does so with the highest degree of safety to the community in mind, and you seem to have expressed a lot of that yourself.

MR. DALY: If I may then I'll ask our traffic engineer, Steve Fehribach, to come forward. We've worked with the city

and began to identify areas along Route 56 that there could be improvements, and we've given that information to the city, and I believe that's what the city has had in conversations with INDOT.

MR. FEHRIBACH: I'm Steve Fehribach with A & F Engineering, traffic consultants. One of the things we identified is how many trips will come to this site. We talked 6,000 people per day. We talked three and a half million people per year. In reality we have so many trips or vehicles per hour so that's what we try to design for.

We have identified certain things in the report that would allow us to alleviate congestion problems, wider shoulders for farm vehicles to move off, signalization at main driveways, and things like that. The reality of the whole situation is 56 as it is today is a two-lane road. Until you introduce capacity constraints such as signals,

four-way stops, and things like that you can move quite a bit of traffic.

So what we have shown is that the traffic in the peak hours, the peak demand, we will be able to have an acceptable level of service so that's where we stand right now. Currently the city is looking at doing projects, the widening, passing lanes, and things like that. INDOT is looking at Lawrenceburg. I think they're going to announce a letting in July to add a fifth lane through Lawrenceburg so there's many projects coming down the pike that are going to alleviate a lot of this congestion.

MR. THAR: These projects go quicker if there's private money thrown in. Is there any room for --

MR. DALY: Again, in the interest of not amending our application consistently our relationship with the city, and I hope this will be borne out,

1 anything we need to do to help this work
2 better, make them and us more successful,
3 we're obviously always open to that.
4 And if private funding is necessary
5 to accomplish and satisfy it from the
6 standpoint of the Commission's concern or
7 the city's or our customers, public
8 safety and ease of access to the site, we
9 are always ready to have that
10 conversation and to make that
11 commitment.
12 MR. THAR: You were also going to
13 address I think the fact that Rising Sun
14 would be irretrievably altered. It's
15 like surgery. You can't go back and undo
16 what you have done. If you get licensed
17 the boat in Rising Sun will change that
18 community forever whether you stay there
19 two years, ten years, or whatever. It
20 will not go back to the easy life as some
21 people have described it in public
22 comments before. What is your company
23 offering to ease that transition or to

1 ensure that it will happen, or how do you
2 see that happening?
3 MR. DALY: First of all, when we
4 approach the project -- this is long
5 winded and I apologize, but you have to
6 face the reality we're dropping a $100
7 million development into a community of
8 2,000 people and a county of 5,000
9 people, and we recognize that. The city
10 recognizes that, and there's been a
11 long-term process as we've worked through
12 the process and worked together.
13 Joe Able, who is with us today, we
14 have provided resources that we thought
15 might be helpful from the standpoint of
16 Joe's background as the planning
17 commissioner for the county of DuPage
18 which is the fastest growing county in
19 the last ten years in the state of
20 Illinois as well as his directorship of
21 the Chicago Economic Development
22 Commission, those kinds of expertise as
23 far as how to ease the process and help

1 create a structure that's going to be
2 able to handle the kind of development
3 that we're talking about that's going to
4 happen in a short time frame.
5 We looked at the development on the
6 basis of trying to minimize as best we
7 could, instead of dropping an 800-room
8 hotel and a boat we've tried to be
9 sensitive to the scale, the density, and
10 tried to ameliorate as best we can the
11 kind of development that we're talking
12 about by keeping as far away from the
13 community, as I described in my comments,
14 and then keeping the residential portions
15 of our project closer to the city
16 itself.
17 We think there may also be an
18 improvement in the quality of life.
19 We're going to be able to provide
20 services, entertainment facilities,
21 ambiance, river walks, recreational areas
22 that don't exist currently.
23 And, again, we all addressed and we

1 recognize what the primary goal of
2 Indiana gaming is, and that is to spur
3 economic growth for children who are
4 raised and educated in this community,
5 can remain in this community, this
6 community and others like it who are
7 dwarfed by their big sisters on the other
8 side of the river in other states.
9 They've had a dramatic loss of
10 opportunity and a dramatic loss in career
11 opportunity.
12 So there's a balance here, and,
13 again, we're sensitive and we try to be
14 sensitive as best we can with regards to
15 achieving that balance. There are going
16 to be some good things, and there are
17 going to be some bad things, and there
18 are going to be some periods of
19 ajustment.
20 But the most important part is that
21 we're sensitive to it, and the city has
22 certainly taken a phenomenally firm
23 direction. They've just grabbed this

one, and they're working toward a successful conclusion. When I think of all the places I've been in my development life I've never seen this level of focus and direction and willingness to sit down and solve the problem in advance of it occurring, and that's a very comforting thought in recognizing what we're about.

MR. KLINEMAN: Your investment is going to be in stages; is that correct? Could you give us those stages and the time for that?

MR. DALY: Well, right out of the box --

MR. KLINEMAN: Projected time.

MR. DALY: Right out of the box is the temporary boat so our application does not show any of that cash flow or any of that benefit as we submitted it.

MR. KLINEMAN: I'm talking about more when are things going to be built in terms of permanent on land.

1 MR. DALY: As soon as we pull the
2 permits, we close on the property, we
3 will be the owners of 420 acres of
4 property in Rising Sun, Indiana. I
5 believe we fund part of the development
6 agreement. We will be under construction
7 immediately with regard to the standpoint
8 of the marina and basin, the holding area
9 for the riverboat itself. The riverboat
10 itself will be ordered.
11 The hotel, the performance
12 pavilion, the amenities, the river walk,
13 and so on, they will move immediately.
14 So as a result that first phase as soon
15 as we break ground those three elements
16 are under construction, or four elements,
17 and the conference center.
18 And then, as I said, golf courses
19 just by their nature, you know, you clear
20 the land, you plant the seed, then you
21 wait a year, wait another year, and then
22 you hit balls off it if you're able to.
23 I am not. So that will be as nature

allows as far as the opening of that facility.

And then the last one, and that's the one I identified, as soon as the tenants show up -- if they see two million people a year come through it may happen immediately. It may be a longer process from the standpoint of a learning curve to educate those types of retailers that this is the location they need to be because of the synergy between one or two potential riverboat licenses in this area and the attraction, when they see the resort, when they see the kind of attraction and destination we've created, that this fits their program from the standpoint of marketing.

MR. KLINEMAN: So based upon your application which shows a total expenditure of $97,800,000 the only item that you say will not be immediately committed or constructed would be the factory outlet shopping center which is

1 7,401,000?

2 MR. DALY: That is correct.

3 MR. KLINEMAN: So you're talking

4 $90 million immediately?

5 MR. DALY: Yes, sir.

6 MS. BOCHNOWSKI: What is your plan

7 to get these outlets to Rising Sun? How

8 do you plan to -- I mean, I know you're

9 saying when you start to get people

10 there, but surely you have to go out, you

11 have to make relationships.

12 MR. DALY: Exactly. In fact, right

13 now as we speak the ICSC shopping center

14 convention is in Las Vegas, and this is

15 the first time I've missed it in quite a

16 few years, but I'm glad to do that to be

17 here. But it's a time when we all come

18 together, and we identify sites, and we

19 identify merchants, and we identify

20 retailers, and we cut deals. All year

21 long that's all my office does. All we

22 do is identify opportunities.

