BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

DATE: June 20, 1995

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

REPORTED BY: Deanne S. Hutson, Notary Public

MEMBERS OF THE COMMISSION

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

ALSO PRESENT

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

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

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1 CHAIRMAN KLINEMAN: Let the record show
2 that all of us are present. All members are here
3 and we're ready to proceed. It's about two or
4 three minutes past nine. I am reminded to again
5 request those people who are making presentations
6 please state their names. That becomes important
7 during the question and answer period. So the
8 reporter can make a full record.
9 MR. PHIL KENNY: Good morning, ladies
10 and gentlemen. It's a pleasure to be here. My
11 name is Phillip Kenny of the Kenny Companies.
12 Earlier this year I appeared before this
13 Commission in regard to a riverboat license in
14 Gary, Indiana. While others may have taken home
15 the prize that day, the knowledge and the
16 experience that we took away from that particular
17 day has brought us back again with a project that
18 is exciting. We've expanded the existing Empire
19 team to bring together financing, construction,
20 management and entertainment. Never before in
21 the annuls of the gaming industry has a group
22 been brought together with the financial
23 strength, the management depth and the

1 entertainment capabilities of this group that you
2 will see today and meet. We've been brought
3 together to create a single theme and to create
4 the Empire. The gentleman who's been responsible
5 for putting the Empire together is Mr. Rod
6 Schilling. Rod, would you take a quick bow.
7 Thank you.
8 The Empire will offer excitement and
9 will offer entertainment and will offer
10 recreation, communications. It will catch the
11 imagination of all the people in the entire
12 Midwest. The Empire will be situated simply in
13 the best riverboat location in the entire United
14 States, and that is Lawrenceburg, Indiana. This
15 is the single most exceptional location that this
16 industry will look at in years to go.
17 As a native of the area, Mr. Schilling
18 was the creating member of this team. He had a
19 vision that no other applicant had. He had a
20 vision that said this is not a riverboat project,
21 but this is a resort destination. This is a
22 project that when you bring together conference
23 centers, theaters, malls, a natural living

environment and theater and the Indianapolis Zoo, it's a project that requires a resort destination.

Since the vision of Rod Schilling was bigger than most of the fellow competitors, an attitude seems to be out there that this is a project that is too big for the Lawrenceburg market. When we were asked to participate in this project we could see no limitations. We came, we looked at the market, we looked at the opportunity and we agreed with Mr. Schilling's vision. It is a resort destination. It goes very much comparable to back when Disney arrived in the state of Florida. People very much said that the project that the Disney people proposed in Orlando was way too big for that state, and they proved them wrong. And obviously on a smaller scale, but we have the same comparable vision. This is a market and a place that deserves a destination resort. A riverboat and a visitor center is simply not enough. It deserves more. The Indiana law that created this act states very simply to benefit the people of

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1 Indiana by promoting tourism and assisting
2 economic development.
3 Mr. Schilling gave this project name the
4 Empire, and it has direct meaning. The Empire is
5 a single property compromising a number of
6 attractions designed to bring millions and
7 millions of people to a destination. It's
8 excitement. It's entertainment. It's amusement
9 and it's gaming on the Ohio River. We believe
10 unequivocally that we have the people, the
11 financing and the management skills to put this
12 project together. This property has been
13 developed for the long-term focus to sustain a
14 competitive advantage and take on any gaming
15 jurisdiction that will ever come to compete
16 against us.
17 Every business venture that we all get
18 into requires a little bit more than money. It
19 requires people with experience, knowledge and
20 skill. So Mr. Schilling's team that he has put
21 together for the Empire is an exceptional group
22 of people. I would like at this time to
23 introduce a few members of that particular team.

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1 First, a gentleman who needs no introduction is
2 Mr. Lee Iaccoca. Thank you, Lee. Most of us
3 feel we know him through his accomplishments at
4 Ford or Chrysler. His ability to manage the big
5 projects and fulfill the big dreams that business
6 dreams about today is the standard that our
7 businesses are run in this country. Mr.
8 Iaccoca's role is to provide the overall
9 direction and strategic long-term planning for
10 this particular group.
11 The second member of our team is Mr.
12 Marvin Herb. Marvin. Marvin is the President
13 and Chief Executive Officer of Coca Cola Bottling
14 of Chicago, Indianapolis, Milwaukee, Rochester
15 and Scranton, Pennsylvania. He is the single
16 largest independent bottler of Coca Coal in this
17 country today. Marvin is a native of New York,
18 but he has many many ties to the state of
19 Indiana. For several years he was general
20 manager ironically of a Pepsi plant before he got
21 to Coca Cola. He went on to become president of
22 the Consumer Division of Bordens before taking
23 his efforts over to Coca Cola where he has built

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1 the largest Coca Cola bottling empire. Mr.
2 herb's leadership and dynamic marketing abilities
3 put him in a position on this group where he is
4 going to be assisting us not only us in financial
5 capacities, but other capacities as well. He
6 currently employs 3600 people in the Midwest and
7 he is the single largest advertiser in the state
8 of Indiana. He has also been listed by Forbes
9 magazine as one of the wealthiest individuals in
10 the entire United States. It's a pleasure to
11 have him on our team.
12 The next individual is a man by the name
13 of Jerry Robinson. Jerry. Thank you. Jerry has
14 joined our team and given us a commitment not
15 only in a financial, but as a major factor in the
16 entertainment industry in the Cincinnati and
17 Lawrenceburg marketplace. Jerry is the proud
18 owner of the Cincinnati Garden, a 12,000-seat
19 arena in Cincinnati which hosts a number of
20 sporting events, concerts and other events. He
21 is also in the broadcast industry and he will
22 provide for us a vital linkage to our major
23 feeder markets which we will draw from.

1 Alan Paulson, who has had a prior
2 commitment, is not here with us today, but is a
3 gentleman known for creating the Gulf Stream
4 Arrow Stream Corporation. Under his leadership
5 the company has become the world's leading
6 designer, manufacturer and marketer of large
7 corporate jets. I would just like to list a few
8 of his accomplishments because they are most
9 noteworthy. Alan received the prestigious
10 Horatio Algiers Award. He has also received an
11 award for Distinguished American from the
12 American Academy of Achievements. He serves on
13 numerous boards including Dow Corporation, the
14 Eisenhower Medical Center and the U.S. Air Force
15 Academy. He has received five honorary
16 doctorates in his career. He has also been
17 named, by the National Society of Fundraising,
18 Philanthropist of the Year. A significant
19 achievement, he has flown around the world in 36
20 hours continuous in a plane he designed. Mr.
21 Paulson will serve on our board and management
22 committee and provide financing as well for this
23 particular project.

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1 Aeire Hotels and Resorts is a high-
2 quality developer and manager of gaming resort
3 hotels and real estate enterprises. Its holdings
4 include the Silver Eagle Casino in Galena,
5 Illinois, which is a resort property with 63
6 holes of golf and 750 hotels room. The company
7 has extensive experience in the retail industry,
8 as well as hotel, hospitality and financial
9 management. Aeire's owners have created and
10 financed many of the biggest and largest
11 companies in the United States today, including
12 Waste Management, Boston Chicken, Block Buster
13 Video and the Bagel Company. Pier Peterson and
14 Aeire's owners and the partners and in the
15 operation bring a stock portfolio value in excess
16 of one and a half billion dollars. I would also
17 like to introduce Mr. Joe McWade who is with
18 Aeire. Joe, could you take a quick bow. Thank
19 you. Joe is the former head of the Illinois
20 Gaming Commission and will be very active in
21 dealing with the Indiana Gaming Commission on
22 rules, regulations and compliance.
23 I would also like to introduce Mr. Fred

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1 Himlyn from the Llama Corporation which is a
2 corporation which has been funded and operated by
3 Alice Walton. Fred will have a distinct role in
4 our operation in making sure the nature center
5 and things of that nature are financed and
6 completed. Fred, thank you.
7 Also in this package is the Kenny
8 Companies. I have talked in the past. I will
9 not continue to take you through it, but I
10 thought I'd highlight a couple highlights which
11 may be significant. As I've said to you in these
12 projects and the riverboat industry, the
13 construction and development of a project has now
14 become the single most important issue besides
15 the money. The fact of the matter, with the
16 Kenny family being involved as an equity partner
17 we have built hundreds of millions of dollars of
18 construction projects throughout the United
19 States, and the ability to build a complex
20 project such as this is something we take great
21 pride in doing. Whether it be working in Boston,
22 and tunneling underneath the Atlantic Ocean or
23 whether we're in the Los Angeles area building a

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1 subway system, we feel a complex project is going
2 to be something that we take a challenge with.
3 This is a project in Lawrenceburg that is going
4 to be extremely complex.
5 We have put together on the construction
6 site of this equation one of the most powerful
7 construction teams ever assembled. Besides the
8 Kenny family we have Howard Needles who has done
9 extensive site engineering and has done most of
10 the planning to date. We have also brought in
11 Russ Engineering, a four billion dollar company
12 out of Birmingham, Alabama and Chicago, to assist
13 us in building this project. We have also a full
14 unequivocal commitment from Great Lakes Dock and
15 Dredging, the largest dredging company in the
16 United States, that if we are successful in being
17 awarded this license they will have the largest
18 hopper dredge that they can put on the Ohio River
19 on the site within 48 hours. Currently right now
20 with that hopper dredge we can put a million and
21 a half yards of material in a 28-day period, and
22 no one can say something like that, no one.
23 The Kenny family has also, as I

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1 mentioned, been in the development business. We
2 have developed and managed and operated in excess
3 of four million square feet the fastest growing
4 county in the Chicago area, Lake County. But the
5 real pride of the family has been the Casino
6 Queen, a riverboat operation in East St. Louis,
7 Missouri -- Illinois. Pardon me. Casino Queen
8 is a project that this week will celebrate her
9 second anniversary, and for hearing time and time
10 again that people would not come across from the
11 Missouri side in St. Louis, we will welcome close
12 to five million passengers in our second year of
13 operation. That's quite an accomplishment. But
14 more so, the partnership we developed with the
15 City of East St. Louis. It was a city that was
16 in turmoil. It was a city that has taken a
17 turnaround. It is one of the great success
18 stories in this business, and the reason it was
19 is because we went in and we worked with the
20 community and we lived up to our commitments.
21 In the early stages of this business those
22 commitments were not necessary. The community
23 needed it. We kept our commitment. We built the

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1 project. We have a wonderful partnership with a
2 great city.
3 The partners that we have brought
4 together today before you are probably the most
5 unique group of businessmen that will ever
6 assemble before a gaming commission in this
7 country. The partnership has taken a long time
8 to develop, but we've gone out and got the best
9 people, the best management, and the best skills
10 and the greatest financial strength that this
11 industry will ever see apply for a riverboat
12 application.
13 Our last partner who is going to be
14 managing the casino operations is the Carnival
15 Corporation. Carnival is the world's most
16 popular cruise line and has been targeted as the
17 most successful mass marketer of tourism in the
18 world today. When I continue to talk about a
19 destination and a resort that has got to a
20 attract people from all over the country, we have
21 the people to do it. Carnival currently manages
22 in excess of 19 casinos on their ships and resort
23 properties and returns more to the bottom line

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1 than any casino company in the United States
2 today.
3 Taking advantage of that brand name of
4 Carnival Hotels, the Continental Companies is
5 also a partner which will be responsible for the
6 hotel. They will manage the hotel and casino and
7 conduct the kind of marketing that this
8 particular project will need.
9 I would now like to take this time to
10 show you a brief video we've put together and
11 then we will return to the podium to continue on
12 with the presentation. Thank you.
13 (A video presentation was made at this
14 time.)
15 MR. PHIL KENNY: At this time I would
16 like to introduce Jan Keefer who is our legal
17 counsel for the Empire. Jan.
18 MS. JAN KEEFER: Good morning. You have
19 just seen the vision and the promise of Empire.
20 It's a grand vision and it's a grand dream, and
21 it's a grand vision and grand dream that benefits
22 not only the people of Lawrenceburg, but the
23 citizens of Indiana. With any dream the question

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comes will it work? Will it become a reality? The answer is yes, it will. And how do we know that this will work? Empire has authorized many studies and has carefully researched the various components of this project to determine the feasibility of its plans and to ensure the viability and the success of the project.

The planning for this project includes a market feasibility and economic impact study, a Phase I environmental site assessment, an archeological reconnaissance study, identification of witlands on the selected site, a traffic impact study, a hotel feasibility study, maritime facility safety and operational studies, community facility preference and utilization studies, and an economic benefit analysis. All of these studies are in our submission that we have already submitted to the Commission and we have the experts here today to answer any questions which you might have about those studies.

Additionally, our project team has initiated applications for the following required

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1 permits. Submittal of a 404 permit to the U.S.
2 Army Corps of Engineers, submittal of an
3 application for construction in a floodway to the
4 Indiana Department of Natural Resources,
5 submittal of an application for flood control
6 works to the Indiana Department of Natural
7 Resources. We have proposed and we are willing
8 to provide the funding for and solutions for
9 traffic, river safety and environmental issues
10 surrounding any project in the Lawrenceburg area.
11 Our plans for that include building a ramp off
12 U.S. 50 and routing traffic to avoid congestion
13 in downtown Lawrenceburg, creation of a
14 navigational channel which will protect our
15 vessel, our riverboat and passengers from the
16 commercial river traffic and any runaway barges.
17 Also, preservation of existing wetlands and
18 environmental mitigation. In addition, a unique
19 aspect of our project is the construction of an
20 earthen levee. This levee will be surrounding
21 the property and it will project the project from
22 seasonal flooding.
23 Today we have with us several members of

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our project team who are available to answer any questions which you might have regarding the studies and the research project. Our experts from Blackburn & Associates and HNTB are here to answer technical questions about the project. Additionally, Robert Montgomery is here to answer any questions about advertising and marketing for the Empire project. Those partners, financial partners of our project which have been previously introduced to you this morning whose financial net worth and commitment will provide the funding for the project are here today to represent their pledge of financial commitment and to answer any questions. Additionally, representatives from Iaccoca Capital Partners and Llama Company can answer any questions regarding the financial aspects of the project.