23 Currently we have a half million

1 square foot center in St. Paul under
2 construction. We have one planned for
3 Minneapolis where we're actually
4 converting an old Sears warehouse -- same
5 thing in St. Paul, an old warehouse --
6 and revitalizing two blighted areas.
7 We're bringing in new retailers to areas
8 that have never been serviced. It's what
9 they call urban run away, and we
10 specialize in that. We're in Ames, Iowa;
11 we're in Mishawaka, Indiana; we're in
12 Schererville, Indiana; we're in North --
13 MS. BOCHNOWSKI: What's in
14 Schererville?
15 MR. DALY: Actually it's Lincoln
16 Highway and -- right across from the --
17 help me, with the Wal-Mart center,
18 Lincoln and Indianapolis Boulevard.
19 That's where 800,000 cars go by
20 everyday.
21 MS. BOCHNOWSKI: Yeah, I know. I
22 live there.
23 MR. DALY: Oh, I'm sorry. The

1 restaurant right on the corner.
2 MS. BOCHNOWSKI: You mean where
3 Schrack Pantel's is?
4 MR. DALY: Yes, Schrack Pantel's.
5 It's across the street. And we're not
6 doing a food service, but that's our
7 business, and I've been doing that since
8 1975, and as a result we are confident
9 that this will happen.
10 MR. VOWELS: Mr. Daly, the
11 investigation reveals that you and other
12 investors have applied for gaming
13 licenses in Greece and the state of
14 California. Can you tell me more about
15 that in terms of your application
16 process?
17 MR. DALY: Sure. You want the bad
18 news or the good news?
19 MR. VOWELS: All of it.
20 MR. DALY: Okay. The bad news is
21 brief. We became a limited partner with
22 a well-known gaming partner. My
23 partners, Jim Everett and Paul Partridge,

1 had identified an opportunity in
2 Litokhoron, Greece. It's off shore.
3 It's way beyond our reach, but
4 nonetheless we had a good relationship
5 and helped develop and found a partner to
6 join us in that venture.
7 We were successful as a
8 quote/unquote venture. We received a
9 license from the Greek government, and
10 our gaming partner didn't show up with
11 the check. As a result, we have been
12 replaced in that venture by Powerbrook I
13 believe who have taken that license in
14 Litokhoron, Greece.
15 In Bell, California, we have an
16 agreement with the city of Bell. In
17 California they pass referendums, and
18 they have poker clubs. They don't have
19 Class III licenses in California. And we
20 were successful in getting an exclusive
21 with the city of Bell, California, to
22 apply for a license for a corporate
23 facility. We have the exclusive to have

1 that facility.
2 We recognize in the state of
3 California you cannot have a Class III
4 license and be an applicant for a poker
5 license in California. If we are the
6 successful applicant in this venture we
7 will not apply or continue the licensing
8 process with regards to Bell. We may
9 still be involved in the development
10 process in relationship to the facility,
11 but we will not be licensing in Bell,
12 California.
13 MR. VOWELS: What stage is it now
14 in Bell, California? I mean, do you have
15 poker? What is happening there?
16 MR. DALY: I'm sorry. I didn't
17 hear you.
18 MR. VOWELS: In Bell, California,
19 what's the stage of the process? Where
20 are you at now? They have issued the
21 license?
22 MR. DALY: No. We have applied --
23 yeah, there is an application pending --

1 I don't believe they have a gaming
2 commission per se, but to the Attorney
3 General's office there is an application
4 pending, and we've just let it slide
5 recognizing this is going to occur. Our
6 first interest is Rising Sun, Indiana.
7 MR. VOWELS: How big of a
8 commitment is it there?
9 MR. DALY: I'm sorry?
10 MR. VOWELS: How big of a financial
11 commitment do you have there?
12 MR. DALY: Oh, the facility is
13 twenty-six to thirty million dollars.
14 They are just literally free-standing
15 buildings in a parking lot. It doesn't
16 involve the level of development that you
17 see in states that have water borne
18 gaming. You can syndicate these.
19 There's consideration with the city from
20 the standpoint of TIF with assistance
21 with off-site improvements and reduction
22 with regards to acquisition of property,
23 and there's also a secondary use for the

structures.

This happens to be on an expressway in an industrial area that, unlike special use developments such as a gaming boat per se in a holding area, these have secondary uses that are much easier to finance on a conventional basis. It's not like the financing that we see in the gaming industry. This would have another life as an industrial or retail building, and it's much easier to finance.

MR. VOWELS: There was another boat, the S.S. Marine Star. Is that what it's called now?

MR. DALY: Excuse me?

MR. VOWELS: S.S. Marine Star is its current name?

MR. DALY: Yes.

MR. VOWELS: What is the plan for the Marine Star?

MR. DALY: Again, this group, we acquired the boat several years ago, and it is the, I think, well, certainly one

1 of the largest U.S. flag vessels that can
2 get through the locks and operate in the
3 Great Lakes. And several years ago --
4 even as we speak there are rumors that
5 someday gaming may come to Chicago,
6 Illinois, and as a result this was a
7 unique opportunity.
8 We have an area in the southeast
9 side of Chicago which is terribly
10 blighted. It's an area when I was a kid
11 there used to be the U.S. Steel mills at
12 this site that used to employ 14,000
13 people. Right now it employs two. We
14 had optioned that property, and because
15 it's on the Illinois and Chicago court it
16 had a 28 foot draft, and as a result this
17 was an ideal situation to take a 12,000
18 ton vessel.
19 It has 250,000 square feet of
20 public areas with 14 foot high ceilings.
21 It's just ideal. It was laid down as a
22 cruise ship in 1945, saw service for
23 three years, decommissioned, was a ferry

1 between Cleveland and Detroit. We
2 acquired that vessel on the basis of
3 utilizing that potentially for a Chicago
4 license, and that was the interest at the
5 time of acquisition.
6 Since that time we have had it
7 reflagged in December of 1994. It was an
8 act of Congress and was signed by the
9 President of the United States, and as a
10 result we are looking at that as a
11 conversion to do day trips on the east
12 coast or Florida because the U.S. flag
13 under the Jones Act allows you to leave a
14 U.S. port, come back to a U.S. port.
15 With a foriegn flag you can leave a U.S.
16 port, but at some point you have to touch
17 a foriegn port before you can come back
18 to a U.S. port.
19 So there is intrinsic value in
20 having a U.S. flagged vessel utilizing
21 that type of operation. So we're looking
22 along the east coast for potential usage
23 of that vessel.

1 MR. VOWELS: I believe there was
2 some question about the valuation of that
3 boat.
4 MR. DALY: There's a very high --
5 MR. VOWELS: It certainly has
6 appreciated in value.
7 MR. DALY: The value I think is
8 because of the U.S. flag. There's so
9 very few left. Nautical background is
10 not my expertise. There are so few U.S.
11 flags left which is shocking to me, but
12 the fact that it has to be a U.S. hull
13 for it to be flagged as a U.S. flag
14 vessel, and there are very few left.
15 MR. VOWELS: How many square feet?
16 MR. DALY: It's 589 feet long, sits
17 75 feet above the water, and draws about
18 7 feet. It's a big boat. Ship, sorry.
19 MR. VOWELS: I guess the question
20 that I would have, it would seem to be
21 addressed in the investigation if it ever
22 became necessary for you or Mr. Everett
23 to have to pledge any of your personal

1 assets for purposes of obtaining any
2 financing the valuation of that boat, and
3 based upon the numbers that we see here,
4 as I say, have appreciated greatly, comes
5 into play.
6 Is there any contingency plan or
7 any condition under the financing scheme
8 where it may become necessary for either
9 you or Mr. Everett to have to pledge
10 personal assets to this financing?
11 MR. DALY: It could very well be,
12 and we're willing to do that.
13 MR. VOWELS: For this ship you
14 spoke of to achieve its full market value
15 it would have to be refitted and equipped
16 with gaming devices, correct?
17 MR. DALY: Well, actually there's
18 two issues. One is the appraised
19 valuation which we did in the -- used in
20 our application. We I believe reduced
21 the appraised valuation by, I don't know,
22 33 or 40 percent so we did not use the
23 appraised valuation. The appraised

1 valuation is between thirty and
2 thirty-five million dollars if it is used
3 as and refitted as a gaming vessel as
4 described.
5 We took a much more conservative
6 analysis, and that was based on a price
7 for a 15 percent purchase in that
8 venture. So as a result I believe on our
9 submittals we showed that as a value of
10 -- forgive me if I'm off on this --
11 nineteen or twenty million dollars. And
12 that reflects what the acquisition cost
13 was, $3 million for 15 percent of the
14 vessel.
15 The vessel itself in its current
16 state has a marketable value, and I would
17 not stand here and state it's $35
18 million. In our application we thought
19 we took an honest and conservative
20 approach with regards to the true value
21 as is based on the fact that it was just
22 reflagged. When we purchased the boat it
23 was not a U.S. flag.

1 It took an act of Congress and the
2 signature of the President of the United
3 States last December to produce the value
4 that you saw because it is a dramatic
5 appreciation. As a Canadian boat none of
6 these numbers are right. As a U.S. flag
7 vessel it does have value.
8 MR. VOWELS: So the advice you're
9 giving me here today is if I get a boat
10 and get Congress's approval --
11 MR. DALY: You gotcha.
12 MR. THAR: I think what Mr. Vowels
13 is asking, the value shown in the reports
14 that we have before us is exceedingly
15 high compared to the purchase price, and
16 it does raise a concern that today if
17 that asset had to be sold in order to
18 meet commitments for financing that you
19 might have to make can we honestly expect
20 it to draw anywhere near the price that
21 you have given in the information
22 submitted to the Commission?
23 MR. DALY: Let me -- do you want to

1 address this, please? The maritime
2 expert.
3 MR. EVERETT: I'm Jim Everett. I
4 should have gone first because these guys
5 got all the easy questions. The vessel
6 itself we honestly believe, and with the
7 conversations we've had with other gaming
8 companies that have an interest in it, it
9 is marketable between ten and twenty
10 million dollars.
11 MR. KLINEMAN: You want to speak up
12 a little, please.
13 MR. EVERETT: The vessel could be
14 marketed between ten and twenty million
15 dollars on today's market. The
16 uniqueness of the U.S. flag is that the
17 ship has to be constructed in the U.S.
18 You can't get a ship and change it to a
19 U.S. flag. It happens to be the third
20 largest U.S. flag in the world, passenger
21 vessel.
22 We've taken the opportunity to do
23 the engineering for the conversion.

1 We've spent a year and a half dismantling
2 the interior of the ship having it ready
3 for the shipyard. One of the sites that
4 we had originally looked for has not
5 passed gaming at this point, but we're
6 not looking to market the ship today.
7 We're hoping to go ahead with that. It's
8 about a $45 million project. We do own
9 the assets, the assets of value.
10 MR. DALY: If I can also --
11 MR. THAR: Between ten and twenty
12 million dollars is a big jump. I mean,
13 if it had to be sold today and you said
14 it was $10 million that changes
15 dramatically some of the figures that we
16 have in our reports. We understand it's
17 a big boat, and we understand it's got an
18 American flag and it's worth something,
19 but is it worth what you have represented
20 if it was sold today to meet
21 commitments? We have concern about the
22 ability to back up the financing.
23 MR. LUCIANI: I can speak as the

1 owner of the 15 percent from which they
2 valued it. The problem with the vessel
3 is the financing community right now. In
4 the normal course of events with the
5 criminal law at the federal level having
6 changed in 1994 and this hull being
7 reflagged to a U.S. flagship, if
8 financing were readily available $20
9 million we believe would be a fair amount
10 of money.
11 Right now we are going back to the
12 federal government under an acronym
13 called MIRAD, and I couldn't tell you
14 exactly what it represents but Jim may be
15 able to, in dealing with a federally
16 subsidized loan program dealing with U.S.
17 hull ships and refurbishment. The
18 original application that we went with
19 was discouraged because it was gaming,
20 and we have now been more or less asked
21 to resubmit it for reconsideration.
22 But a lot of it, Director Thar,
23 really revolves around the market

1 conditions at the particular point of
2 time. If it's a for sale you're not
3 going to get $20 million. I think you
4 would get closer to twelve. If it were a
5 sale that could be paced, if you will,
6 with the financing capability a $20
7 million opportunity is a very inexpensive
8 one for this size ship with a U.S. flag.
9 Now, if you put it in perspective
10 one of the places we looked for the ship
11 for placing it was in New York Harbor.
12 If you put a ship of this size in New
13 York Harbor and did day trips the amount
14 of revenue that could be generated by
15 such a vessel is astronomical.
16 MR. THAR: I understand that. The
17 problem is that all of these things that
18 up the value contain a large amount of
19 ifs, for lack of a better term. If you
20 had to sell it today what are you going
21 to get for it?
22 MR. LUCIANI: I think that if you
23 had to sell it today probably around

1 twelve or fifteen million dollars. I
2 think that would be in the neighborhood
3 of a for sale. I think it's fair to say
4 that anything that's a for sale is really
5 below market.
6 That's my own personal opinion
7 based upon the value of the hulls that
8 we've seen, and, again, this is a ship.
9 This is not a riverboat. There are very
10 few of these commodities, and to be
11 honest with you and blunt I don't think
12 the financing community has caught up
13 with the law so consequently there's a
14 lagging of the recognition of the value.
15 MR. KLINEMAN: I've always felt the
16 financing community was way behind mine
17 too.
18 MR. MILCAREK: Is there a market
19 for this ship if you're forced to sell
20 it? Is there someone who would buy it,
21 or is this something you'd put on ad in
22 the paper and hope someone would show
23 up?

1 MR. LUCIANI: There's a couple
2 locations in the state of Indiana that
3 would fit the bill quite well. They are
4 up in the northern part, Lake County.
5 This is really an ocean going vessel, and
6 for large environments where you have sea
7 issues this is the perfect vessel.
8 And we have begun putting out some
9 feelers in terms of whether or not there
10 would be an interest, but, again, the
11 time for refurbishment of this thing is
12 not immediate. It's going to take ten
13 months. So it all fits back and forth
14 together into this complex puzzle.
15 MR. MILCAREK: So you would
16 consider it marketable then?
17 MR. LUCIANI: I would consider it
18 marketable, yes. Let me do it another
19 way. If I were Hyatt I would be
20 interested in talking to us about this
21 ship after this is over because they are
22 in a position where they can finance it
23 whereas we're not, and I think that's as

simple as I can say it.

MR. KLINEMAN: Mr. Daly, I think maybe we'll take a break right now unless you have something more on this boat that you want to tell us. Why don't we take a break until about quarter after 4:00, and we'll come back then.

(At this time a short break in the proceedings was had.)

MR. KLINEMAN: The Commission's all here, and we're ready to go. It's a couple minutes early. Mr. Daly, if you're ready to go we'll get started.

MR. DALY: We're ready to go, Mr. Chairman.

MR. KLINEMAN: I can't remember exactly where we were, but before we get to you why don't we do one housekeeping thing. We want to make a public announcement, and there will be public posting of this, that, as Miss Fleming alluded to this morning, we have some rules that we need to adopt, and so we

1 have scheduled a telephonic meeting of
2 the Commission for June 7, 1995, at 10:00
3 a.m.
4 The telephone conference call will
5 be initiated in the office of the Gaming
6 Commission which is N-180. That's June
7 7, 1995, at 10:00 a.m. Those of you who
8 don't have anything better to do it's
9 probably going to be very exhilarating to
10 hear us discuss the proposed new rules
11 which will then, of course, go through a
12 whole public process. So, anyway, you've
13 been duly notified of that meeting.
14 Okay. We're back here I guess.
15 Mr. Pritzker, I've got a couple more
16 questions for you. One would be your
17 analysis of the viability of a Hyatt
18 hotel being built just as soon as things
19 can happen should you be licensed. Is
20 that something that you believe or your
21 people believe is a viable entity?
22 MR. PRITZKER: It's not something
23 we would do as a stand-alone project in