But in order to make this project truly work, we needed to add one additional member to this team, and that partner is the City of Lawrenceburg. To that end, Empire and the City of Lawrenceburg have entered and fully executed an extensive development agreement for this

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1 project. Should Empire be awarded the riverboat
2 license for Lawrenceburg, Empire will be legally
3 bound to comply with the terms of this document.
4 What does the document provide? First, it
5 provides that the city of Lawrenceburg and Empire
6 will work together to make sure that this project
7 is successful and to fully develop the project.
8 It also provides for control of the site, funding
9 for important community projects that benefit not
10 only the residents of Lawrenceburg, but also the
11 citizens of Indiana, hiring and employment
12 practices, purchase requirements and funding of
13 $1,555,000 for temporary infrastructure
14 improvements and $15 million for permanent
15 infrastructure improvements for the City of
16 Lawrenceburg. The agreement also demonstrates
17 that the hard technical work has been done and
18 agreed to regarding engineering requirements,
19 construction protocols, land use, safety related
20 issues and traffic solutions. This includes
21 funding of the U.S. 50 and I-275 rampover project
22 at a cost of more than $7 million. This $7
23 million is over and above the $15 million that I

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1 just mentioned for the permanent infrastructure
2 improvements.
3 Finally, the agreement provides that the
4 Empire will provide the City with $5 million in
5 unrestricted funds. The entire agreement over a
6 ten-year period provides $91 million to the City
7 of Lawrenceburg. Clearly the City of
8 Lawrenceburg will benefit from this partnership.
9 In addition to the public private
10 partnership with the city, Empire has also
11 entered into other partnerships to make this
12 project work and to benefit the citizens of
13 Indiana. One such partnership is the private
14 public partnership Empire has with the
15 Indianapolis Zoo to develop the discovery center.
16 Here to discuss that project is Michael S.
17 Maurer, Chairman of the Board of the Indianapolis
18 Zoological Society. Mr. Maurer.
19 MR. MICHAEL MAURER: Thank you, Jan. As
20 Jan mentioned, I'm Michael Maurer and I'm here
21 today in my capacity as Chairman of the Board of
22 the Indianapolis Zoological Society, Inc. With
23 me today is Dr. Jeff Bonner, President and CEO of

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1 the Zoo. The Zoo is thrilled to participate in
2 the Empire project for several reasons. One, the
3 Zoo will receive seven and a half million dollars
4 in contributions from Empire and this will endow
5 our capital programs at the Indianapolis Zoo.
6 Two, the Empire's obvious commitment to the Zoo.
7 Empire has already met significant financial
8 obligations to the Zoo in the last year. Three,
9 the opportunity to develop a cutting edge virtual
10 reality project to propel the Indianapolis Zoo to
11 the forefront of our peer institutions. Four,
12 the opportunity to protect wetlands in Dearborn
13 County and to ensure an environmentally friendly
14 development. Next, the opportunity to expand the
15 reach of the Zoo and its programs to southeastern
16 Indiana. Six, the opportunity to ensure that
17 educational family oriented programs play a
18 principal role in the riverboat gaming
19 development in Indiana, and finally, the Zoo will
20 have control over design and operations of the
21 discovery center.
22 Throughout this process this for-profit
23 and not-for-profit partnership has received

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1 significant recognition as a milestone for casino
2 development. Why is it considered a milestone?
3 Well, simply a project of this significance and
4 magnitude has never been done before. You might
5 ask what the Zoo brings to Empire. We have a
6 base of approximately one million visitors a year
7 here in Indianapolis and a commitment to quality.
8 So let me summarize what we jointly
9 committed to develop in this partnership. The
10 development of a discovery center in the 180,000
11 square foot signature structure housing dynamic
12 interactive emersion exhibits. Adjacent to the
13 facility are 30 acres of preserved wetlands for
14 the use and enjoyment of future generations.
15 Here is how it works. The discovery center
16 serves as an anchor for the project. Visitor
17 flow is designed to extend the stay for four
18 hours. Thus, the economic advantage to
19 southeastern Indiana from extensive study is
20 obvious. It will provide increased daily cash
21 receipts and incentive for visitors to return to
22 southeastern Indiana. The discovery center has
23 been described in detail in written materials

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1 also provided to the Commission. What we have
2 here is a virtual reality time machine beginning
3 in Jurassic Oxbow and allowing visitors to
4 explore and be entertained while physically
5 interacting at the center. This will allow
6 visitors the opportunity to experience
7 alternative scenarios of what the world will be
8 like with or without wetlands. In other words, a
9 theme park with a message.
10 The Indianapolis Zoo and Empire will
11 jointly create a tax exempt entity. This entity
12 under the direction of the Zoo will only operate
13 the discovery center. The financing will be
14 directed by Llama Company. Llama Company is an
15 Arkansas based investment banking firm, as you
16 heard, owned and managed by Alice Walton,
17 daughter of founder of Wal-Mart. It is committed
18 to use its best efforts to structure a tax exempt
19 bond to finance the center.
20 The Zoo is proud to be here today and be
21 a part of the project. We believe that it is in
22 the best interest of the citizens of Indiana for
23 the Commission to award a license for a riverboat

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1 in Dearborn County and to award that license to
2 Empire.
3 MS. JAN KEEFER: Thank you, Mr. Maurer.
4 Now I would like to introduce to you Franklin E.
5 Breckenridge who will discuss Empire's
6 partnership with the NAACP. Mr. Breckenridge is
7 an NAACP National Board Vice Chairman and is the
8 Indiana State Conference of Branches President.
9 He has had a long history as an activist in
10 Indiana. In addition to being an outstanding
11 attorney, he is also a well-known and respected
12 ordained minister. He is pastor of the Community
13 AME Church in La Porte, Indiana.
14 Mr. Breckenridge.
15 MR. FRANKLIN BRECKENRIDGE: Thank you
16 very much. My name is Franklin Breckenridge and
17 I have been the state president of the Indiana
18 NAACP for 17 years now. I'm also a member of the
19 National Board Committee on Economic Development
20 and Fair Share. I'm here today to give the
21 unqualified endorsement of the Indiana NAACP to
22 the Empire project. We have entered into a Fair
23 Share agreement that will be the benchmark for

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1 participation of socially and economically
2 disadvantaged individuals, businesses and
3 organizations with the gaming industry in this
4 country. It is the first such agreement entered
5 into by the NAACP and the largest. It will set
6 the standard for the future.
7 Empire came to us and we believed them.
8 We believed them because of the project team's
9 work in Louisiana where they have worked with our
10 national president, Rupert Richardson, and where
11 they have lived up to their promises. We believe
12 them because of the exemplary record of the Kenny
13 family in East St. Louis. The Kenny's Casino
14 Queen is a model for productive investment in our
15 community, the African-American community.
16 Praise for the Kennys come from minority vendors,
17 local government and the Casino Queen's employees
18 themselves. This is the real endorsement, an
19 endorsement based on a project that gets results.
20 We want to see those same results in the state of
21 Indiana.
22 I am pleased to recommend the Empire
23 project to this honorable Commission with the

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1 Indiana NAACP's highest endorsement. Thank you.
2 MS. JAN KEEFER: Thank you, Mr.
3 Breckenridge. Finally, now the most important
4 part of my presentation, the bottom line. What
5 is the overall economic impact of the Empire
6 project? Empire's proposed project including the
7 discovery center is estimated at a total of $3
8 million. 2,730 jobs will be provided for the
9 casino, the retail mall, the discovery center and
10 the hotel. In addition, Empire will provide 1700
11 construction jobs. Over five years Empire will
12 provide a minimum of $150 million in taxes just
13 to the state of Indiana, and over that same
14 five-year period Empire will pay more than $120
15 million in taxes and fees to local government
16 agencies. This does not include the millions
17 we'll pay in sales taxes. The total of taxes and
18 fees to the local and state government will
19 exceed $275 million in our first five years.
20 Also, I have already discussed the $91 million in
21 development funds which will be provided to the
22 City of Lawrenceburg.
23 It is now my pleasure to introduce

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1 Carnival's senior operating officer Bobby Yee.
2 Mr. Yee is here today to give you insight into
3 the magic that has created the Carnival
4 entertainment success story. Carnival is the
5 most successful mass marketer of vacations in the
6 world. We are very pleased to be associated with
7 this outstanding company. Mr. Yee.
8 MR. BOBBY YEE: Thank you very much for
9 the opportunity to be here today and to talk a
10 little bit about Carnival. My name is Bobby Yee.
11 I'm the Senior Vice-President of the Gaming Group
12 for Carnival's hotels and casinos and with me
13 today are two associates of mine from the
14 corporate office, Ken Goddet who is Senior
15 Vice-President of Real Estate and John Padola who
16 is Corporate Director of Security and
17 Surveillance.
18 As we were discussing here, Carnival is
19 when we see the commercials on TV and we see
20 Kathy Lee and Willard Scott that we are indeed a
21 mass marketer and we have -- I'm sorry. Excuse
22 me. That we are greatly involved in all
23 marketing aspects of -- I'm sorry. I'm a little

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1 lost here. I just want to speak a little bit
2 about our company and all the other associations
3 we have with our properties. Carnival Hotels and
4 Casinos, not only do we -- are we in charge of
5 the cruise ships which also includes Holland
6 America Cruise Line, the Seaborn Cruise Line and
7 the Windstar Cruise Lines, but Carnival Hotels.
8 We are also responsible and one of the largest
9 hotel management companies responsible for 55
10 hotels and approximately 16,000 hotel rooms
11 throughout the United States and throughout the
12 Caribbean.
13 I was asked to speak to you a little bit
14 about our security and some of our background and
15 what we think with regards to regulatory issues
16 and such. Our president of the Gaming Group Bob
17 Sturgess, he is from a regulatory background
18 where he was assistant director and a prosecutor
19 for New Jersy for the Division of Gaming
20 Enforcement and later he was as the director
21 of -- he was director of the Gaming Enforcement
22 Agency there and from him -- I'm sorry. I'm a
23 little -- Bob Sturgess -- Bob Sturgess -- excuse

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1 me. Bob Sturgess has instilled in all of us a
2 tremendous thought process and has demanded upon
3 us strict regulatory controls, not only for all
4 of our casino operations, but on our cruises and
5 everything else that we are involved in. When
6 Bob first came to Carnival he instilled and
7 instituted the first surveillance systems ever in
8 the cruise ship -- on the cruise ship industry.
9 Our management -- I'm sorry. I'm sorry. Thank
10 you very much.
11 MR. PHIL KENNY: At this time what I
12 would like to do is bring up Mr. Lee Iaccoca, a
13 man who I mentioned earlier needs no
14 introduction, but two significant things that
15 have been at least in his career that are
16 execptional. One, being appointed by President
17 Reagan to rebuild one of the great monuments of
18 this country, the Statute of Liberty, which is a
19 project he built on time and on budget on the
20 front pages of every major newspaper in this
21 country. A difficult task to stay the least.
22 Secondly, being appointed by President Clinton to
23 be one of the lead negotiaters in the NAFTA trade

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1 agreement. Without further ado, I introduce Mr.
2 Lee Iaccoca.
3 MR. LEE IACCOCA: Good morning,
4 everyone, members of the Commission. It's nice
5 to be here with you. In the interest of time, I
6 know you have a busy today and it's already ten
7 o'clock. I'll be very brief. Yesterday I spent
8 some time with the press. Why I attract the
9 press so much is beyond me, but as I got into
10 town, they wanted to know what a nice boy like me
11 was doing back in Indiana, and I told them I've
12 been coming to Indiana for forty years now, not
13 just to visit plants. This is a new role for me,
14 by the way. I usually come as an auto man.
15 Kokomo and New Castle together build every
16 automatic transmission in the world for Chrysler.
17 Without them we'd be out of business. And the
18 Indianapolis foundry, but I never came to visit
19 the foundry too much. I used to come to
20 Indianapolis only to go racing. It took me ten
21 years with Tony Hulman. It took a lot of money,
22 by the way, at Ford but we finally won one
23 Indianapolis 500 and then Roger Penske came in

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1 and sort of bought it out, it seems. When I got
2 here Vance Harkey [sic.] said to me "What's the
3 most memorable moment you've ever had in
4 Indianapolis?" I said "Well, I've come here a
5 lot but I guess the most memorable moment is when
6 they gave me the pace car to drive but at the
7 last minute -- it was a big red LaBaron
8 convertible -- they said we don't think you
9 should drive. This is a fast track today and you
10 may have trouble." So they gave me a driver, I
11 think most people know by the name Carol Shelby,
12 and we were getting ready to go out. We did a
13 pace lap, and as we took off he slowed down a
14 little and he said "Hold it" and he took a vial
15 out of his pocket and I said "What the hell is
16 that, Carol?" and he said "Those are my
17 nitroglycerine tablets. I have a such a bad
18 heart." I was wondering why he was driving and I
19 wasn't.
20 Anyway, back to Indianapolis. What am I
21 doing here? I retired two and a half years ago,
22 but as I said to my kids, I flunked retirement.
23 I'm not doing too well. You can only play golf

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so often, and what I decided about two and a half years ago was to look around to keep active, and I got involved in a very very active business called gaming or gambling. I joined the board of MGM Grand and began to learn a little bit about the business. Little did I know at that moment while I was on the board we were building a $1.2 billion 5,000-room complex that is now open. Then I started to dabble -- I got interested in Indian gaming because Indians need a lot of help in this country, believe me. We have a little company called Full House, which Alan Paulson is a partner of mine. By the way, in all of this I'm an investor. I'm not active running the casinos. I know something about them. I will help -- try to help this distinguished group that's been before me this morning to consult with them on financial matters and a little bit of strategic planning. I think I understand it. I'm happy to be with the gaming people, but there's a bad connotation for people to be associated with gaming. It's not only the fastest growing business in the U.S., but I call

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1 it the politician's delight. Everybody has found
2 in the 38 states where they have casino gambling
3 of some kind that it is probably the greatest
4 voluntary tax ever invented. It creates
5 tremendous revenues and tremendous jobs, and I
6 really think that -- well, I got attracted to
7 this project Ron Schilling and Vance Harkey came
8 to see about almost two years ago and I thought
9 they were a little nutty. I knew a little bit
10 about Lawrenceburg and southern Indiana, but I
11 thought their plans were a bit too grandiose and
12 I laid back awhile and said get the team
13 together. I won't go through the team, but I
14 don't know how they did it. I have to be honest
15 with you. I'm an investor in Empire and I'll
16 consult with them, but this is sort of me like a
17 dream team. I've been associated with a lot of
18 ventures, some gaming, some outside of gaming,
19 but to have assembled this group behind me to put
20 all this together -- this is a quarter billion
21 dollar project, and as I found out in Indiana,
22 when you spend a quarter billion dollars as we
23 have in some plants, you must have a real team

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1 effort to get it done. So I think that's the
2 reason I signed up with them.
3 I think that this could be -- it was
4 alluded to by Phil Kenny that I think if you have
5 the vision that Ron and the other people have
6 that this could really be because of where it's
7 located. You have good people in Indiana. We
8 know that. You've got fairly good weather, and
9 you've got 11 million people within two hours of
10 that hub called Lawrenceburg, and I think because
11 of that alone you may five, eight years down the
12 pike be looking at this to do for Indiana in this
13 area and Ohio and Kentucky what Disney world did
14 for Orlando, and I knew Walt Disney well when
15 they started, and when they started Epcot they
16 wanted to throw it out because it got too big,
17 they said. Now it's not big enough.
18 So I think if you look at this -- I
19 wouldn't be associated with a riverboat
20 someplace. God only knows I have a lot of offers
21 to buy into or run riverboat companies. This is
22 a lot more than that and because of that I am
23 very proud to be associated with it. I have been

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1 fortunate in my life that I've always been with
2 winners and I am not about to start playing with
3 losers. This is a winning combination you have
4 here in this group that sits behind me. Phil
5 Kenny and these other people are tremendous
6 people in their own right, entrepreneurs that
7 have gotten very rich doing things right.
8 So I want to say to the Commission I
9 would hope that -- I've seen a lot of these. I
10 would hope that -- I don't envy you, by the way,
11 Commission, to go through all these presentations
12 and you've got a big obligation here to the
13 state. You have been a state that hasn't been
14 doing any gambling so you're neophytes. I hope
15 you learn from other states. I hope you'll pick
16 the right people to first represent you. I don't
17 think anybody's gambling at the moment in the
18 state even though I guess you've approved two or
19 three of them, but I would hope Empire would be
20 at the top of your list because -- you can tell
21 them you heard this from me. You can count on
22 this. They will do a tremendous job in this part
23 of the country for you both in jobs and in

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revenues created.