1 Rising Sun, but with the golf course,
2 with the casino, and everything else
3 we're doing there, and if it's phased
4 appropriately in terms of size,
5 absolutely I think we'll work just fine.
6 MR. KLINEMAN: I guess I got the
7 wrong impression from Mr. Daly. He kind
8 of gave me the impression that a hotel
9 would be built all at once. Do you have
10 different ideas about how the hotel will
11 be phased?
12 MR. PRITZKER: No. We have the
13 same idea. I believe in his presentation
14 he said that we would start with about
15 150 keys, and, in fact, that's the
16 minimum first phase that we would
17 recommend, but somewhere between 150 and
18 200 rooms in the first phase with the
19 ability to go up to 600 rooms. At least
20 that's our present thinking. It would
21 not be any less than 150 in the first
22 phase as Mr. Daly suggested.
23 MR. KLINEMAN: Okay. I guess I'd

1 like to have you keep coming back, but
2 maybe if you should actually be
3 successful this time what sort of
4 noncompete agreement do you think we
5 could have out of your entities as a
6 whole vis-a-vis competition with, you
7 know, over in Kentucky or Ohio or
8 whatever where you would undertake a
9 similar type application?
10 MR. PRITZKER: Well, I do remember
11 that was an important point for you.
12 Certainly as part of our conversion
13 option, subject to your approval, to
14 management and equity we would anticipate
15 entering into some kind of a noncompete
16 so we would not be managing another
17 casino operation that was directly
18 competitive. Exactly how we define that
19 I don't have a specific proposal but
20 something within some reasonable radius
21 that we could agree on.
22 MR. KLINEMAN: Could you give that
23 some kind of thought as to a reasonable

radius? We got into this question this morning. I don't know if you were here for that.

MR. PRITZKER: Yes, I did hear that.

MR. KLINEMAN: And I don't have any firm feelings about it, but if I see it I think I'll know that it's okay.

MR. PRITZKER: Do you want us to come up with something specific on that point?

MR. KLINEMAN: Yes, something that is reasonable from a business standpoint --

MR. PRITZKER: Okay.

MR. KLINEMAN: -- to protect this project and give you the flexibility that you need as an organization to go forward.

MR. PRITZKER: Okay. I appreciate that.

MR. KLINEMAN: Anybody else have anything along these lines? Anything for Mr. Pritzker? Then you're excused.

1 MR. PRITZKER: Thank you.
2 MS. BOCHNOWSKI: I wanted to talk
3 about the boat. I have the information
4 here. You've got the temporary boat, and
5 you have a lease arrangement with the
6 temporary boat, and then you would have a
7 boat built in Mobile, Alabama?
8 MR. LUCIANI: By Bender Shipyards.
9 MS. BOCHNOWSKI: Do you have plans,
10 agreements, and all that?
11 MR. LUCIANI: We have a plan for
12 the specific boat. We have a letter that
13 I believe is part of the portfolio
14 indicating the timetable for completion
15 of it. It would take about 12 months.
16 MS. BOCHNOWSKI: About 12 months,
17 okay. I don't know if I've got that
18 information.
19 MR. LUCIANI: But what we actually
20 anticipate is a learning curve, if you
21 will, to get the permits of about four
22 months, open the temporary, temporary
23 will be in service for six to eight

1 months, then replacement with the new
2 facility. The benefit of it, and not to
3 belabor this issue, but the benefit of
4 the temporary facility is as it's planned
5 it's at the foot of Main Street so its
6 location doesn't interfere with the
7 immediate construction of the marina so
8 that we don't have to phase and go back
9 and forth in any other respect.
10 MS. BOCHNOWSKI: Now, your
11 temporary location is at the foot of Main
12 Street. Where are you going to park
13 everybody if it's down there?
14 MR. LUCIANI: Our plan is to
15 utilize our site as a parking facility
16 and to shuttle people back and forth.
17 MS. BOCHNOWSKI: But do you think
18 that people really will, or do you think
19 it's going to be a big problem for the
20 downtown area?
21 MR. LUCIANI: As long as there is
22 adequate direction both through physical
23 persons and signage people tend to

1 conform. I mean, look what we all do
2 when we go to Disney World. I find it
3 very difficult to picture myself getting
4 on a bus in the normal course of events,
5 but at Disney World I'm out there waiting
6 on bus stops, and it frankly is a
7 convenient way to take care of the
8 problem.
9 So if we tell them where to park,
10 if it's convenient, if we bring them to
11 where they have to get their ticket I
12 don't anticipate a problem. We went
13 through a similar thing up in Foxwoods.
14 It's a two-lane highway. We accommodate
15 over 25,000 people a day.
16 And a lot of that has to do with we
17 thought about issues of intercept parking
18 and shuttle services and the like, and it
19 turned out that the problem solved itself
20 because people tended to conform to
21 cut-offs and whatnot and alternative
22 routes to get there. And I think that in
23 a theoretical way there are problems. I

1 think the highway issues have to be
2 addressed, but I think that there are
3 short-term solutions to the problem.
4 MR. VOWELS: In reference to the
5 boat again, the temporary boat, from the
6 information that we have is that the
7 temporary boat would be leased for a ten
8 month period; is that correct?
9 MR. LUCIANI: Eight to ten months.
10 We're anticipating that we would need
11 about eight months of utilization before
12 the completion of the permanent
13 facility.
14 MR. VOWELS: The Bennett Funding
15 Group, is that where the lease would be?
16 MR. LUCIANI: Yes. They're our
17 principal shareholder.
18 MR. VOWELS: $265,000 per month for
19 a ten month period?
20 MR. LUCIANI: That's correct.
21 MR. VOWELS: The temporary boat
22 seems much smaller than what your
23 permanent boat would be, correct?

MR. LUCIANI: It is smaller, yes.

MR. VOWELS: About 20,000 square feet smaller?

MR. LUCIANI: Probably more than that. It's closer to I think 45,000 square feet overall smaller. That's one of the reasons we're combining it with a holding barge. The holding barge has 15,000 square feet.

MR. VOWELS: In reference to gaming space I think the numbers are 23,000, a little over 23,000?

MR. LUCIANI: 28,000 maximum.

MR. VOWELS: Maybe it's a misprint. It says 23,238 square feet. Either way you believe that it would only be necessary for the temporary for six to eight months; is that correct?

MR. LUCIANI: Yeah. If everything went perfectly and we got our permit to proceed I think it would take us about four months to train staff, implement the program, and do the necessary mooring at

1 the end of Main Street. Four months from
2 theoretically that date that we were
3 issued the certificate of suitability we
4 would be open then an additional eight
5 months for the completion of the vessel.
6 Obviously we would contract for its
7 commencement of construction
8 immediately.
9 MR. VOWELS: How do you feel that
10 that would impact as far as your first
11 year gross gaming receipts because of
12 being a smaller boat?
13 MR. LUCIANI: Well, to be honest
14 with you I think it probably wouldn't
15 impact materially because if we were able
16 to get into the business that quickly we
17 would be, in effect, the monopoly in the
18 market. We would introduce our product
19 that way, and I think that the demand in
20 those early days would probably result in
21 instead of having an average of 50 or 60
22 percent capacity we would have an average
23 of 75 or 80 percent. So I think the win

1 per unit and the loss per person, per
2 passenger, per day would go up.
3 MR. VOWELS: In reference to that,
4 the average admission, it starts out at
5 seven and a half dollars and climbs until
6 it's $9.12 in the fifth year. How is it
7 that those numbers are arrived at? I
8 understand 7.50 or 8 but --
9 MR. LUCIANI: All it was was an
10 increase of five percent across the
11 board, and it was an arbitrary
12 assumption. Based upon what we know now
13 we would not attribute nearly that amount
14 of revenue to admissions, but on the
15 other side of it our gaming wins are
16 lower than we realistically think they
17 ought to be so I don't think as a
18 practical matter it would have much of an
19 impact on the revenue line. I think, as
20 was earlier observed, one of the first
21 things to go are your admissions.
22 MR. VOWELS: Another thing too, the
23 annual attendance remains high, but the

1 average annual adjusted gross gaming
2 receipts per passenger per trip continues
3 to rise during the five year period. Why
4 would that be?
5 MR. LUCIANI: Just by virtue of
6 inflation. It's a five percent factor
7 that has been put in. It's not an
8 unusual factor. Some factors are nine
9 percent, ten percent. We utilized that
10 because since we can't completely and
11 purely anticipate where competition will
12 come what we did was say okay, the
13 passenger number will be essentially
14 flat, the market will increase only on
15 the basis of the cost of living
16 practically, and so, again, we looked at
17 this as a very conservative approach.
18 MR. VOWELS: We've talked about the
19 impact of possible boats in the state of
20 Ohio and the Commonwealth of Kentucky.
21 The impact that a possible boat in
22 Dearborn County, since its proximity to
23 Cincinnati is closer than where you would

1 be in Rising Sun, what will you have to
2 offer that they won't have to offer there
3 that will make someone want to continue
4 on down the road to Rising Sun?
5 MR. LUCIANI: Well, that is the
6 essence of where we're at. We believe
7 the development of a 190-acre campus and
8 230-acre golf course with all the
9 amenities that would classify as
10 broad-based entertainment is a different
11 product than they can offer in
12 Lawrenceburg.
13 We can have it integrated so that
14 if you're in one facility people coming
15 as a group can stay within that campus
16 and find one another as opposed to having
17 to cross the highway to find their hotel
18 room and whatever other attractions may
19 be created ultimately.
20 I think it is the land mass that
21 makes this site special. It is the land
22 mass that makes Rising Sun special, and
23 it is that that allows an attraction to

1 be created that is different than
2 anything else in the marketplace that
3 we're aware of.
4 MR. VOWELS: I don't have any other
5 questions at this time.
6 MS. BOCHNOWSKI: In the
7 conversation with Don you talked about
8 the holding barge. Can you describe this
9 to me? I'm picturing this big --
10 MR. LUCIANI: The barge itself is
11 50 by 267 feet. It is, again, owned by
12 Bennett, and we lease it as a company.
13 It is readily available. It is right now
14 in Iowa. It's not doing anything, and so
15 as a consequence we could put it in use
16 on a temporary basis so that we could
17 accommodate people in a holding sense.
18 We can feed them. There's a kitchen on
19 it, there's lounge on it, and there are
20 administrative offices on it.
21 MS. BOCHNOWSKI: I just have this
22 horrible picture.
23 MR. LUCIANI: Oh, no. It doesn't

1 look like the barges that you're used
2 to. It's pretty. No. It's a barge.
3 It's really two stories tall.
4 MS. BOCHNOWSKI: So it's like a
5 building?
6 MR. LUCIANI: Yeah. It looks just
7 like a building except it's built on a
8 barge base.
9 MS. BOCHNOWSKI: And it's on a
10 barge base, but it's connected to the
11 land permanently?
12 MR. LUCIANI: No. It would be
13 moored to the land by what they call dead
14 men and guide wires, and there would be
15 ramps that would go up and down with the
16 tides, and it would then be ramped --
17 MS. BOCHNOWSKI: But it would never
18 leave the dock?
19 MR. LUCIANI: No. The barge would
20 never leave, and it would only be there,
21 again, until we were able to place the
22 permanent facility at the marina.
23 MS. BOCHNOWSKI: I was kind of

joking around. How many people did you say it could hold?

MR. LUCIANI: The barge or the boat?

MS. BOCHNOWSKI: The barge.

MR. LUCIANI: I hadn't looked at it that way. Well, it's 15,000 square feet so I'd say it probably can accommodate a thousand people. It's really a transfer facility so it's a holding area. It's a place where people eat, but it's not the place where they're going to spend their time.

MS. BOCHNOWSKI: So they can come and go from this?

MR. LUCIANI: That's right. And it offers some level of shelter. It allows a place where we can drop people off. They can wait for the shuttle.

MS. BOCHNOWSKI: Because they're downtown, and there's no other place for them to stand.

MR. LUCIANI: Not really. And I

1 think there's a potential of
2 supplementing the barge with tents and
3 things like that so that you create a
4 colorful environment, and I think all of
5 those things need to be explored. Our
6 message is that we are fully prepared to
7 literally bring in the product as soon as
8 the Army Corps of Engineers says it's
9 permissible.
10 And I think that we have all that
11 we need to show you that we have the
12 boat, we have the barge, we can figure
13 out how to park, we will get the buses.
14 And I think it's something that is very
15 advantageous to Rising Sun.
16 I think it's very advantageous to
17 the marketplace to get into business, not
18 only to start flowing the revenue but to
19 bring that product the name recognition,
20 to get the people trained because
21 ultimately when we expand a lot of our
22 own people that we've originally trained
23 will be eligible for promotion so it's

1 really kind of a nice story. It's kind
2 of a self-fulfilling situation where
3 people who do well can move up quickly.
4 MR. VOWELS: How many employees,
5 fulltime employees, do you anticipate?
6 MR. LUCIANI: About 1,400 fulltime
7 equivalents. That would translate to
8 about 1,400 people, and we would expect
9 about 150 part-time.
10 MR. VOWELS: And fulltime people
11 will be eligible for health benefits and
12 pension plans?
13 MR. LUCIANI: Yes. We have
14 budgeted a little over $10 million for
15 benefit components.
16 MR. VOWELS: Where would the
17 dealers school -- I presume you would
18 have one. Where would that be
19 physically?
20 MR. LUCIANI: We had wanted it
21 right within Rising Sun or in an adjacent
22 community. We have in the past worked
23 with community colleges in two or three

1 locations so that not only did we develop
2 a temporary program utilizing their
3 facilities but had it develop into a more
4 permanent public oriented program toward
5 casino management, accounting services,
6 and the like so that people can
7 progress. So we would certainly be
8 interested in pursuing that.
9 MR. MILCAREK: Do you anticipate
10 any problems with permits for the
11 temporary site?
12 MR. LUCIANI: Pat, I'd like to
13 defer to you. He's going to say no.
14 MR. DALY: I'm going to say no, and
15 I'm going to defer to Pat Portteus. Pat
16 Portteus is the vice president of
17 Construction Management, one of our
18 groups, and he's been working and
19 coordinating with Rising Sun with our
20 engineering group.
21 MR. PORTTEUS: Good afternoon. In
22 answer to the question, no, we don't
23 anticipate a problem. The existing

temporary facility or dock facility was in a past life a coal barge dock or mooring facility. The water apparently is adequate in depth. We don't have to do any dredging. There's no wetlands mitigation involved, and we don't affect the flood way.

As a matter of fact, we realistically think this could be handled as a separate permit through the Corps, but they have a different opinion. They want us to link it all. In real terms it's a mile from the permit site and has none of the problems or none of the concerns that the permit site has. It's fully serviced utility wise. There are utilities within a one block radius, power, sanitary, and water.

MS. BOCHNOWSKI: And your permanent site you're going to be cutting into the bank --

MR. PORTTEUS: Correct.

MS. BOCHNOWSKI: -- to make this

enclosed marina area?

MR. PORTTEUS: Yes, ma'am.

MS. BOCHNOWSKI: And that's not a problem you don't think?

MR. PORTTEUS: No, ma'am. There's approximately a little over an acre of wetlands that have to be dealt with. That can be mitigated easily which is well within the standards.

MR. THAR: A question just right off the one you just talked about with Miss Bochnowski, with regard to your basin the new statute also says if you're going to have trouble accessing the Ohio River or you won't be able to navigate the Ohio River we shouldn't be giving you a license. Will you be able to get out of this basin and into the Ohio River?