So that's all I have to say, but again, a pleasure to be here. As I say, I always like to come back to Indiana. I'm not a carpetbagger. A lot of these people come from gaming venues that I've never heard of. We have two exotic ones. One in of all places, Deadwood, South Dakota, Coos Bay, Oregon. I really like Indiana. I'm from Michigan, and Michigan, Illinois, Indiana, Ohio is where my life was. Fifty years of building automobiles. So I know the people well. I know the dealers here well. I know our factory people well. It's good to be back. Now I hope I'll be part of a very fascinating business called gaming and entertainment and that I found out more than any other one thing. Casinos will come and go. There will be a lot of shakeout. A lot are going to die, unless you really have a concept of a family center. A destination resort is the buzz word. Unless you have that in total, you're not going to make it long-term. That's why I think even though this is a very ambitious project, it's going to work.

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1 So to members of the Commission, I hope you give
2 it serious consideration. I'm happy to be part
3 of it and thank you for your time this morning.
4 MR. PHIL KENNY: I believe we have
5 allocated our time. Thank you very much, Mr.
6 Iaccoca. I understand the program is we take a
7 break and we are back for questions and answers.
8 Thank you.
9 (Short break taken.)
10 CHAIRMAN KLINEMAN: We do have some
11 information for the applicants. We have settled
12 on a date at which time we will be considering
13 the applicants to whom we will issue the
14 Certificate of Suitability and we've decided to
15 have a business meeting and then go into the
16 discussion of the awarding of the Certificate of
17 Suitability a week from this Friday, June 30,
18 1995. We cannot, however, have a meeting here in
19 this room. It's been previously booked, so we
20 have concluded to move that session to the Westin
21 Hotel just across the street. So we will have a
22 business meeting and it will be followed by the
23 discussion concerning the awarding of the

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1 Certificates of Suitability for Ohio, Switzerland
2 and Dearborn County on June 30th. The meeting
3 will start at nine o'clock and we'll do as we've
4 done in the past which is have the business
5 meeting first and then we will roll into the
6 discussion concerning the certificates.
7 I would presume that each of the
8 applicants will have a representative present.
9 We would not expect anything in the way of a
10 full-blown presentation, but in case there are
11 some questions that the commissioners think of
12 between now and June 30th, if each of you would
13 have a representative there it might be helpful
14 in case questions remain that we need to have
15 answers to.
16 UNIDENTIFIED SPEAKER: Full delegations
17 with technical people or a single representative?
18 MR. JOHN THAR: Whatever they think is
19 necessary.
20 CHAIRMAN KLINEMAN: Whatever they think
21 is necessary, which will mean everybody will
22 bring everybody and probably won't even have room
23 for the Commission when we get done. I wouldn't

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1 think there would be a whole lot of real
2 technical questions, but I guess it's all up to
3 you. I wouldn't want to foreclose anything.
4 With that, I guess we are in a position
5 to go forward with the questions for Empire. Are
6 you going to have a moderator?
7 MS. JAN KEEFER: I'll be the moderator,
8 Mr. Klineman.
9 CHAIRMAN KLINEMAN: Remember the request
10 that those people who answer the questions please
11 identify themselves so the court reporter can
12 handle the situation.
13 MS. JAN KEEFER: Mr. Klineman, my name is
14 Jan Keefer with Empire and I need to correct part
15 of the record from the earlier part of my
16 presentation. It was pointed out to me that I
17 inadvertently slipped and said that our total
18 investment would be $3 million. That was $300
19 million. I aplogize for that error. I am sure
20 you're all quite amazed that we could do
21 everything we said for $3 million. So I
22 apologize for that error.
23 CHAIRMAN KLINEMAN: I think we all

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understood what you were saying.

COMMISSIONER BOCHNOWSKI: Your site is on the east side of the city and that's in an environmentally sensitive area as we've learned. I want to make sure that we're not destroying something that's wonderful here in Indiana and talk about what you have done to make sure that you're not eliminating any species, that you're not destroying wetlands. You talked about mitigation. You talked about the virtual reality thing that the Zoo is going to do. I just want to make sure and also to ask you if you've spoken with the people from the organizations. Is this something you've worked with them on?

MS. JAN KEEFER: There's several parts to that question. I think we'll first start with Dave Wenzel from HNTB and he can address the issue of the research that we did regarding the wetlands and of that we can have someone from the Zoo speak about the discovery center.

MR. DAVE WENZEL: My name is Dave Wenzel. I'm the project manager for the architectural engineering and planning group

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1 HNTB. We were involved in terms of overseeing
2 the other architects and engineers related to the
3 specific question of wetlands. We had a wetlands
4 study performed by J.F. New & Associates. That
5 study has been turned over to the Corps as part
6 of our 404 permit. What that study found were a
7 couple things. One, on the entire 160 to 170
8 acres there are 24 acres which are classified as
9 what are termed jurisdictional wetlands which
10 meet the criteria of the federal government. Out
11 of those 24 acres nine of the acres would be
12 removed because of the location of our project
13 and would be mitigated on site through the
14 development of 30 acres of the wetlands facility
15 on site, so the mitigation would be between a
16 three to four to one ratio.
17 COMMISSIONER BOCHNOWSKI: This is actual
18 creation of wetlands? This isn't that
19 entertainment area?
20 MR. DAVE WENZEL: Yes, the 90 acres
21 north of the railroad, the acreage of the
22 wetlands is pretty evenly split, about twelve
23 acres on the north side if you imagine the

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railroad being east-west. About twelve acres on the north and about twelve acres on the south. The largest concentration is in the northeast corner of the property which would be preserved.

Another environmental issue that we have spent a great deal of time and a great deal of sensitivity to and we believe to be equal in terms of importance is the issue of what's termed a floodway. Floodway is essentially the channel portion of the river that allows for the flooding to occur. You can build in a flood plain but you cannot build in a floodway. We have done a number of models. We have conversed with the state as well as the Corps, and the floodway is defined as the railroad tracks and that it is our opinion and the reconnaissance of the meetings that we've had is that no construction would be able to occur for permanent facilities in that portion, so therefore, our facilities are all behind the floodway.

COMMISSIONER BOCHNOWSKI: Also, you may have been involved in this. Is there a archeological problem with your site?

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MR. DAVE WENZEL: We've met with the Department of Natural Resources as well as the Corps in terms of the archeological questions. There have been -- and we have conducted and it is part of our Part II application. The preliminary reconnaissance through Ball State and the literature search, we've had conversations and meetings with the Department of Natural Resources which call for a follow-up detailed site specific diggings. DNR wanted to only allow one developer on the site at a time, and we are the one that is in line to be able to do those diggings.

COMMISSIONER BOCHNOWSKI: What will you do if you find there's a problem?

MR. DAVE WENZEL: As was explained yesterday, the process is you identify the extent and the range of the facilities through predominantly Department of Natural Resources. We get the feedback in terms of their assessment of the sensitivity of those features and what would need to be done, and obviously we would comply with whatever the Department of Natural

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1 Resources suggested.

2 COMMISSIONER BOCHNOWSKI: Thank you.

3 MR. MICHAEL MAURER: I'm Michael Maurer

4 I'm current chair of the Zoological Society.

5 It's a voluntary position. I want to address the

6 discovery center that you brought up. The

7 discovery center in the project that the Zoo is

8 entirely in charge of or ultimately in charge of,

9 and as you know, your Zoo -- I say yours because

10 it's the Indiana Zoological Corporation. Is

11 not-for-profit and brings to this project a great

12 deal of expertise. The executive director of our

13 Zoo is Jeff Bonner, Dr. Jeff Bonner, and he

14 developed the discovery center in Missouri, in

15 St. Louis. Extraordinary successful facility, so

16 we have a great deal of confidence in our

17 expertise to do this and do it well, and of

18 course, the Zoo has no profit motives. We want

19 to do the very best for this project as we

20 possibly can.

21 COMMISSIONER BOCHNOWSKI: Have you spoken

22 with the people who are involved in the Oxbow

23 area?

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MR. MICHAEL MAURER: Our folks at the Zoo have ongoing dialogue with all concerned, yes.

COMMISSIONER BOCHNOWSKI: Are they -- do you feel that they're satisfied with what you've --

MR. MICHAEL MAURER: So far we think we have a pretty good rapport.

COMMISSIONER ROSS: One question. I think this the financing is going to be provided by bond letting through the Llama Corporation. Is there a back-up position for that if that doesn't occur? How would you find --

MR. MICHAEL MAURER: The Zoo is not responsible for the financing portion of the discovery center. This would be financed through Llama, but I think someone else here can address that. We're in charge of running the facility and make sure it's done right, but the money is somebody else.

MR. PHIL KENNY: I guess two issues, Dr. Ross, before I make a quick comment on that to get back to the environmental side of this.

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1 Phillip Kenny of the Kenny Companies. One of the
2 things I think that becomes very apparent in the
3 site as we have moved into a position to take a
4 look at the situation. The amount of detailed
5 studies that have been done on the property in
6 Lawrenceburg has been so extensive, but I don't
7 want to put the unexpected on you, but the fact
8 of the matter is as of recently in making a
9 business decision we have looked at an adjacent
10 piece of property which we have the first right
11 and option on that is adjacent to this property
12 consisting of 38 acres. Environmental issues are
13 not as extensive on that property, so we have
14 addressed that issue, but a business alternative
15 relative to that aspect also, so we are looking
16 at every alternative, not only from the detailed
17 study, but secondly from an alternative site that
18 we think has some merit in there are
19 environmental issues that have to be addressed.
20 Dr. Ross, yes, the comment I'm sure it will be
21 brought up again, but to say it very
22 unequivocally. The financial commitment from the
23 people we put before you today is there. There

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is no exceptions. It's unequivocal. It is a commitment that is strong, and that's why we put together the group that we have. The commitment of funding is there totally.

COMMISSIONER ROSS: So then Mrs. Walton would be responsible for doing it if the bond was not let?

MR. PHIL KENNY: Robert Miller is going to answer the technical portion of that. Robert.

MR. ROBERT MILLER: Good morning. I'm Bob Miller from the project manager. We've established a 501 C3 corporation. That corporation will be able to issue the bonds. Underwriting of the bonds will be done through Llama Corporation which has a long history of both municipal, tax exempt and this kind of charitable organization, and I've worked with them on many other projects. They can do this level of funding. The underlying guarantees for the bonds come from Empire itself. We take advantage of the tax exempt nature of the funding of this because of its public use and we think that it provides us the leverage funds. So we

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can spend more and do more.

COMMISSIONER ROSS: Thank you.

COMMISSIONER BOCHNOWSKI: I guess you can understand I'm happy to hear that you are going to be -- that you are looking at other spots because we're in a position here where if we look at the east side of town we're worried about the environment. There's no sense in us trading off something that's native to Indiana that makes Indiana special for another business. On the other side we've got problems with traffic. So we really have to weigh these things and make sure everybody is addressing these issues.

MR. PHIL KENNY: Right, I think it's interesting to note, as I said, with the fact looking at alternatives we have negotiated an option and a right on another piece of property with the Wilkersons, so we have that in line and we are further studying the issues on that piece of property.

MR. JOHN THAR: With regard to your site, it's extremely difficult from the submissions as part of your application to

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determine exactly what is encompassed in the overall development. Is it all of the conservancy plus private property? Is it any part -- does it encroach on any part of the Oxbow land? Could you give us -- because we can't tell from the schematics that we have. Furthermore, we can't tell to what extent you're going to have to dredge up this channel that's proposed for the boat to be in. To what extent that's existing or that's totally new construction, can you address those issues?

MR. PHIL KENNY: Dave, I'd like you to address that.

MR. DAVE WENZEL: Again, Dave Wenzel. The site -- we have a property ownership map that was included in the Department of Natural Resource permit, and it's our understanding in the research that our entire site is within conservancy district ownership of the the City of Lawrenceburg ownership. It includes approximately 80 acres which is kind of the largest site north of the railroad and then about an equal size site south of the railroad, which

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is under water a great deal of the time. The channel that we propose is proposed for a number of reasons. The channel would go -- if you would allow me to show a graphic here real quick.

MR. JOHN THAR: Show the graphic and just kind of give us where it sits in relation to what we have seen down in Lawrenceburg.

MR. DAVE WENZEL: What you have seen in the presentation, for example, yesterday by Ameristar, the property, the 80 to 90 acre site -- this is U.S. 50 coming in. The conservancy district property is here. This is the railroad, CSX Railroad coming along here and then into downtown. Then there is a large portion of property almost equal in size south of the railroad.

MR. JOHN THAR: Where is the existing levee in that picture?

MR. DAVE WENZEL: The existing levee is right here. Comes along here, basically borders the river and then goes north, if you will, by the old lumber yard facilities. So our site, again if you picture this that the railroad is

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running east-west, the existing levee is the west boundry. We would construct a new levee along the edge of the property to encompass the entire property. That is necessary for a couple reasons. One, the properties are within the extent of two flood plains. There is the Ohio River as well as the Great Miami. It does no good to develop a levee in this situation. You need to surround the entire site so you can obtain access from U.S. 50. So the backwater, if you will, flooding from the Great Miami doesn't cut off your access.

MR. JOHN THAR: What then is your north boundry?

MR. DAVE WENZEL: The northern boundry would be U.S. 50, then the eastern boundry, this is the Oxbow property ownership.

MR. JOHN THAR: So you're adjacent to the Oxbow?

MR. DAVE WENZEL: Yes.

MR. JOHN THAR: We've heard a lot about this property owned by the Whittakers. Does your development encompass that piece of property?

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MR. DAVE WENZEL: It does not in this proposal.

MR. JOHN THAR: With regard to the harbor, will that totally have to be dredged out of that area?

MR. DAVE WENZEL: Yes, again, our purposes for the dredging were multiple. Number one, it's our opinion, based on the meetings that we've had with Department of Natural Resources and the Corps, that the floodway exists basically along the edge of the railroad and that you would be hard pressed to build south of the railroad in the floodway. So we need to be able to get our boat up to our land-base facilities. So the concept of developing a channel was done for that reason, as well as we met with the Coast Guard. We met with the barge company. There are two major facilities that have a lot of barges. I know you had the safety issue a lot in Evansville. Obviously the river is much wider here, but the issues in this site relate to the fact that you have two power plants that have barges tied up literally all the time and that

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the potential of a barge breaking away in our understanding of the incident rate of that happening, we felt -- and we've gotten some concurrence. Again, the Corps is not going to give us the specific answer until they process the permit, but the feedback that we got from them was that they very much favored this channel concept in order to provide a protected harbor from not only break-away tows, but in the wintertime there are ice flows in the Ohio River.