MR. PORTTEUS: Yes, we will. We are essentially on the back side of a bin. The river traffic will be on the Kentucky side of the river. There is adequate space in Indiana water as it

1 were with the border that we can operate
2 in and out of the basin safely.
3 MR. DALY: I'd also like to add
4 that in this section of the river in the
5 last five years there's been no incidents
6 of any traffic accidents, groundings.
7 This is one of the safest stretches of
8 the Ohio River.
9 MR. THAR: If I could talk a little
10 bit about your market analysis, in coming
11 up with your annual attendance figures
12 and the others in regards to projections
13 how much of those figures are dependent
14 upon people from Louisville, Kentucky?
15 MR. DALY: On that may I defer to
16 Mr. Luciani?
17 MR. LUCIANI: While we do
18 concentric circles when we do the
19 preliminary demographic analysis, as a
20 practical matter what we do when we have
21 an anticipated competitor, what we do is
22 we take the area that there's the overlap
23 and cut its significance.

1 From our perspective, my marketing
2 analysis, we are more of a narrow demand
3 that goes through Indianapolis and back
4 into Ohio to a large extent as opposed to
5 just perfect concentric circles. To make
6 a long story short, we don't think
7 there's going to be a material impact in
8 terms of the longevity or the
9 profitability of Rising Sun because
10 there's a boat in the Louisville market.
11 MR. THAR: So you're not counting
12 on the Louisville market?
13 MR. LUCIANI: No, we are not.
14 MR. THAR: In your projections are
15 you assuming one other boat in the
16 southeast Indiana market?
17 MR. LUCIANI: Yes, we are.
18 MR. THAR: And where did you assume
19 that boat, or does it make a difference?
20 MR. LUCIANI: Certainly it makes a
21 difference. We are assuming it would be
22 in Lawrenceburg.
23 MR. THAR: What if there were three

1 boats, one in Switzerland County, one in
2 Ohio County, and one in Dearborn County?
3 What does that do to your projections?
4 MR. LUCIANI: We don't think it has
5 a material effect because most of the
6 traffic that we are focusing on would
7 reach us through Lawrenceburg.
8 MR. THAR: Do you think they would
9 go through Lawrenceburg to get to Rising
10 Sun?
11 MR. LUCIANI: We're betting $99
12 million. I think Hyatt agrees with us.
13 I think Rising Sun agrees that if we have
14 the right product, if we are, in fact,
15 the attraction that we believe that we
16 can be, yes, they will.
17 MR. THAR: Let's assume for the
18 moment that Switzerland County and
19 Dearborn County had applicants there who
20 will also be putting forth resort
21 destination type projects. You would be
22 wedged in the middle. Do you see your
23 projections holding?

1 MR. LUCIANI: Well, I think that
2 there's a possibility that we could be
3 somewhat affected, but I think it really
4 then revolves around our marketing
5 capability. It revolves around the
6 effectiveness of things like our
7 transportation programs. I mean, let's
8 put it another way. We certainly
9 wouldn't give up the market place just
10 because there were three boats in the
11 market. We think, as I said earlier, I
12 think that this is at least a half
13 billion dollar market.
14 MR. THAR: You're right. Three
15 boats in the market may not make a
16 difference, but where they're putting
17 them may make a difference. So I'm
18 asking whether or not you have enough
19 faith in your development that if it was
20 wedged between two, and I don't mean to
21 say wedged, but if you were in the middle
22 of three developers do you think your
23 figures are going to hold?

1 MR. LUCIANI: Yeah, I do. As I
2 said, most of our business as we see it
3 is going to come from the north through
4 Lawrenceburg. The trick is whether or
5 not we're going to have a better product
6 than the facility in Lawrenceburg, and I
7 think that our view is this 190-acre land
8 mass that allows us to create this campus
9 of entertainment is something that we can
10 do.
11 MR. THAR: You're right. People
12 want a destination type resort, but if
13 you're going to start out with 150 rooms
14 you can't put up more than 150 people.
15 MR. LUCIANI: Well, it's not 150.
16 It's more like 300. But you're right.
17 It revolves around how quickly we can do
18 the build-out. I think our numbers are
19 very much dependent upon the
20 entertainment product that we create. I
21 think that is part of the message that
22 Pat Daly indicated to you. We believe
23 that we have to build essentially the

1 whole facility starting with 150 or 200
2 rooms right away.
3 MR. THAR: I agree, but you still
4 have to rely to a large extent on a day
5 trip market.
6 MR. LUCIANI: Sure.
7 MR. THAR: Why is the day trip
8 market going to pass a casino on the
9 right, a casino on the left if all I want
10 to do is drive my car, get out, and
11 gamble?
12 MR. LUCIANI: There's a couple
13 reasons actually. I mean, first of all,
14 people don't like to be taken for
15 granted. Our gaming public is fairly
16 sophisticated, and they get sophisticated
17 quickly. They want value for their
18 money, and part of that value hopefully
19 will be what we instill in them when we
20 are alone in the market to create some
21 level of customer loyalty with things
22 like our customer loyalty programs, our
23 Rising Sun dollars, to give them an

1 investment in continuing their patronage
2 with us. It's very important to us to
3 get into the marketplace right away.
4 MR. THAR: And I don't mean to be
5 glib about this, but there's nobody
6 that's stood up here and said We're going
7 to ignore our customers and we're not
8 going to treat them well. So let's
9 assume that you have competition on
10 either side of you which is reputable
11 companies doing a good job. I'm just
12 simply asking have you explored what your
13 marketing objectives are going to be if
14 you're in the middle of three
15 developments?
16 MR. LUCIANI: I keep saying the
17 same thing, yes. We have a level of
18 comfort with our projections. We have
19 not sought to create artificially high
20 margins. We think there's room in our
21 projections so that our bottom line will
22 remain essentially the same. We think
23 that there's room in our projections to

increase our cost for promotions. We think that there's room in our projections to have a full scale mass transportation program if necessary.

So I think the long and the short of it is that we think that our main competition will come from Lawrenceburg in the north, and we are prepared to meet that. If there's competition to the south we're prepared to meet that, and I don't think we're going to be terribly far away from the projections that we've given you.

And I think the best example may be to look at what's happened in Illinois and win per units in Illinois. I think that our win per units are conservative. So, as I said, if we ended up in a situation where we had three I think our wins would hold up.

MR. THAR: If everything was equally accessible I would agree with you, but if we put something on the east

1 and something on the west of you and
2 you're talking about a two-lane highway,
3 which I think is desperately in need of
4 upgrading, do you think you're going to
5 be able to survive?
6 MR. LUCIANI: Yes.
7 MR. THAR: And I'll ask Mr.
8 Pritzker also as a lender in this type of
9 development, a lot of people presumed
10 there might only be two boats in
11 southeast Indiana. If the Commission
12 decided to put three boats there where
13 does that put you as a lender in looking
14 at these figures?
15 MR. PRITZKER: If I may say so with
16 due humility, we're an expert on
17 competition because we've been battered
18 by it all over the world, and obviously
19 in general we'd like to have less
20 competition than more. In this case I
21 believe the numbers were done
22 contemplating one other boat. My belief
23 is that we could compete effectively with

1 two boats in the market or more.
2 If it happened in the future it
3 clearly will affect the numbers to some
4 extent. However, my view is that you
5 compete by lowering costs, by increasing
6 the expenditures for marketing, by trying
7 to create a superior product, by relying
8 frankly on people's desire for some
9 variety.
10 People are not inclined to go to
11 the same casino every time. They'll
12 drive an extra 15 or 20 minutes I think
13 to go someplace different and give you a
14 chance to prove that you're better. So
15 we -- in many of our hotels we don't have
16 the best location, and we find we can
17 usually compensate for that to some
18 extent.
19 We think this is a market that has
20 tremendous depth, that this is a superior
21 site in terms of the natural amenities,
22 and that we can compete effectively from
23 the site. The experience in Illinois, as

1 I alluded to, certainly has supported
2 that. We were the fourth riverboat to
3 open up in the Chicago market area. As
4 we did so we were able to gain market
5 share quickly without rapidly really
6 hurting the other boats. Everybody has
7 continued to do well, and I think it's
8 actually increased the depth of the
9 market to have more variety and more
10 opportunity for people.
11 So I guess my answer to you is we
12 would obviously rather see only one
13 additional boat in this market, but our
14 loan does not contemplate that there will
15 be only one additional boat.
16 MR. THAR: Well, I take it the next
17 step based upon the view that you have of
18 the numbers and, Mr. Luciani, that you
19 have of the numbers, if the Commission
20 were to put three boats in southeast
21 Indiana and then Kentucky and Ohio were
22 to authorize gaming do you see yourself
23 competitive in that situation with that

1 much competition in that market?
2 MR. PRITZKER: May I make the first
3 comment? Our hope is that by that time
4 we would have a significant amount of our
5 debt paid down so we would not be facing
6 the same kind of debt burden that we
7 would be requiring at the onset, and
8 that's, of course, one reason why we
9 think it's important for us and for
10 Indiana to get something open as quickly
11 as possible. So the hurdle will not be
12 as high in three to five years. Al, do
13 you have something?
14 MR. LUCIANI: Yeah. I think that
15 there's a faulty assumption in the sense
16 that not all gaming product is the same.
17 We, like many other businesses, look for
18 spaces in the marketplace not always
19 driven by price but driven by things like
20 entertainment and such other things as
21 the retail outlet program that is
22 different and would be different
23 forever.

1 If you look at some of the gaming
2 jurisdictions, I mean, no one would say
3 that Circus Circus in Las Vegas competes
4 with the Mirage or Caesar's Palace.
5 There's room in the marketplace for
6 different personalities, and I think that
7 if we look at the number of people that
8 we have to service it really is our
9 responsibility to adapt ourselves to what
10 the market insists that we are.
11 We can begin at one particular
12 level of the marketplace and adapt
13 ourselves to another depending upon what
14 our competitors do. I think that we're
15 good enough to do that, and I think that
16 particularly with a partner like Hyatt
17 with their reservation service, with
18 their name recognition, I think it lends
19 a great amount of credence to that
20 conclusion.
21 MR. THAR: And I don't mean to
22 belabor the point, but if there were only
23 two I see people doing that. The

1 awkwardness I see is if you're in between
2 two other developments and you're faced
3 with the only access -- there is no
4 interstate highway near you. There is no
5 four-lane highway for that matter. Are
6 people -- regardless of the fact that you
7 put out a nice product, how many people
8 actually, or do your numbers show, people
9 are actually willing to bypass a casino
10 to get to a better casino?
11 MR. LUCIANI: Yeah. It happens all
12 the time in other jurisdictions. Let me
13 give you the best example I can. In
14 Rhode Island the pari-mutuels have video
15 lottery terminals, and they have a lot of
16 them. There's several thousand of them
17 all together. The people from Providence
18 don't spend an awful lot of time in those
19 pari-mutuel facilities.
20 They travel an hour on a two-lane
21 highway for nine or ten miles in order to
22 get to Foxwoods for a different type of
23 an experience. The price even at

1 Foxwoods is higher, but the fact of the
2 matter is that people are looking for
3 something other than -- how could I say
4 it nicely -- something other than a
5 supermarket attitude toward gaming.
6 And if we're correct about the
7 infrastructure that has to be put
8 together in other places as compared to
9 this 190 acres we believe that our patron
10 market will appreciate our product and
11 will give longevity to that market.
12 Anybody can be wrong, and I think that
13 there's room in the world for differing
14 opinions.
15 I think that after all is said and
16 done, however, I think that we
17 collectively are willing to risk our
18 business, Alfred's money, but the notion
19 here is that we're all comfortable with a
20 lot of experience in these businesses.
21 We're all comfortable with this location,
22 and we believe we can make it work.
23 And part of this is a matter of

1 faith I appreciate, but just because
2 we're dealing with a two-lane road
3 doesn't mean that two-lane road can't
4 have itself corrected in two years or
5 four years, and it doesn't mean that we
6 certainly wouldn't cooperate in that
7 effort if we were given the opportunity.
8 So I think that there are some
9 issues to the problems. I think that the
10 issue is whether or not we can get into
11 this business as quickly as possible,
12 create that name recognition, that market
13 recognition, and that customer loyalty
14 which will help overcome some of those
15 problems.
16 MR. PRITZKER: If I may comment
17 further, Mr. Thar, although the future of
18 gaming in Ohio and Kentucky is beyond our
19 control and also beyond the control of
20 this Commission, to the extent that you
21 are curious about our view about
22 competition within the state of Indiana I
23 believe my view would be that we would

1 rather have only one boat to compete
2 with, and if we had two our preference
3 would be to be sandwiched between
4 Lawrenceburg and Switzerland as opposed
5 to having two licenses in Lawrenceburg
6 which would be a worse situation for us.
7 MR. VOWELS: In reference to
8 marketing expenditures here I'm reviewing
9 the investigation's numbers. 3.3 percent
10 of the marketing as a percentage of the
11 total revenue over the average of a five
12 year average of Ohio, the average, that's
13 less than half, much less than half, of
14 the Evansville licensees' average. Do
15 you feel with the situation that if there
16 was a boat in Lawrenceburg trying to
17 achieve the attention of the eastern
18 market that that's going to be a
19 sufficient amount of money, 3.3 percent?
20 MR. LUCIANI: It may not in and of
21 itself, but part of the rationale, again,
22 to go back to the Rising Sun dollars is
23 to create some level of uniqueness with

1 our product. What we would do is take
2 these Rising Sun dollars and utilize
3 them, in effect, as subsidy for retail
4 purchases so that for the customer they
5 would end up getting more from a value
6 perception standpoint than the actual
7 dollar expenditure.
8 The simple answer is no, we may
9 have to become more aggressive, but I
10 think that we have kind of a unique
11 marketing concept that allows us to have
12 a pretty decent cushion in terms of cost
13 from a wholesale to a retail value while
14 still giving the perception of value.
15 MR. VOWELS: With Hyatt involved
16 will it somehow utilize its other hotels
17 around the country for marketing?
18 MR. LUCIANI: I would fully expect
19 that all Hyatt hotels in the near
20 vicinity including the one here in
21 Indianapolis would have some literature
22 that pertains to this development and
23 maybe even some Rising Sun dollars as a

1 gift.

2 MR. KLINEMAN: Anything further? I

3 want to go back to traffic. I'm sorry.

4 MR. MILCAREK: Yes. Concerning the

5 Rising Sun dollars would that be directly

6 mailed to preferred customers or

7 customers, or how would that work?

8 MR. LUCIANI: It could be done in

9 many, many different ways. What we tried

10 to do was create something that was very

11 versatile so that once we have a mailing

12 list we can mail the Rising Sun dollars

13 directly to the particular people that we

14 have already recognized as valuable

15 customers.

16 We can do it with bus packages or

17 other mass transportation packages to

18 create a higher sense of value or

19 perception of value. We can do it with

20 the downtown merchants and do it almost

21 like the old-fashioned SSS Blue Stamps

22 where articles are a certain amount of

23 Rising Sun dollars that take a fair

1 amount of time to accumulate.
2 So I think that what we have tried
3 to do is create something very versatile
4 that had many applications and many uses,
5 but by the same token it was something
6 that was tangible that was used from an
7 integration of the downtown community
8 perspective and at the same time was a
9 smart way of spending our marketing
10 dollars.
11 MR. MILCAREK: In regard to the
12 three boat possibility have you given any
13 thought to possibly working with the
14 other applicants or the other licensees
15 in staggering of the departing times so
16 that everybody wouldn't be coming and
17 going at the same time?
18 MR. LUCIANI: Yes. I mean, we
19 would certainly hope that we would have a
20 cooperative relationship with the other
21 licensee. We would expect to. It would
22 be in our mutual best interest so that we
23 were complimentary in the marketplace as