MR. JOHN THAR: Will your boat have the capability of getting out of that harbor into the Ohio River?

MR. DAVE WENZEL: Yes, sir, you have two points of in and out into the channel, and it would be dredged and that would require a permit which we have filed again with the Department of Natural Resources.

COMMISSIONER BOCHNOWSKI: How does that dredging effect the wetlands?

MR. DAVE WENZEL: This is the one wetlands area, probably the most major facility that we would be taking out would be in this --

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where the channel is. There's about an 8.6 acre wetland approximately in this area and then a .4 acre wetland here and then the remainder are exists this is an 11.6 acre wetland that will be retained and there are three acres of wetlands in here and then this is our mitigated wetlands area here.

COMMISSIONER BOCHNOWSKI: How do you deal with the railroad then going through there? How do you get --

MR. DAVE WENZEL: The railroad, we had met with the CSX, and let me state that our company has been involved for the last ten years with the City of Lafayette on their very extensive railroad relocation process, and so we have a whole focus of our practice is dealing with the railroads. We've met with the CSX and we know their design perameters. The railroad would remain where it is. There would be not be any tunnels. The queing area would be built over the railroad facility. We have a section in the drawings showing how that works.

COMMISSIONER BOCHNOWSKI: So in other

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words, you'd have a kind of a bridge or some kind of facility over and the train would go underneath?

MR. DAVE WENZEL: Right, the elevations work so that you would come up to the dropoff point that you saw in the video and that would be -- you would go up one floor, if you will, to then come across the queing area.

COMMISSIONER SUNDWICK: What kind of train traffic goes through there currently?

MR. DAVE WENZEL: There is approximately three to four trains a day going through there. It's a fairly major line between Cincinnati and Vincennes, and again, we've had a number of meetings with the railroad and we know and we've dealt with the CSX on a number of projects and the concept of trying to develop an underpass or other concepts, they're much more favorable to an overpass over the facility because they don't have to move anything. Because on an underpass you would have to build a temporary railroad in order to build the bridge facility, and again, the railroad takes a while to get those things

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through the process.

COMMISSIONER BOCHNOWSKI: Where would your temporary facility be?

MR. DAVE WENZEL: Our temporary facility would be on this site and we've identified there would be approximately $40 million worth of improvements to get our temporary boat at a point where it could receive the riders and would involve portions of the levee being constructed to accommodate the temporary boat.

COMMISSIONER BOCHNOWSKI: So the work you do for the temporary facility would then apply to the permit?

MR. DAVE WENZEL: There would be some lost cost of concern things that would be done on a temporary nature, but approximately 60 percent of that investment to 70 percent of that investment would be part of the permanent facilities.

COMMISSIONER MILCAREK: You've indicated in your presentation that would be a major undertaking dredging that material. What would you do with the fill that you've taken out of

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there? What are you going to do with the dredgings?

MR. DAVE WENZEL: I must say we analyzed four sites and we felt strongly that this was the most appropriate site for a variety of reasons. One of the reasons is this area we obtained the drawings for the original levee that was done in 1940. The fill for the original levee or portions from the original levee -- and again, this is included in our Department of Army permit. A majority of the fill came out of this site and, in fact, many of the wetlands, as our wetlands expert could tell you better than I, many of those wetlands were created out of the borrow for the construction of the fill. We have assessed that that fill was adequate with probably some mixing of other materials to build the levee at that time. We've met with INDOT in terms of the construction of when they built I-275 and the soil conditions there. It's our thought that the fill taken out of the dredging would be in part used for the construction of the levee. As Mr. Kenny indicated, we have -- or he

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has a lot of experience, connections with companies that have major dredging operations.

COMMISSIONER SUNDWICK: So in fact, the wetlands you create right now were really just dredged up because we build a levee some other time; they weren't really there to begin with?

MR. DAVE WENZEL: That's correct.

COMMISSIONER SUNDWICK: What's the chances of an archeological site being there when they ripped it up however many years ago?

MR. DAVE WENZEL: I think that is an issue because there are a number of spoil areas or borrow areas that were dug up, and I would suspect at that time they didn't go through the environmental review and found some things that have been removed, but none the less, we think there are still -- again, I don't want to overshadow that our meetings with DNR indicated there were some other sites that need to be specifically identified and dealt with.

COMMISSIONER VOWELS: Have you, as far as what your proposal is with the Oxbow area with the environmental groups, have you spoken with

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1 them about your proposal and, if so, what is
2 their reaction to it?
3 MR. DAVE WENZEL: We have spoken to them.
4 I've spoken to them briefly over the last couple
5 days to try to bring them up to speed on some of
6 the latest design concepts. There have been
7 other communications. I couldn't speculate their
8 feedback. I think -- my understanding is they
9 will have time on Thursday, I believe, to get
10 their response. I would be speculating.
11 COMMISSIONER VOWELS: You don't have any
12 black and white source from them at this time; is
13 that correct?
14 MR. DAVE WENZEL: No, sir.
15 COMMISSIONER BOCHNOWSKI: So this has
16 been a fairly recent communication.
17 MR. ROBERT MILLER: I'm Bob Miller. We
18 started talking to Oxbow day one two years ago.
19 We, along with two other companies, funded a
20 $70,000 study of the impact on the birds and the
21 bees associated with the conservancy area. We've
22 been in communication with them on an almost
23 constant basis. One of the things that we've

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1 tried very hard in our design is both control
2 noise and light pollution. We think that with
3 the excellent work of HNTB and others that the
4 hydrology and wetlands issues are resolved. We
5 really believe that we we will resolve those.
6 The two issues outstanding for which we think we
7 have a solution -- we clearly have a solution for
8 are noise and light pollution and we think we
9 have a program. We've communicated with them and
10 we'll be glad to answer any questions about those
11 communications.
12 COMMISSIONER BOCHNOWSKI: That's
13 interesting. I had never thought of that. I
14 would assume that if you're talking about bats,
15 light pollution is an important issue. What are
16 you going to do about that?
17 MR. ROBERT MILLER: I think part of it is
18 we've established -- about our project we've
19 established a substantial green area, a buffer
20 zone between us -- the conservancy area but also
21 the City of Lawrenceburg, that we hopefully that
22 this will be a 24-hour seven-day-a-week operation
23 and people will be coming there, so essentially

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through our traffic plan, through the parking programs, through the actual design of the project which provides major green areas and the levee itself, we've created a substantial buffer for both noise and light pollution. I'm very proud of those issues. I live in a town that has two casinos and I wish they had done all this work before they started.

COMMISSIONER BOCHNOWSKI: I guess I was worried with the bats and the people care about it too.

MR. ROBERT MILLER: I think part of the issue it is highly industrialized. There are two major power plants that bracket the community and it's on some of the most heavily traveled interstates in the country.

MR. DAVE WENZEL: I will say in the design we had the findings of the report which Empire helped fund along with a couple other gaming establishments and incorporated many of the concepts into this design as well.

COMMISSIONER SUNDWICK: You aren't worried about the trains going under there from

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noise pollution?

MR. DAVE WENZEL: Vibrations and yes, sir.

COMMISSIONER SUNDWICK: We're worried about what everybody else thinks and you've got a train going under your facility.

COMMISSIONER BOCHNOWSKI: Can you deal with that, the train problems, the vibrations and noise?

MR. DAVE WENZEL: Yes. Again, we've had quite a bit of experience in dealing with the CSX in particular on a number of design issues related to sensitive environmental areas as well as related to adjacent development and firmly believe that this solution is by far the most advantageous solution and the best solution because it keeps their tracks in place, doesn't involve any delays in trying to build a parallel track while a bridge is constructed and doesn't modify the alignment of their railroad.

COMMISSIONER VOWELS: In your application it states in here that tehre will be construction of infill buildings.

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MR. DAVE WENZEL: In downtown, as the video showed, we have proposed some in infill. There are a couple of vacant spaces, if you will, along the downtown area between buildings where there's no building. An infill building is putting in a building in that cavity that matches the character and the integrity of the historic district, and that's our investment and our proposal for that is of a scale to compliment the existing historic district and to try to provide an opportunity for the visitors to have a way to get to downtown and to frequent the businesses, et cetera.

COMMISSIONER VOWELS: Who will own the infill building? Will you rent that out to different businesses or what's the intention with that?

MR. DAVE WENZEL: Yes, part of the proposal were some renovation funds, if you will, for existing businesses as well as then there was -- one of the concepts was an infill building that could be utilized perhaps for the gaming school, et cetera, office, associated with the

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project.

COMMISSIONER VOWELS: But someone owns the empty lot in between these buildings. You would have to purchase that.

MR. DAVE WENZEL: Right.

COMMISSIONER VOWELS: Have you had any discussions with the owners of those empty lots about what the price would be or the project?

MR. DAVE WENZEL: No, sir.

COMMISSIONER SUNDWICK: What does this all have to with this Wall Street place? I saw that and that's what we're talking about.

MR. DAVE WENZEL: Walnut Street. At the foot of Walnut Street -- as you recall, in Lawrenceburg Walnut Street is basically the street that goes right into the levee and has the drive going up. This would be the area right in there where we would propose to relocate the train station and do some historic complimentary historic district projects.

COMMISSIONER SUNDWICK: Seems like you have a wonderful program. Why, in your opinion, were you not picked as one of the three final

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lists by the City of Lawrenceburg? You may not want to answer this.

MR. ROBERT MILLER: We don't know. I don't mean to be facetious. We feel that we've -- we just don't know. We think that based on the consultants reports on the objective analysis of others in terms of the scale of the project, we just don't know.

COMMISSIONER SUNDWICK: If you were given a license, would you be able to work with the city, your relationship with the city?

MR. ROBERT MILLER: In designing the presentation we spent approximately 25 percent of the presentation talking about the development agreement. That is a fully executed document which is specific to the property rights, benefits, our responsibilities, their responsibilities, how we mediate issues, highway practices and et cetera. If we're going to be endorsed we would do no more than what is currently in the development agreement. I'd like to think that we have a very good relationship with the council there. Certainly we feel very

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1 comfortable in working with them and I would
2 encourage you to ask them if they can work with
3 us.
4 COMMISSIONER SUNDWICK: They'll get their
5 chance.
6 MR. ROBERT MILLER: I think from a
7 practical perspective we have dotted all the i's
8 and crossed the t's in terms of working together
9 from a personal perspective.
10 COMMISSIONER SUNDWICK: You showed $91
11 million going to the city. You showed a graphic,
12 I think it said, $5 million for ten years. Is
13 that $5 million a year for ten years?
14 MR. ROBERT MILLER: $5 million for the
15 first -- as Mr. Wenzel was speaking, let me
16 preface this by saying our intention is to
17 provide significant funds to the City of
18 Lawrenceburg and Dearborn County for the use by
19 the decision-makers of Dearborn County. When we
20 talk about the Walnut Street Plaza we're talking
21 about a cooperative venture that our role is to
22 provide the funds for. They make the decision
23 about how they would spend those funds. The

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1 basis of the development agreement is three
2 parts. First is an up-front first day commitment
3 $5 million which is unrestricted. We would like
4 to see it go for downtown. The second portion of
5 this is the actual terms of the groundings which
6 is a floor of $6 million and then additional
7 increments if we do better based on gaming
8 revenues. The third part is dedicated committed
9 funds for such things as sewer treatment plants
10 which will go on the I&M property immediately
11 west of the site. Taken together -- as a
12 practical matter, the terms of those things, the
13 scope of that agreement was in fact defined by
14 the city in terms of what they told us in terms
15 of -- this was not our idea to build a sewer
16 treatment plant. "We want to build a waste water
17 treatment plant. This is what it's going to
18 cost. Will you do it?" And we said sure. We
19 said okay. I don't think we said sure. It's a
20 lot of money. Ten or twelve million dollars.
21 But certainly as we said in the document, it's a
22 privilege to have this license and we have to
23 earn that privilege. Part of it is being

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1 responsible corporate citizens. So have I
2 answered your question?
3 COMMISSIONER SUNDWICK: You did. I got a
4 couple more. On your site you also talked about
5 the City of Lawrenceburg, the City of
6 lawrenceburg, the City of Lawrenceburg. There
7 was no place you talked about Dearborn County.
8 MR. ROBERT MILLER: There are three -- as
9 you know, there are three cities connected all
10 about the same size, Lawrenceburg, Aurora and
11 Greendale. Under the statute it was our
12 interpretation that the primary negotiations and
13 the primary relationship was with the host city.
14 Fortunately, the city fathers of the county and
15 those three communities have joined together in,
16 I think, a very innovative revenue-sharing
17 program and, again, our job is to be very
18 successful in what we do. Provide a do-able
19 resort. To do so in a highly professional and
20 ethical manner and give the state and city and
21 the county a lot of money, and that's our
22 intention.
23 MR. JOHN THAR: Can we talk for a

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1 minute --

2 COMMISSIONER BOCHNOWSKI: The three

3 endorsed companies have signed a development

4 agreement also with the city. This development

5 agreement that you have signed, is that basically

6 the same agreement that they have signed or are

7 you giving the city as much or more as the other

8 companies or is this somewhat less?