1 opposed to directly competing in the
2 marketplace. So the answer is yes, and I
3 think that a licensee who views the
4 marketplace much as we all do would be
5 happy to sit down and try and work things
6 out.
7 MR. KLINEMAN: I want to get back
8 to traffic for a minute. Has there been
9 a traffic study produced on State Road
10 56? There was some mention about
11 four-way stops and other things that
12 apparently are contained in a report
13 indicating what should be done to make 56
14 a little safer; is that correct?
15 MR. DALY: Yes, sir. Mr. Chairman,
16 if I may, Steve, would you like to come
17 back up and reintroduce yourself, and,
18 Al, also if you'd like to.
19 MR. KLINEMAN: You want to state
20 your name for the record, please.
21 MR. FEHRIBACH: Sure. I'm Steve
22 Fehribach, a professional engineer with
23 A & F Engineering. What I was making

1 reference to was the question came up
2 about a two-lane roadway, and I was
3 making reference to the fact that your
4 break down of passage occurs at signal
5 light intersections or at four-way stops
6 or something of that nature.
7 When you've got a two-lane road
8 that has virtually no one stopping there
9 you can move a lot of traffic in, and
10 that is what our analysis showed.
11 However, our report did suggest to take a
12 look at, after the sites are open,
13 traffic signals at their main driveways
14 which we believe that they would probably
15 be warranted at that location.
16 However, since the Indiana
17 Department of Highways has jurisdiction
18 on those roadways we would have to
19 petition them for any improvement that we
20 would do to this roadway including any
21 passing lanes, traffic signalization.
22 Anything that you can dream of in the
23 right-of-way we would have to petition

1 INDOT for those improvements.
2 MR. KLINEMAN: Well, I would think
3 that unless you have come to the wrong
4 conclusions, as Mr. Thar suggested
5 earlier in the hearings if you'll pay for
6 it INDOT will probably let you do that.
7 MR. FEHRIBACH: I agree with that.
8 MR. KLINEMAN: You agreed with it
9 before too I think. But do you have a
10 study that would indicate what should be
11 done to 56 in Ohio County, and my next
12 question would be have you made a study
13 assuming that the proposed improvement of
14 56 through Lawrenceburg does, in fact,
15 happen, and what does that do to the
16 traffic flow?
17 MR. FEHRIBACH: We have looked at
18 another site in Lawrenceburg for another
19 client with those improvements. In fact,
20 the improvements that they are making we
21 made the recommendation that they
22 implement those improvements. We have
23 made recommendations in this report to

1 help alleviate problems on 56, four-lane
2 roadways near their driveways and
3 signalizations, and, yes, there is a
4 published report sealed by our firm. We
5 have looked at, like I said, a site in
6 Lawrenceburg and this site.
7 MR. KLINEMAN: But the study that
8 you made for this client was only 56 up
9 to the border of Dearborn County?
10 MR. FEHRIBACH: Exactly. We looked
11 at 56 to make sure that it could work,
12 yes.
13 MR. KLINEMAN: And your
14 conclusions?
15 MR. FEHRIBACH: My conclusions are
16 that the two-lane road during peak hours
17 of the boat will work on 56. However, at
18 the turn light points we will have to do
19 extra channelization for left turns,
20 right turns, and signalization. That's
21 the gist of it.
22 MR. KLINEMAN: When you say work,
23 safely work?

1 MR. FEHRIBACH: Yeah. We measure
2 capacity and level of service much like
3 -- and I want to be careful -- much like
4 a report card A through F, F being the
5 worst, A being wonderful. Typically at
6 an intersection we would want to design
7 for level of service C. However, D is
8 acceptable in some movements. I can say
9 that at these intersections we will have
10 above level of service C after the
11 traffic is there so we're designing for
12 an acceptable level of service, above
13 acceptable.
14 MR. KLINEMAN: But not wonderful?
15 MR. FEHRIBACH: Not wonderful,
16 exactly. There's not many intersections
17 that work probably in the state that are
18 wonderful.
19 MR. THAR: Does your study
20 contemplate the fact that people, a
21 percentage of people whether we want to
22 say it's high or low, there will be
23 people on the roads now that will be

leaving the riverboat area after they've been drinking, and there may even be some that have been drinking before they got there? Is that looking at the roads and how this is going to work?

MR. FEHRIBACH: No. We don't look at if people have been drinking. We're designing the road for the average driver that's on the road and should be on the road. There's standards set out by the Indiana Department of Highways for radius of curvature, amount of grade, and things like that so those standards would be adhered to in any design changes made to the roadway, but I can't -- I've never designed a road for someone who's been drinking. I don't think I ever would.

MR. THAR: But that factor's not put into your study nor has the concept of somebody rushing to get there been put into your study?

MR. FEHRIBACH: Well, what we did was took a look at 55 mile an hour zones

as the speed limit on that road, and we were able to maneuver at the 55 mile an hour speed limit as it is today. If some of the improvements are implemented like a shoulder section -- there's some erosion problems down there that are washing away some of the shoulders -- if those kind of things are taken care of you're making it a much safer road. So we're not saying that road is adequate -- or we are saying it's adequate capacity wise, but we should make some improvements to the road to add certain safety elements to it.

MR. KLINEMAN: Have you quantified what it would cost to make the improvements that you have suggested be made?

MR. FEHRIBACH: I believe we have.

MR. KLINEMAN: And would you like to share that number with us? If you do not wish to it's all right. And this is just 56 in Rising Sun to the Dearborn

1 County line, right?
2 MR. FEHRIBACH: Erosion control
3 problem near Aurora is about $500,000.
4 Maximize horizontal clearance on paved
5 edges by providing paved shoulders is
6 about $1.8 million dollars. Patch and
7 overlay distressed pavement areas to
8 allow for full two-lane roadway is about
9 $150,000. So you can probably add those
10 quicker than I can.
11 MR. KLINEMAN: And how many miles
12 is that we're talking about?
13 MR. FEHRIBACH: Roughly 12 I
14 believe.
15 MR. KLINEMAN: That's $2,450,000 if
16 my math's correct.
17 MR. THAR: About 200,000 a mile at
18 12 miles.
19 MR. KLINEMAN: Anybody else have
20 anything further?
21 MR. OAK: My name's Al Oak, and I'm
22 with Paul Cripe Engineers, and we serve
23 as civil engineers on the project, and we

1 just wanted to make the point that
2 supports these comments is that we are
3 designing within the laws of the state of
4 Indiana and with some reasonable
5 expectation of average driving, and so if
6 people choose to be outside the law that
7 is, I guess, entirely a different
8 matter. We're not going to try to
9 introduce a problem that we can't deal
10 with in this situation.
11 The other point that I think is
12 worth emphasizing is that most of the
13 traffic issues we believe will be right
14 near the site, and we intend to fully
15 correct all those situations. And one of
16 the nice things about this project, and
17 particularly the initial stages of the
18 project, is that the traffic, the
19 majority of the traffic, 80 percent of it
20 plus, will be coming from the east, and
21 the construction and all the temporary
22 aspects of the project will, in fact,
23 occur before you get to the city itself,

1 the town of Rising Sun, so we think this
2 lends itself optimally for the
3 construction of the site.
4 MR. KLINEMAN: Anybody have
5 anything further? Well, if we've come to
6 the end I want to thank all the people
7 from Ohio County and from Rising Sun for
8 being here again today, and certainly
9 your hospitality to the Commission will
10 not go unnoted. I personally appreciate
11 it, and so do all the other Commissioners.
12 I want to thank Alpha Rising Sun
13 for staying through some of this, and I
14 presume someone has stayed for their
15 presentation. And I also want to thank
16 you for your presentation which likewise
17 was informative, and with that I guess
18 we'll stand in recess until tomorrow
19 morning at 9 a.m. when we will tackle
20 Switzerland County.
21
22 (At this time the proceedings were
23 adjourned.)

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

I, Maria W. Collier, Stenographic Reporter within and for the County of Marion, State of Indiana, do hereby certify that on the 15th day of May, 1995, I reported the foregoing Public Meeting; and that the transcript is a full, true and correct transcript made from my stenograph notes.

Maria W. Collier

Maria W. Collier,
Residing in Marion County,
Indiana

My Commission Expires:

August 25, 1995