9 MR. JAY BOYD: I'm Jay Boyd, also legal

10 counsel to the company. Our agreement -- before

11 the Part II's were filed on April 13, 1994, and

12 the weeks leading up to that the City of

13 Lawrenceburg with its legal counsel, the Lowe

14 Gray firm here in Indianapolis, went through a

15 series of negotiations with all the prospective

16 developers relative to a project agreement with

17 the city. There were a series of parallel

18 negotiations for these agreements and I think the

19 guts of the agreement, a lot of the provisions of

20 the agreement are the same. Some of the

21 inducements or special packages from party to

22 party differ somewhat, but the bulk of the

23 agreement, the operative terms, to my

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1 understanding and recollection from a brief
2 review of some of those documents at that time,
3 are generally the same. I think there are some
4 points and numbers in the style of some of the
5 inducements, but Dr. Miller referred to the city
6 had certain conditions it absolutely wanted to
7 have in the development agreement that most of
8 the parties through the successful negotiations
9 with the city, the developers agreed to do.
10 COMMISSIONER BOCHNOWSKI: So you have
11 also agreed to those non-negotiable?
12 MR. BOYD: Yes.
13 MR. ROBERT MILLER: I believe Mr.
14 Sheridan is here. As I recall, during the
15 analysis conducted by the city's experts our
16 total package was number two out of the five that
17 have been submitted. We know that it does
18 everything that we can possibly do to demonstrate
19 that we're committed to the city and we're going
20 to do a great job.
21 MR. JOHN THAR: Can we talk about your
22 financing? As of the time that we prepared the
23 analysis in our reports you got a projected

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1 project of $284 million and no financing program.
2 Yesterday, June 19th, we received a letter
3 indicating that the Kenny Group is going to put
4 $40 million into the project in return for a 60
5 percent interest. Also today it was represented
6 the project is not $284 million but $300 million.
7 Where is the other $260 million coming from?
8 MR. PHIL KENNY: As far as the
9 additional financing of that? The commitment of
10 the group has been all along very straight
11 forward and simple is that we've assembled,
12 because of the size of this project, probably the
13 net worth of this group exceeds $3 billion. That
14 is probably a shortfall. So the questions that
15 we've had going through in our mind in any
16 particular business deal is you always would set
17 up an equity and debt structure. That is the the
18 case in point here. I think we could parade up
19 here with every investing banker in the United
20 States with this group that we have behind us.
21 We have a financial advisor, the Iaccoca Capital
22 Group, that's been on board since day one of this
23 project, and collectively with them in discussing

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1 the alternatives and options we felt that
2 internally if we need to finance this we can
3 stand up and say we can finance it.
4 MR. JOHN THAR: But that's the problem.
5 We have $40 million we know from the letter
6 submitted to us yesterday submitted by what's
7 referred to in there as the Kenny Group, but we
8 don't have any knowledge as to where the other
9 $260 million is coming from. What we're getting
10 is all the different options from where it could
11 come from. Absent knowing where it is coming
12 from, we have no idea what your debt costs are
13 going to be.
14 MR. PHIL KENNY: Basically the way the
15 project is laid down is we gave you first
16 estimate and a first bluch based on the equity
17 and debt component of the project. It is our
18 responsibility, this group collectively, to place
19 that debt component. As far as having that, as I
20 said, I think we could have stood up and we could
21 have had letters -- I believe at one point in
22 time there was a submission before we got
23 involved in the project of the commitment on a

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capital structure. But with the significant net worth and value of the people we've brought to the table obviously our debt financing is going to be something that may come internally from the net worth of the group and going to their particular financial institutions. Now, as far as the debt component, I can honestly tell you this, that any investment bank would put their money behind this group, and that's a statement I think that if we wanted to have Oppenheimer, Iaccoca Capital, anyone of the nature we've talked to, they would stand up and say that unequivocally.

MR. JOHN THAR: Iaccoca Capital and Carnival has been involved in this for quite some time, but based upon our analysis they are not committing any funds to the project or had not as of last week. Does that remain the same?

MR. PHIL KENNY: Iaccoca Capital?

MR. JOHN THAR: Yes.

MR. PHIL KENNY: I would like my client to address that, if he may, at this point in time. Michael. He's president of Iaccoca

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1 Capital.

2 MR. MICHAEL KLINE: Good morning. I'm

3 Michael Kline, managing partner of Iaccoca

4 Capital. I come from Wall Street, fortunately or

5 unfortunately. I've been there for 25 years, and

6 as a managing director of Baresterns [sic.], I

7 founded and ran their entertainment media and

8 gaming group. As Phil just said, anybody could

9 come here with the highly confident letter as he

10 has from us. Wall Street typically are a bunch

11 of chickens. They like to get your blessing

12 first and then we all line up and say we can do

13 it, and we can. Any one of us. So we went to

14 Phil Kenny and we said why don't you go with your

15 substantial group and all your resources that are

16 needed here and finance this deal from top to

17 bottom. That's good news for us and that's bad

18 news for us. It's bad news because we collect

19 less fees. It's good news because it assures the

20 completion of the project. When Mr. Kenny and

21 his resourceful partners said they would do that

22 I asked them this morning, having spent the last

23 day with them, if they would be so kind as to

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1 invite us in to invest alongside of them. They
2 had agreed and we will go as far as they will
3 allow us to go in terms of the equity and debt.
4 To answer your earlier question, any one of us
5 could finance the balance of the project. The
6 interest rates would run anywhere from eight and
7 a half to 14 percent. The cash flow seems to
8 suggest that they're very finance-able and very
9 supportive.
10 MR. JOHN THAR: Why hasn't anybody
11 stepped forward until today then to make that
12 commitment?
13 MR. MICHAEL KLINE: Mr. Kenny has. It
14 really has not been our goal in life to go
15 forward. We believe that this project along with
16 probably three hundred other gaming projects --
17 and we really have committed to very few. We
18 made a deal with Mr. Schilling early on to stand
19 by and to do all the debt financing provided he
20 had the equity. We felt there was a lot of risk
21 in this deal early on. We feel the risk has been
22 eliminated by the Kenny Group and that's why we
23 didn't in the early stages.

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1 CHAIRMAN KLINEMAN: Before we leave this
2 topic, will you first let me say as a personal
3 matter. I have from time to time indicated that
4 it's very difficult for this Commission to chase
5 a moving target, and you are a prime example of a
6 moving target. All the material that was
7 submitted to us until yesterday basically didn't
8 provide any financing. It really didn't show us
9 what was happening. All of a sudden as of
10 yesterday, which was after we have even started
11 the hearings in the southeastern corner of the
12 state, and I'm not trying to pick on you. You're
13 been standing by the microphone right now. We
14 have a financing package. Now, without
15 committing this Commission or myself to
16 considering this financing package which has now
17 been bottled and brought to our attention as of
18 yesterday, at least tell me how the ownership is
19 going to break down if this financing comes in
20 place? Who is going to have what percentage
21 and -- I even see an agreement.
22 MR. PHIL KENNY: I apologize, Mr.
23 Klineman. I do have the bulletproof vest on so

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1 I'll take the mike.

2 MR. KLINEMAN: Just to finish my -- this

3 agreement purports to change the relationship of

4 Carnival, in my judgment as a lawyer, and

5 Carnival is not even a party to this agreement.

6 I just wonder do all the parties know exactly

7 where they are and so forth?

8 MR. PHIL KENNY: One of the things on

9 the Carnival -- and I'll address that very

10 quickly -- is Carnival is fully committed to this

11 project. I had a personal conversation with Mr.

12 Sturgess, but Mr. Sturgess would have been here,

13 but the last number of years he's taken his

14 family to Cape Cod this weekend and it's been

15 something he's done, and he basically has sent

16 his people, but in talking to Mr. Sturgess, it

17 does not change Carnival's commitment.

18 CHAIRMAN KLINEMAN: Carnival has an

19 option to buy 9.9 percent and prior to yesterday

20 they had an option to buy 9.9 percent at a price

21 and now that has been changed and they've agreed

22 to it or haven't agreed to it?

23 MR. PHIL KENNY: Yes, they have agreed

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1 to it. The price structure that you see is
2 basically land out the equity component that
3 Carnival would exercise their equity right in
4 that agreement. As difficult as it is to
5 understand, we tried to keep a lot of the
6 components intact. We know we've thrown a lot at
7 you, but as far as the commitment, the financial
8 commitment that we have before these people is
9 very simply. We know that the Commission has not
10 done the investigative work on a number of these
11 principles. A number of them are approved in
12 gaming jurisdictions. The financing commitment
13 from us is unequivocal though. We know that we
14 will get approved and it's an unconditional
15 commitment that that equity and debt portion of
16 this project will be brought in by our group.
17 CHAIRMAN KLINEMAN: You've gone over to
18 another subject. What percentage --
19 MR. PHIL KENNY: The percentage of the
20 ownership will be such. The Kenny Herb Group,
21 which is Mr. Herb, will own approximately 20
22 percent. Aerie Peterson will also have 20
23 percent. Mr. Jerry Robinson will have ten

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1 percent. Someone is throwing a number at me.
2 COMMISSIONER SUNDWICK: Who was the
3 second gentleman?
4 MR. PHIL KENNY: Aerie Hotels and
5 Casinos, a company based out of Oak Brook,
6 Illinois. We have the Carnival option in there.
7 We have Mr. Alan Paulson who has the right to
8 take ten percent. We have the people at Iaccoca
9 Capital which is an unlimited -- not an unlimited
10 commitment, but a fact of working them into the
11 equation. We have Mr. Schilling at 16 percent
12 and a group of 14 percent who worked on this
13 project from day one.
14 COMMISSIONER SUNDWICK: That 16 percent
15 is not an option?
16 MR. PHIL KENNY: No, he is in the
17 position to be a partner in this particular
18 transaction.
19 COMMISSIONER SUNDWICK: 14 percent is
20 committed by whom?
21 MR. PHIL KENNY: Iaccoca is four percent
22 and there is ten percent that is involved in some
23 of the people who have worked on this project for

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1 the past two years.
2 COMMISSIONER SUNDWICK: This is just
3 people that worked on it?
4 MR. PHIL KENNY: Correct, right.
5 MR. JOHN THAR: I missed a couple of
6 those percentages, Mr. Kenny. What did you say
7 the Aerie Group?
8 MR. PHIL KENNY: 20 percent. It's the
9 Aerie Hotel.
10 COMMISSIONER SUNDWICK: Between the
11 Carnival and the other option which is just 20
12 percent left.
13 MR. PHIL KENNY: Carnival has the option
14 to pick up that 9.9 percent under the agreement.
15 COMMISSIONER SUNDWICK: The balance goes
16 to Paulson?
17 MR. PHIL KENNY: Correct.
18 MR. JOHN THAR: If I understand, your
19 funding package is $260 million. You are
20 representing that you believe you have complete
21 capability to get that funding but you do not
22 have it today; is that right?
23 MR. PHIL KENNY: I would say this, Mr.

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1 Thar, and I stood before you before with a
2 commitment of very simply and very straight
3 forward is that im in a public forum standing
4 here telling you I can rest 100 percent assured I
5 can get that financing. It's a strong statement
6 to make and I wouldn't make it in a public forum
7 if I couldn't back up what I said. I feel very
8 confident. We could have had a number of highly
9 confident letters in here. We did not feel it
10 was necessary.
11 MR. JOHN THAR: You're completely
12 confident you can get it, but as of this moment
13 you don't have it?
14 MR. PHIL KENNY: The partnership has
15 this in their capital accounts. I can most
16 assuredly tell you. The fact of the matter is
17 how we structure that debt and equity component
18 will be the issue that we work out with that
19 partnership. We do not have go to the outside
20 capital marketing on Wall Street to finance this
21 project with this group. That's what you need.
22 MR. JOHN THAR: Are you representing that
23 you are not going to go to the outside market?

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MR. PHIL KENNY: We are not representing that at all. We are representing if we have to do it internally that the group we have will do it internally. We feel that the capital account is strong enough to do that.

MR. JOHN THAR: That's all the questions I have.

CHAIRMAN KLINEMAN: The project is now a total of $300 million?

MR. PHIL KENNY: When you take into the commitment from Llama which goes in on that it certainly climbs up there, Mr. Klineman, but I will also say this, that in analyzing the project we had stressed before the size of it is something that has been a concern, I know, to the Commission. We feel that the numbers that have been put forth on this project on the construction side of the issues have been relatively conservative and we know we can beat them. There's no question in our mind.

CHAIRMAN KLINEMAN: You've got real close. You're only one tenth of a percent away from a hundred. Where does the other one tenth

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go? When you got 9.9.

COMMISSIONER SUNDWICK: Paulson gets ten one.

CHAIRMAN KLINEMAN: 9.9 comes from who?

MR. PHIL KENNY: Carnival is 9.9 so that extra tenth of the percentage point is actually keeping Carnival under the ten percent level

COMMISSIONER SUNDWICK: Do you think if you're awarded this license they'll probably want that 9.9?

MR. PHIL KENNY: I will guarantee they will take it. Gerry can address that. Go ahead, Gerry.

MR. GERALD WEDREN: Good morning my name is Gerald Wedren. I'm here representing Carnival in the development end and have been involved with this project since its inception, and I can tell you that Carnival was most desirous of having more than the 9.9 percent. The reason for that, as you're aware, is by statute because we were committed and are committed to another application or another part of the state the statute provides that we would not be able to

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1 have over 9.9 percent. We would love to have
2 more than that amount, but we are sticking close
3 to our moral commitmentments and our legal
4 commitments on this matter. I can tell you that
5 although it was negotiated in the form of an
6 option and the reason for that being to give the
7 other partners flexibility as to who was going to
8 take what, we would on issuance of the license --
9 that would be a firm commitment on the part of
10 Carnival. So I am merely here to point out to
11 you the fact that we are committed, would love to
12 be committed for more, but because of
13 circumstances beyond our control that is the way
14 it was negotiated, and if I can answer any
15 questions for you with regard to that or any
16 other part of Carnival's involvement, I'd be
17 happy to.
18 COMMISSIONER BOCHNOWSKI: This is kind of
19 on a different tengent. Now knowing how this
20 ownership is going to be structured, how is the
21 management of this project going to be structured
22 then?
23 MR. GERALD WEDREN: We have a management

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1 agreement whereby we would become involved both
2 prior to the opening of it where we will help
3 with the technical aspects of the operation,
4 setting up the security, advising on layout and
5 so forth so that the security aspects would be
6 impecable. We will actually run the day-to-day
7 operations of both the hotel and the casino and
8 gaming operation. This company has been involved
9 and continues to be involved both in the hotel
10 and gaming field so we would actually be the
11 day-to-day operators.
12 COMMISSIONER BOCHNOWSKI: You are the
13 ones that would be managing?
14 MR. GERALD WEDREN: Right.
15 COMMISSIONER SUNDWICK: Do you have a fee
16 involved?
17 MR. GERALD WEDREN: Yes, there would be
18 a fee. It was negotiated a little over a year
19 ago so that contract is in place.
20 COMMISSIONER VOWELS: That fee, from my
21 understanding, pays a management fee based on
22 minimum guarantee of $4 million annually plus
23 five percent of earnings before tax, interest and

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1 depreciation. I'm not certain does that mean
2 it's $4 million plus five percent or is there a
3 $4 million minimum guarantee and once that $4
4 million is --
5 MR. GERALD WEDREN: Yes, the $4 million,
6 that is a guaranteed amount, and then the
7 incentives start -- I don't recall the exact
8 amount, but I believe it's over and above a
9 certain amount, and that relates -- that's an
10 incentive portion that relates to our ability to
11 bring good earnings in for the partnership.
12 COMMISSIONER VOWELS: So it's $4 million
13 and then above a certain amount --
14 MR. GERALD WEDREN: Potential for more.
15 COMMISSIONER SUNDWICK: Mr. Kenny,
16 welcome back.
17 CHAIRMAN KLINEMAN: Could I ask the
18 Carnival man.
19 MR. GERALD WEDREN: That's the first
20 time I've been called a Carnival man.
21 CHAIRMAN KLINEMAN: That was the first
22 thing that came to mind. Your structure also is
23 of some interest to me. There's Carnacon

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1 Development Company which is a wholly owned
2 partnership of CHC International. CHC
3 International is the one who has applied for a
4 license in Harrison County and CHC International,
5 according to our investigation and the
6 information you supplied, is owned 24 percent by
7 Carnival Corporation and 75 percent by seven
8 individuals. When you boil this thing down are
9 we going to have any one of those individuals
10 that will own more than five percent of the whole
11 when you exercise your 9.9 option?
12 MR. GERALD WEDREN: No, let me give you
13 a little explanation of that. Of the seven
14 individuals with regard to the Carnival end of
15 it, those are Carnival people. In fact, to put
16 it more elementary, 50 percent is owned by
17 Carnival and its affiliates. The other 50
18 percent is owned by the Continental Companies
19 which is the hotel end of this. Continental and
20 Carnival have been involved in other projects and
21 that's where the 50/50 lies. The Carnicon was
22 actually the name of the company before it
23 changed to Carnival Hotels and Casinos.

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1 CHAIRMAN KLINEMAN: I just want to be
2 sure there were not people --
3 MR. GERALD WEDREN: No, I don't blame
4 you.
5 COMMISSIONER SUNDWICK: You probably
6 should have went up to new England someplace
7 where they wouldn't call you Carnival man.
8 MR. GERALD WEDREN: I live in Washington
9 near Ringling Brothers. I don't what they would
10 call me there.
11 COMMISSIONER SUNDWICK: Mr. Kenny,
12 welcome back. As I read all of the information,
13 when I saw you here I was surprised. I went
14 through all this information. I didn't see your
15 name anyplace so would you do me a favor and
16 characterize how you got involved in this.
17 MR. PHIL KENNY: Yes, I will. As you
18 know, as I said earlier, I appeared before you
19 when we went after a license in Gary, Indiana.
20 CHAIRMAN KLINEMAN: Just because we said
21 nice things about you before doesn't mean we want
22 you to come back.
23 MR. PHIL KENNY: I appreciate that

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comment. Very much so. I think the situation gets down to we are not out here to sell ourselves short, the Kenny Companies, and one of the interesting things that has unfolded in this is it was brought to my attention this project by people who have been involved from day one going back six months ago. I took a look at the project and tried to envision what could be accomplished, and as I said, the interesting thing about this particular marketplace -- and not fully at that time understanding the Lawrenceburg-Cincinnati marketplace. When it came to me through Mr. Schilling and his people, I sat down and said the only way we will get involved is if I can put together a team of people who I know can carry out this project. As I said, I hoped I learned a very valuable lesson that day going back about six or eight months ago when I sat before you. The interesting thing is I think we put together a team of people who is exceptional, and I know I want to address very quick brief point of how we got into this, but the people I brought are people that have been

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1 successful in business ventures, but what we are
2 asking them to do in this project because of the
3 magnitude that's been proposed we are asking them
4 to do things they've been successful in their
5 entire life. Jerry Robinson understands the
6 Cincinnati marketplace and the Lawrenceburg
7 marketplace better than anyone. Mr. Schilling
8 has had that background himself, but Jerry is a
9 gentlemen with broadcast experience, the
10 Cincinnati Gardens Arena, and the very simple
11 fact he's made that available to us and being an
12 equity partner is going to be very exciting. So
13 the elements that we tried to put forth with Mr.
14 Paulson, Mr. Iaccoca who have been on board from
15 day one, from the group at Aerie, to bringing in
16 Mr. Herb, to bringing in the entire group has
17 been an exceptional endeavor. I can tell you
18 that it took a lot of time. It took a lot of
19 plane trips. It took a tremendous amount of
20 meetings because these are people who do not take
21 their commitments lightly.
22 The second thing I have to worry about
23 is the credibility that I've established in prior

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1 business relationships with them. I can't bring
2 them before after Commission without their
3 approval, and these people have extensive
4 holdings and backgrounds and they needed to know
5 that we control the project and that they were
6 going to step forward and have an opportunity to
7 win this license. I sincerely feel we put a
8 group together to do that.
9 COMMISSIONER SUNDWICK: I'm still trying
10 to figure out you said six months they came to
11 you?
12 MR. PHIL KENNY: Right.
13 COMMISSIONER SUNDWICK: The Gary license
14 wasn't in your future?
15 MR. PHIL KENNY: I was hiding somewhere
16 COMMISSIONER SUNDWICK: Who came --
17 MR. PHIL KENNY: Actuall I got the phone
18 call from Robert Miller who -- Dr. Miller
19 actually I had worked on a prior project and had
20 called and said we'd like to sit down and talk to
21 you about an opportunity. We think that with the
22 elements in this industry the construction
23 company and the building of these projects that

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they've had obviously that's a component that the strength and discipline of our company is very important. Secondly, Dr. Miller's toured all our development opportunities. He's toured St. Louis. He knows what we can accomplish. He knows obviously that we just bought into his hometown, as a matter of fact, construction manager for the RCA projects in New Orleans. So we would appear in a lot of different ventures throughout the United States. It was that discipline that we've been handed the project responsibility for this particular project. All the other elements, I put the pieces together to try and tie to make it work with the assistance of a lot of people because I can assure you that it took a lot of meetings, time and effort by everyone here to put that together.

COMMISSIONER SUNDWICK: Six months ago you weren't involved and now you have 20 percent of the project. You appear to be the lead man at this point.

MR. PHIL KENNY: I will say this. I asked to be in a lead position and that did take

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1 some time. The fact of the matter is I think
2 that everyone in this proposal based on the Kenny
3 reputation and the fact of the matter is if I'm
4 not in charge and my family is not in charge I
5 think it leaves us in a position that's a little
6 difficult to bring in these other partners, to be
7 very candid with you.
8 COMMISSIONER SUNDWICK: What do you think
9 would have happened if you turned the people down
10 and said no, I'm not interested?
11 MR. PHIL KENNY: I think they proposed a
12 tremendous project, to be very candid with you.
13 If you look at the economics and the benefits to
14 the State of Indiana, the project itself has
15 tremendous merits. I think all they've assured
16 here today is that the financing and the ability
17 to get this project up in a timely fashion can be
18 accomplished. We've looked at it as a total
19 national destination resort. This is not a
20 riverboat license that is being given away in
21 Dearborn County. And that's the exact way we
22 look at it.
23 COMMISSIONER BOCHNOWSKI: With this

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1 change and with your outlook as this being a
2 national destination resort, does that change any
3 of the numbers as far as your marketing
4 expenditures that were proposed? Does that
5 change your timetable on the construction of
6 this? Are there some things we have here that
7 maybe we should be --
8 MR. PHIL KENNY: Construction-wise, as I
9 said, I have a commitment from Douglas Mackey who
10 is the president of Great Lakes that he will give
11 us the largest hopper dredge that he has in his
12 entire fleet. If we are awarded this job, he
13 would begin work, and I have that commitment from
14 him.
15 COMMISSIONER BOCHNOWSKI: Maybe we can
16 separate that and talk about your timetable then.
17 MR. PHIL KENNY: I do want to address
18 the market because I think it's very important.
19 One of the things that was brought up to the
20 Commission before. The advantages that this
21 particular group has on a marketing basis is very
22 straightforward and simple. Mr. Robinson with
23 the Cincinnati Gardens Arena. The Kenny family

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1 is involved in a company called One On One
2 Sports, which I've talked to you about which is
3 the largest all sports network in the United
4 States. The simple fact that we have the
5 Carnival Company which is the world's largest
6 marketer of tourism right now, and very simply,
7 I'll be honest, Mr. Iaccoca. There's no question
8 that if Mr. Iaccoca appears on a TV ad or a radio
9 ad in this country today people sit up and
10 listen. He has that much credibility, and he's
11 created that responsibility by who he is. Also
12 we have Mr. Robert Montgomery, our Indianapolis
13 connection here who fully understands the
14 absolute necessity of marketing this particular
15 project. So we have put together a very high
16 quality team. It's a very high-powered team and
17 Mr. Herb, being the single largest advertiser in
18 the State of Indiana, it's an exceptional plus I
19 think that we bring to the table. We're able to
20 bring dollars that no one else can bring through
21 what we have.
22 MR. JOHN THAR: Based upon our analysis,
23 the dollars weren't being spent on marketing. It

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1 was 1.6 percent of total revenue was the highest
2 figure that was provided to us with regard to
3 your marketing budget.
4 MR. PHIL KENNY: I think if you look,
5 Mr. Thar, at the marketing aspects of what we
6 have spent in our operations in East St. Louis,
7 if you look at what Aerie Peterson has spent in
8 their operations, if you look at the fact of what
9 Carnival has spent in their operations, I think
10 you will see that obviously we feel marketing is
11 an essential and strong necessity to make this
12 project that successful.
13 MR. JOHN THAR: Are we to understand then
14 that you intend to market -- spend more money on
15 marketing than what was represented in the
16 application?
17 MR. PHIL KENNY: Absolutely. We can
18 buy -- the interesting thing that we can buy with
19 the ability that we have is we can buy at lower
20 prices than anyone by the simple fact through Mr.
21 Robinson, through the Kenny organizations and
22 through Mr. Herb and through MZD, we can buy
23 better than anyone, I can guarantee.

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1 MR. JOHN THAR: The highest amount to be
2 spent on market in a given year was $3,295,000.
3 That would have been in year five. Are you
4 indicating you're going to spend substantially
5 more than that?
6 MR. PHIL KENNY: I'm going to let Dr.
7 Miller answer that.
8 MR. ROBERT MILLER: I'd like to answer
9 the question two ways. One, marketing is more
10 than just print ads and broadcast media. What
11 we're finding in contemporary establishment of
12 casino is more is better and that given consumer
13 expectations, having a full resort itself, having
14 the hospitality and the hotel amenities is a big
15 portion of marketing. Another portion of
16 marketing is it easy to get there? Is it safe to
17 be there? Is it idiot-proof? And we've spent a
18 lot of time and money making it that way. You
19 can get from Indianapolis and get there without
20 going through a red light I think is amazing.
21 People have done a fabulous job on access.
22 That's part of marketing. The other thing I
23 think is interesting is what we have there.

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1 We're spending $40 million on a marketing tool.
2 That's the discovery center. Seven days a week,
3 24 hours a day this virtual reality anchor is
4 going to be there. Ten o'clock Sunday morning,
5 two o'clock Thursday afternoon. That's going to
6 be cranking and giving people a reason to go
7 there. If you look at the network of the
8 amenities and the kinds of things we have, it
9 starts to become very persuasive. It's an
10 attraction rather than a promotion, and as we
11 know, that's the best kind of marketing.
12 Secondly, I really don't want to underestimate
13 the network that Carnival has. Their ability
14 through Carnival -- it's 22 jets. They're one of
15 the largest growing private airlines in the
16 country in terms of airlifts, in terms of their
17 ability to market, to package. This is an
18 incredible, incredible value portion of our
19 advertising. Secondly, we have to be real
20 careful in our plans. I think the experience in
21 New Orleans clearly shows that you have to take
22 care of your neighborhood, and our market
23 essentially is initially going to be day

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1 trippers. When you start spending millions of
2 dollars -- and that's a lot of money in broadcast
3 terms in a four-media market initially. That you
4 establish a long customer base. And that's going
5 to be the thing that makes us bullet-proof when
6 other competition comes on line.
7 I'd like to ask Mr. Bob Montgomery who
8 is president of MZD who has the advertising
9 contract for --
10 MR. MICHAEL MAURER: I'd just like to
11 add that the Zoo is going to make sure that
12 discovery center is a success and we'll be
13 marketing to our visitors, which I am told we are
14 the highest -- we are the facility that has the
15 most visitors in the State of Indiana, which is
16 about a million a year, and we'll market
17 aggressively to our visitors as well.
18 MR. ROBERT MILLER: I'd like to
19 introduce Mr. Montgomery. They're pretty
20 experienced in gaming marketing and all kinds of
21 marketing.
22 COMMISSIONER SUNDWICK: Let me ask a
23 question before he comes up. Are you defending

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1 the 1.6 percent you have in here or are you
2 telling us that you're going to spend more?
3 MR. ROBERT MILLER: I'm saying we have a
4 workable plan for marketing. And we will spend
5 more.
6 MR. PHIL KENNY: Absolutely.
7 MR. ROBERT MILLER: We will spend as much
8 as we have to, but I think we're trying to put --
9 step one is you have to have something to sell.
10 We've accomplished that in spades.
11 MR. PHIL KENNY: Mr. Sundwick, one I
12 thing I want to make note of.
13 CHAIRMAN KLINEMAN: You have to identify
14 yourself.
15 MR. PHIL KENNY: Phillip Kenny with the
16 Kenny Companies. One of the things that's been
17 interesting is we have in the market that we've
18 operated in spent the necessary amount of money
19 that in that we've been beating our competition
20 in those markets two to one, so I think the way
21 the dollars are being spent is also critical and
22 we think we have a distinct advantage.
23 COMMISSIONER SUNDWICK: You're saying the

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1.6 you told Mr. Thar you plan to spend more, you didn't think that was sufficient going in. That's what I heard. I was trying to figure out if your defending the current 1.6 or telling us you're going to spend more.

MR. PHIL KENNY: I think that is a very safe assumption and unequivocally we commit to say obviously we would spend because we have the ability to spend more.

MR. ROBERT MONTGOMERY: Robert Montgomery, Montgomery, Zuckerman & Davis. We're in the advertising business. We've operated in most of the states at one time or another in all forms of media. For 14 years we did the tourist for the State of Indiana and we discovered that people want to buy in packages, and you have an extremely advantageous position here because you'll have the biggest attraction for the Cincinnati area and we can put together extraordinary packages and get other people to participate with us. For example, we can use King's Island as part of the package. We can use some of the professional football games,

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basketball games, baseball games to put together packages that will bring them in here so they'll enjoy the other things, the other attractions that the Empire has in itself. There's a lot of ways that you could stretch dollars in the industry. We do that day in and day out, and that means putting two or three pieces together to make that advertising impact even greater.

COMMISSIONER VOWELS: I have some questions in reference to the boat.

CHAIRMAN KLINEMAN: If we're at a break point I think we will take a break right now. Before we go, since Mr. (inaudible) and Mr. Boyd are both here, one of the items we'll be considering on the 30th at our business meeting is the extension of the Certificates of Suitability for your two clients, and we will be giving you further notice of that, but I want to give you a warning shot.

(Short break taken.)

CHAIRMAN KLINEMAN: I'm advised that we would like to have an amplification of the financing answer which was given prior to our

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1 taking our break.

2 MS. JAN KEEFER: Thank you, Chairman

3 Klineman. If we could, just to spend another

4 moment. I know that as Director Thar said, the

5 financing package was just presented to the

6 Commission and I know that you're trying to

7 digest a lot of information, and we feel that

8 perhaps if we could supplement our answers with a

9 little bit more information about the financial

10 net worth of the partners and their ability if

11 they should desire to do any type of debt

12 financing that that is available to them. So at

13 this time I'd like for Phil Kenny to please speak

14 again.

15 MR. PHIL KENNY: Thank you, Chairman

16 Klineman. I guess clarifying the position. I

17 convened with our partners. In order to put the

18 statement out there as totally as, like I said,

19 unconditional, unequivocal I've asked the

20 partners and they have agreed that they would

21 step forward and finance this project 100 percent

22 our of their capital accounts. There would be no

23 debt instrument necessary. If we choose to

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1 pursue any debt instrument that is our own
2 accord, but the partnership has agreed to finance
3 this 100 percent with cash.
4 CHAIRMAN KLINEMAN: In other words, the
5 license holding, if that happens, would have no
6 debt? Is that what you're saying? The people
7 would make arrangements outside of the entity to
8 get the money and make it available to the
9 entity? Did I misunderstand?
10 COMMISSIONER BOCHNOWSKI: If you decide
11 to take on that.
12 MR. PHIL KENNY: Right, if we decide to
13 take on a debt instrument, but the partners have
14 agreed. I'm always careful in a public forum
15 what I represent, but I convened with the
16 partners and they've all agreed and concur this
17 project will be financed with 100 percent of
18 their cash if necessary, 100 percent
19 unconditional commitment.
20 CHAIRMAN KLINEMAN: Thank you.
21 MR. MICHAEL KLINE: I'd like to add just
22 something. I'm the guy you picked on before,
23 Michael Kline. As a banker here I'm sure most of

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1 you know the difference between best efforts and
2 firm commitment. Best efforts, we're all pretty
3 free with making those kinds of statements. They
4 are really not commitments. I know Mr. Kenny and
5 his group are new to this transaction, and you
6 asked me before why weren't we investors early
7 and why we would be investors today. The mix of
8 resources and when Lee Iaccoca adn I got together
9 we made a commitment to each other that we would
10 only get involved where we really could see the
11 greatest degree of results with the greatest
12 degree of resources. As long as it was in
13 America, it created jobs. When we saw this group
14 put together just recently we changed our tune a
15 little bit, and today after a little caucus at
16 the recess I would make like to make a firm
17 commitment to the people of Indiana and the
18 Commission beyond what Mr. Kenny and his group
19 just said that Iaccoca Capital which has the
20 resources and our principal partners to fund all
21 of what would be debt -- and there could be debt
22 obviously -- after the equity for this project.
23 CHAIRMAN KLINEMAN: Thank you. I guess I

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1 would like to move to another topic. Yesterday
2 in connection with the Ameristar -- and I guess
3 you people have the same location. The question
4 came up whether or not the conservancy district
5 could lease property for use such as this, and I
6 was informed that there was a legal opinion which
7 was made available to the Commission. Do you
8 likewise have any opinion as to whether or not
9 the conservancy district can make such a lease?
10 MR. JAY BOYD: This is -- I'm Jay Boyd,
11 legal counsel to the company. We have not formed
12 any direct opinion on that but rather relied upon
13 the assurances and representations made by the
14 City of Lawrenceburg in the development agreement
15 and negotiations relative to that as to its
16 assurances that that site will be made available
17 to us. I would be interested in the product of
18 any research. I assume that's a public document
19 if it has been turned over to the Commission.
20 CHAIRMAN KLINEMAN: I don't think it's
21 come in yet, but if it comes in obviously we can
22 take a look at it. The next item is the traffic
23 problem. Do you have any maps showing how you

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propose to propose the 275 - U.S. 50 problem and so forth? And if it's the same as we heard previously, tell us that. I think most of us remember.

MR. DAVE WENZEL: This is Dave Wenzel. The proposal is the same as was submitted in the original application and consists of really three things to deal with the traffic issue. Actually four. The location being on the east side is clearly the major reason to deal with the traffic. Secondly is at the intersection where 275 meets 50 the city had identified some improvements that they would like to see be made which consisted of two turning lanes and a through lane. That would be -- we committed to do that as well as widening of 50, and unique, I think, to our project from what I've seen of the others is that at U.S. 50 we are not proposing a light. However, we are proposing a grade separated interchange for the continuous movement of traffic from U.S. 50 into and out of our facilities. You can see it depicted here. U.S. 50 comes around and if you imagine what's

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called a trumpet interchange, it would loop around and then over the railroad and then into the site. Like a freeway interchange would have basically free movement into and out of the site and not involve any stopping of traffic to get in and out of the site. Third component of the traffic improvements then is the commitment by us, by Empire of the traffic signalization for the improvements of flow throughout the U.S. 50 corridor.

CHAIRMAN KLINEMAN: I don't know if this is the first time that I happened to notice in the paper this morning the state highway department is in fact advertizing the U.S. 50 project, at least as I read it.

MR. DAVE WENZEL: I know the question came up yesterday and I'd try to answer it in anticipation. We have met with INDOT. Again, their perspective, like DNR and the Corps, is to not act on an application and not be able to give us any specific guidelines but some feedback, and we have met with INDOT and again are very aware of the process that would need to be taken.

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COMMISSIONER ROSS: On your map where is Greendale and Aurora?

MR. DAVE WENZEL: Greendale and Aurora are basically back in here, if you will, on that map. I think there's a better site location map.

COMMISSIONER ROSS: If you're only going to make the intersection off of 50, then how will that help the traffic that backs up behind them? Seems to me coming off 275 would then just completely clean up 50?

MR. DAVE WENZEL: There are two issues there. The issue coming off of 275 would be dealt with with the two turning lanes and the through movement which are shown on a site plan which is shown right there. That deals with the Greendale edge, if you will. This is farther west along U.S. 50 at our site and how you get off U.S. 50 and then into the site, and this is really a mile or so down the road from that interchange. More than a mile.

COMMISSIONER SUNDWICK: Has there been any consideration to an interchange or something off that before you get to 50?

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MR. DAVE WENZEL: I understand the question related to trying to peel off before you get to the interchange. We looked at that in a limited way because we had looked at some other sites in that area, and it's our opinion that that doesn't necessarily solve the problem because then you have a situation where you have basically an access road solely to your development, and so if you wanted to come out of the development you would have to go all the way back to that interchange to get -- and turn around to go in a westerly movement, and the rights of way that we looked at we thought were fairly limited to be able to accomplish that, as well as INDOT has spacing requirements for interchanges, if you will.

COMMISSIONER MILCAREK: How do you intend to deal with the parking for the temporary operation?

MR. DAVE WENZEL: Parking for the temporary would be constructed on the site and the first phase would be a partial construction of the channel to allow a way into the site and

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1 part of the fill being used to take -- to put in
2 as fill at the northern end of the site, if you
3 will, to raise it above the flood plain and be
4 able to provide the temporary parking.
5 CHAIRMAN KLINEMAN: When would you
6 estimate that this interchange, the U.S. 50
7 interchange you're talking about would be built?
8 MR. DAVE WENZEL: We provided a
9 construction schedule and we identified that
10 interchange is probably about a twelve-month
11 period from the assumption of the licensing and
12 the assumption of the permits from INDOT, but no
13 more than that period of time. Probably shorter,
14 but to be safe we put it in that period of time.
15 CHAIRMAN KLINEMAN: There probably would
16 be property acquired in order to create --
17 MR. DAVE WENZEL: The site does go on the
18 county fairgrounds.
19 COMMISSIONER MILCAREK: Does that mean
20 without the interchange you wouldn't open for
21 even temporary business?
22 MR. DAVE WENZEL: No, we would have
23 facilities and that obviously is one of the fast

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track projects that is paramount to get -- for the loads of people we would be having come in, but there are remedial ways, if you will, that we could deal with that traffic on a temporary basis

COMMISSIONER MILCAREK: What would your schedule be to open, to be in business temporary? How many months?

MR. DAVE WENZEL: The construction schedule that we put in the proposal in the Part II was that after the licensing and after the obtainment of the permits we're looking at a four- to six-month window to be open on a temporary basis.

COMMISSIONER MILCAREK: What would that be from today, if you were guessing?

MR. DAVE WENZEL: If we were issued the conditional license today, it's our estimate that the Corps process is probably going to be about a 90-day process. Could be longer; could be shorter. These things -- this is a very high profile project clearly. In that you add that three-month period, if you will, to the four- to six-month period and you get a seven- to nine-

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1 month period for the opening from today of the
2 temporary facilities.
3 COMMISSIONER VOWELS: Where is your
4 temporary boat going to come from?
5 MR. PHIL KENNY: Phil Kenny again of the
6 Kenny Companies. Temporary boat that we have put
7 into the marketplace is a boat that has a
8 capacity of 2,500 passengers. It's 33,000 square
9 feet of gaming space currently. It's outfitted.
10 It's got all the security and surveillance.
11 Everything is ready to go. That boat could be on
12 the site in 60 days fully operational.
13 COMMISSIONER VOWELS: Where is it now?
14 MR. PHIL KENNY: It is now in St. Louis.
15 COMMISSIONER VOWELS: As far as the
16 permanent boat --
17 MR. PHIL KENNY: The permanent boat
18 would be built, but we would hope Jeffcoat, but
19 it depends on Jeffcoat's schedule. We would
20 obviously take it out to bid. We would like to
21 keep it to an Indiana shipyard, but it also
22 depends on Jeffcoat's schedule.
23 COMMISSIONER VOWELS: Some of the numbers

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I've been looking at on the permanent boat shows there would be 3,800 gaming positions; is that correct?

MR. PHIL KENNY: Correct.

COMMISSIONER VOWELS: And 4,500 people on board, 500 employees. I couldn't tell from the reading if the 500 employees were included in that 4,500 figure.

MR. PHIL KENNY: Yes, they were, correct.

COMMISSIONER VOWELS: So it's 4,000 patrons and 500 employees?

MR. PHIL KENNY: There will be more than 500 employees at the casino operation. You mean on the boat at one time?

COMMISSIONER VOWELS: The information from the application shows that room for 4,500 on the boat. 500 employees is what is said here on the boat. My question is that 4,500 including the employees or 4,000?

MR. ROBERT MILLER: Coast Guard establishes the capacity of the vessel and it's -- we based on their certification, the maximum capacity vessel would be 5,000 people.

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1 In terms of the compliment at any one given time.
2 What do we run a shift in terms of employees?
3 MR. BOBBY YEE: It's about eight to one.
4 MR. ROBERT MILLER: Eight or nine to one
5 according to Mr. Yee. So that the total capacity
6 of the boat will be 5,000 people. Our biggest
7 problem throughout this project is that the laws
8 of physics don't allow us to build a boat big
9 enough to accommodate the market demand.
10 COMMISSIONER VOWELS: The question I'm
11 looking at 3,800 gaming positions and whether
12 it's 4,000. Looks like you could have more
13 people on there than you have gaming positions;
14 is that right?
15 MR. ROBERT MILLER: Not everyone games at
16 the same time. In terms of any kind of
17 entertainment type of experience, some people
18 will come with spouses. Some people will get
19 tired. Some people, we hope not, run out of
20 money, and so there is -- but our desire is to
21 have -- not all the space on the vessel can be
22 dedicated to casino space. There is safety,
23 shift change, hard count, soft count room. But

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when you take all that into consideration the capacity of the boat is larger than the casino capacity.

COMMISSIONER VOWELS: Let me ask this question. You were just talking about the -- as far as your figures, you included Evansville in the primary market. The fact that Evansville will probably have a boat before there will be a boat in the water, doesn't that impact what your numbers would be particularly since you've included Evansville in the primary market?

MR. ROBERT MILLER: I wrote the feasibility studies. The way that we account for marketing is through the standard equipment paragon of how one estimates demand which is the closer someone is to a gaming venue, the greater percentage of the individuals living in that area will game and they will do it more often. So when one gets a hundred miles out, both the percentages of gaming is much lower and the frequency with which those people game is much lower, and when we talk about primary gaming marketing, it's actually our tertiary resident

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1 gaming market. We divide the gaming experience
2 in three categories. The first is the resident
3 market, proximity to the site. The second is
4 current visitors to the trade area, and we
5 really -- we don't account for the four million
6 that come and visit Cincinnati every year as a
7 practical matter. We count them in our market
8 being plans, but in our demand study we say the
9 resident market is strong enough. The third
10 category of people coming into the area are
11 people that would not ordinarily come to the area
12 that are induced by gaming, and that is a huge
13 portion of our effort.
14 COMMISSIONER VOWELS: You've got
15 admission charge of $10.50 and that's much higher
16 than what we have seen. How is it that you can
17 justify that? Dearborn County applicant averages
18 $5.08 so you're twice as high. Can you explain
19 that?
20 MR. ROBERT MILLER: I think that it's
21 part of the -- the thing is that we find a
22 monopoly or near monopoly situations that you can
23 charge admission charges. One of the boats in

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1 downtown New Orleans was charging admission
2 charge up until such time as other competition on
3 the New Orleans riverfront opened. So it's
4 totally feasible to charge an admission charge.
5 Part of the -- it's part of the marketing. It
6 allows us to discount away from the charge in
7 terms of match play. We also find that based on
8 the typical -- our analysis of what people are
9 paying for prime demograhpic for entertainment
10 experiences this seems to be an achieveable
11 number. All that being said is that if it's not
12 working we'll reduce it or if it's working real
13 well, we'll make it more.
14 COMMISSIONER MILCAREK: Will that reduce
15 revenues to the state or city or anything if you
16 discontinue your admission?
17 MR. ROBERT MILLER: The biggest source of
18 revenues for the gaming is gamers coming and
19 participating. So the thing that drives our
20 entire revenue projections for the state is to
21 generate as near capacity for the gaming
22 operation as we can. In a very synical kind of
23 sense, the whole enterprise is designed to put

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1 people on the boat gaming on a consistent and
2 durable basis. To answer your question, is it
3 better to give up a small amount of revenue on
4 gaming but have more people come and spend with
5 us -- more spend $55 to $60 per person or
6 provided to the bottom line that amount. We
7 think that the gaming business is a business of
8 very small margins and very tight control. I
9 think these are the kinds of things that Carnival
10 is very expert at managing.
11 MR. JOHN THAR: Go back to the size of
12 the boat. During the projection or during the
13 presentation this morning was a representation of
14 going to be 500 feet long, 48 feet wide?
15 MR. ROBERT MILLER: Yes, sir.
16 MR. JOHN THAR: It's my understanding
17 that the locks on the Ohio River won't handle a
18 boat over 400 feet. Am I wrong?
19 MR. PHIL KENNY: Dave, you want to
20 address that?
21 MR. DAVE WENZEL: Dave Wenzel. We
22 consulted with the boat builders and actually the
23 dimensions that we were given was the width of

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1 the boat couldn't sustain anything longer or
2 wider than the 85 foot width and, therefore, the
3 84 was the perameter. It wasn't the length that
4 we were given from our boat builder.
5 MR. JOHN THAR: The information
6 previously received from different sources -- and
7 I'm just checking because I don't know what's
8 right -- is that the maximum size boat that locks
9 can handle is 400 by 100. I had not heard the 85
10 foot limitation before.
11 MR. DAVE WENZEL: That's not the same.
12 We could certainly provide some follow-up
13 information to that.
14 MR. JOHN THAR: I have not heard of any
15 boat of 500 feet that anyone thought they could
16 get through the lock system. I just wonder if
17 you're planning to build it on site.
18 MR. DAVE WENZEL: No, the boat would be
19 built off site and brought up, and that was an
20 issue that we had discussed with the boat builder
21 in terms of the design perameters of being able
22 to handle the weight of that gaming establishment
23 as well as the width and the length of the locks.

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MR. RON SCHILLING: I'm Ron Schilling. I have two barges and they were 500 foot long so there's no problem with the locks. 100 foot width.

MR. JOHN THAR: Did they go down the Ohio River?

MR. RON SCHILLING: Yes, they did. They went down through all the way down Mobile, Alabama, to Mississippi.

COMMISSIONER SUNDWICK: You'll certainly check on that before you build the boat?

MR. JOHN THAR: Mr. Schilling, what is the present status of Splash? Is it still operational?

MR. RON SCHILLING: Presently we're closed because of high water, but we should be back in business within a week, week and a half.

MR. JOHN THAR: Last reports indicate since it's so far south or away from the Evansville market that it's not doing as well as it was.

MR. RON SCHILLING: We're twelve miles south of everyone else. We are the last person

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down to the Mississippi. We may move the operation. We're looking for a partner right now to move it to another property maybe up north or down south.

MR. JOHN THAR: There's obviously been a lot of speculation just to close it down.

MR. RON SCHILLING: We did enact a warrant act to have give our employees 60 days notice, but we are looking for a partner presently.

COMMISSIONER SUNDWICK: Mr. Schilling, before you sit down. Six months ago somebody showed up at Mr. Kenny's office. Was it you?

MR. RON SCHILLING: No, not myself. It was Bob Miller.

COMMISSIONER SUNDWICK: Because when I read these reports at that time you were the project manager.

MR. RON SCHILLING: I started it all and it is a dream and, of course, I delegate my authority.

CHAIRMAN KLINEMAN: Maybe you can answer it; maybe you can't. The cruising, what is the

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1 cruising plan for this vessel?
2 MR. ROBERT MILLER: First of all, we'll
3 cruise --
4 CHAIRMAN KLINEMAN: This is Mr. Miller.
5 MR. ROBERT MILLER: Bob Miller. Sorry.
6 First of all, we'll cruise as often as we can.
7 It's our intention to cruise the vesseland
8 comport with the regulations associated with
9 licenses. I think that's a very strong
10 commitment. It's a tremendous issue in
11 Louisiana, and we want to make it very clear it's
12 our intention to fully comport with the cruising
13 regulations. We can accommodate -- we can do a
14 maximum of six cruises a day. Obviously based on
15 some of the regulations which have been
16 promulgated by the Commission regarding how much
17 dock side time is allowed we can still game.
18 Rules regarding sweeping the boat and other kinds
19 of issues. We anticipate essentially about two
20 hour and 15 minutes of cruising, 45 minutes
21 shoreside. I think that's pretty much the
22 market. Obviously market conditions demand how
23 often we would cruise.

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CHAIRMAN KLINEMAN: I'm really more interested in the route.

MR. ROBERT MILLER: Oh, the route.

CHAIRMAN KLINEMAN: I guess I didn't make myself clear. Are we in Indiana waters? Which way would the boat naturally go or does it go both ways?

MR. DAVE WENZEL: Just show on the drawing again. The boat obviously embarks from the channel and, as I understand, it docks going against the current and then comes out and will be all in Indiana waters. The boat basically pivots without any real turning radius to them so there's no problem at all with cruising within the state limit, and we looked at that line as well.

CHAIRMAN KLINEMAN: Do you know how far downstream I guess that is?

MR. DAVE WENZEL: No, I don't.

COMMISSIONER VOWELS: I'm looking at a series of lawsuits here. This deals a lot with the operation of the Splash casino. There seems to be a number of recent contracts, allegations

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1 here. I see some of these were settled and some
2 of them are still pending. Is there anything in
3 there that we need to be concerned with?
4 Obviously red lights go off here when you see
5 that sort of problem.
6 MR. JAY BOYD: Commissioner Vowels, I
7 assume you are referring to what are the items
8 that are under Tab 7 and some of the supplemental
9 information, the lawsuits that are pending in the
10 states of Tennessee and Mississippi. I guess we
11 would characterize -- I am not counsel of record
12 in those matters. They are being handled by
13 counsel for the company in those jurisdictions
14 and insurance counsel, but I think we would
15 characterize those lawsuits which are pending as
16 things that happen in the normal course of
17 employment of many people. These kinds of claims
18 arise and certainly the kinds of claims that are
19 listed in the index there are the kinds of claims
20 that I think employment lawyers are seeing more
21 and more these days. The company is contesting
22 the allegations in there vigourously at this time
23 to the extent that there are lawsuits and cases

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1 that are indicated as currently pending.
2 COMMISSIONER VOWELS: There's one here
3 I'm looking at that in February of '94 it was
4 settled and the defendant paid, and then there
5 was another --
6 MR. JAY BOYD: Are you referring to the
7 personal injury matter styled as Ethel Nichols?
8 COMMISSIONER VOWELS: These are breach of
9 contract lawsuits. Cummings Incorporated versus
10 (inaudible) Casinos, Casino Consultants,
11 (inaudible). This was in Davidson County,
12 Tennessee, filed at the end of December '93. The
13 Defendant agreed to pay the Plaintiff a little
14 over $9,000 and was dismissed. My question
15 here -- and it's probably a rhetorical question.
16 Is there something here that we need to be
17 concerned about in reference of breach of
18 contract because of the lineup here you will
19 assure us that contracts will be adhered to and
20 not breached?
21 MR. JAY BOYD: Yes, no question of that.
22 COMMISSIONER VOWELS: Let me ask another
23 question. There's a number of wrongful death

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1 lawsuits that have been filed here. Again, this
2 investigation dealt with Splash. One of these
3 had to do or maybe a couple of them had to do
4 with people becoming intoxicated in the casinos
5 and having accidents afterwards, traffic
6 accidents. Will there be some, in particular
7 because of the traffic problems that we have,
8 education or some sort of assurance to bartenders
9 that would be on board there of the necessity of
10 not serving alcohol to obviously intoxicated
11 persons other than telling them not to do that?
12 MR. JAY BOYD: Absolutely. Alcohol
13 awareness program for patrons, guests and
14 otherwise is absolute essential for these kinds
15 of businesses today not only from a liability
16 standpoint, but a good management and public
17 relations standpoint.
18 COMMISSIONER VOWELS: Is there any
19 thought given to putting anything in concrete to
20 advise the bartenders and the waitresses as far
21 as -- because if you travel that road there, if
22 you travel -- and we were down there a couple
23 months ago and you're coming from Bob's house and

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1 heading back to the hotels and I had no alcohol
2 in my blood and it was at night and I was
3 cautious going down that road. If there was
4 anybody with any impairment at all there's going
5 to be real problems there as far as any
6 intoxicated driver. It seems to me have to have
7 some educational process in place for the
8 bartenders and the waitresses on there to be
9 assured because I think as far as the level of
10 intoxication impairment down in this area is
11 going to be more of a concern than would be
12 somewhere we don't have any traffic problems.
13 Would you care to address that?
14 MR. RON SCHILLING: This is Ron
15 Schilling, Splash Casino. We have ingress and
16 egress of our doors before we opened up in Tunica
17 and night clubs and restaurants, of course, that
18 we would take anyone home that was intoxicated
19 and we were always instructed to our bartenders
20 and waitresses to never serve anyone intoxicated.
21 MR. GERALD WEDREN: Gerry Wedren,
22 Carnival man. This will be one of the
23 operational aspects of course of the day-to-day

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1 operations and I can tell you that Carnival has a
2 very strict program with its employees and in
3 particular with the service of alcoholic
4 beverage. They go through a training program.
5 They are made fully aware both of the laws and
6 what the internal laws of Carnival are with
7 regard to that, so I think that is a concern
8 which you not need not be fear. It will be taken
9 care of as we've done in others.
10 COMMISSIONER VOWELS: I'm just saying
11 that the roadways that I traveled when I was down
12 there seem to be more of a concern than any other
13 place where we've had to go to. If you hire
14 local people, familiarity of those roadways may
15 not make this issue so highly aware to them
16 without your help and assistance and direction.
17 MR. GERALD WEDREN: It's even more
18 important because we try to make sure that it
19 never gets to an issue where they cannot work on
20 those roadways.
21 COMMISSIONER VOWELS: That answers that
22 question. Let me ask you about another lawsuit
23 here. Lady named Nancy Jefferson sued Splash

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1 Casino based upon false imprisonment and
2 everything else. She was charged with theft.
3 Does anyone know the status of her case which
4 would obviously affect the status of the lawsuit?
5 MR. JAY BOYD: We suspect that it's still
6 pending. It's been contested by the company.
7 COMMISSIONER VOWELS: As far as the
8 criminal charge of theft against her, do you know
9 what the status is there?
10 MR. JAY BOYD: Mr. Schilling does not
11 know.
12 COMMISSIONER VOWELS: Obviously have
13 some effect if she was found guilty or pled
14 guilty to the false imprisonment and malicious
15 prosecution lawsuit. I don't have any other
16 questions.
17 CHAIRMAN KLINEMAN: Mr. Boyd, while
18 you're there. Is your client considered a
19 non-compete? I know you have a problem with a
20 manager who has an application on file for
21 Harrison County, but is there any problem with
22 respect to non-compete?
23 MR. JAY BOYD: The partners here are

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1 definitely ready to commit to a non-compete
2 agreement. Indeed, there is a non-compete clause
3 that is included in the development agreement
4 with the City of Lawrenceburg that has been
5 carved out to specifically accommodate Carnival's
6 participation in its other application, but this
7 applicant has already signed a non-compete
8 agreement and intends to at the outset of this
9 proceeding indicated this was the top marketplace
10 in the United States and they want to pursue this
11 with all vigor and an appropriate non-compete
12 agreement for this marketplace is ready and Mr.
13 Kenny will respond to that further.
14 MR. PHIL KENNY: Mr. Klineman, absolutely
15 I think with the capital value that we are trying
16 to put into this project I think that is an
17 essential aspect of our non-compete, but we would
18 sign because we feel this market is such that it
19 is going to be an attraction and destination
20 resort so we absolutely concur with that
21 assessment of signing a non-compete.
22 CHAIRMAN KLINEMAN: There is a
23 non-compete in place with the city. Part of the

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development agreement. If so, do you know the perameters of it? Do you know the perameters of it and how many miles, how long?

MR. JAY BOYD: I think it's 75 miles is my recollection. That was designed to accommodate the other interests.

CHAIRMAN KLINEMAN: And for what time period?

MR. JAY BOYD: The length of the license.

CHAIRMAN KLINEMAN: Does anyone have anything further?

COMMISSIONER SUNDWICK: If you were awarded the license would you consider changing that to a broader distance?

MR. ROBERT MILLER: Yes.

COMMISSIONER VOWELS: Don't have any agreement with anybody in Kentucky to pursue a amending the constitution?

MR. ROBERT MILLER: Absolutely not.

COMMISSIONER VOWELS: We did have an applicant once who turned out they did.

MR. KLINEMAN: Anyone on the Commission? Mr. Thar? Anyone have anything further?

1 MR. JOHN THAR: No.

2 MR. KLINEMAN: I think we've come to an
3 end. We certainly appreciate the presentation.
4 It's been most informative and we'll proceed this
5 afternoon at 1:30.
6
7 (Whereupon, a lunch break was taken at
8 this time.)
9
10 CHAIRMAN KLINEMAN: Let the record show
11 the Commission is all here present. We're ready
12 for the presentation of Indiana Gaming.
13 MR. PETER RUSTHOVEN: Thank you, Mr.
14 Chairman. Chairman Klineman and members of the
15 Commission, Mr. Thar, staff, my name is Peter
16 Rusthoven with the law firm of Barnes & Thornburg
17 here on behalf of Indiana Gaming Company, the
18 applicant that we strongly believe you will
19 conclude has earned your vote for the license in
20 Dearborn County. Indiana Gaming is an Indiana
21 partnership of three primary entities. The first
22 is Argosy Gaming Company which is the nation's
23 most experienced riverboat gaming company. Its

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1 roots are here in the Midwest. Indeed, its
2 headquartered in our sister state of Illinois
3 right nextdoor. Had the first riverboat license
4 granted in the State of Illinois. Today it is
5 the only applicant with its license in all four
6 of the other cruising riverboat states. It has
7 operated more cruises and carried more passengers
8 than all other applicants combined and it has
9 done so with a perfect safety record.
10 The second member of our partnership is
11 Conseco which is one of the nation's leading
12 financial services companies. I believe it's no
13 exaggeration to say perhaps the most
14 extraordinary success story in Indiana business
15 history. Conseco now has after starting with
16 modest beginnings it now has under management
17 over $25 billion in assets. We believe we have
18 the strongest possible financing partner that a
19 gaming company could have. At the same time we
20 have a partner whose roots and commitment to the
21 State of Indiana are also as strong as they could
22 possibly be.
23 The third member of the partnership is

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1 Centaur. Centaur is a group of Indiana investors
2 who saw early on the possibilities of riverboat
3 gaming for our state. Indeed, they saw those
4 possibilities long before the legislation was
5 passed. They worked hard to get that legislation
6 passed. They also worked hard to get community
7 support in Lawrenceburg and Dearborn County which
8 was one of the factors leading to success in the
9 referendum.
10 We have focused from the outset and
11 exclusively on Lawrenceburg and Dearborn County.
12 We believe long before this day, long before the
13 choice you are about to make that this would be
14 perhaps the most important licensing decision
15 that this Commission would make. We believe that
16 for two principal reasons. First, it is our
17 belief that this is the best potential market in
18 the State of Indiana. The best market in the
19 Midwest and indeed the best potential riverboat
20 gaming market in America. It carries with it
21 extraordinary potential for tax revenue and
22 economic development for the state and for the
23 region. In short, we believe this is the

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1 location more than any other potential benefits
2 of riverboat gaming can come to pass and actually
3 be a reality for the citizens of this state.
4 Second, we believe this is the location
5 where those benefits must be realized if
6 Indiana's venture into this new entertainment and
7 economic development industry is going to
8 succeed. It's no secret to anyone in this room
9 and certainly no secret to the members of this
10 Commission that riverboat gaming is not without
11 controversy in the State of Indiana. This is not
12 something that was passed by acclimation by the
13 legislature. It is not something that was passed
14 by acclimature in any of the counties including
15 Dearborn where the referendum had been approved.
16 This Commission has recognized this and
17 (inaudible). I say that as one who has attended
18 I think just about every one of your meetings. I
19 think this Commission has recognized that this
20 has if anything heightened its charge to make
21 sure that this enterprise works for the state and
22 citizens. We believe that Dearborn County and
23 Lawrenceburg are the area that's simply crucial

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1 for that to happen. The location can later be
2 pointed to as an unqualified success. That's why
3 we believe that this extraordinary opportunity
4 for Indiana which is presented by their location
5 demands certain things. We believe it demands
6 the best and most experienced riverboat gaming
7 operator. We believe it demands the best and
8 strongest financial partner and the partner that
9 is absolutely committed to the State of Indiana.
10 We believe it requires the best actual site, a
11 site that minimizes traffic and other disruptions
12 and that maximizes the financial and other
13 benefits to the state and region.
14 Over the next hour we're going to show
15 you why we believe and why we hope that you will
16 agree that Indiana Gaming is the applicant that
17 combines those things. Most of our presentation
18 will be made by Tom Long, vice-chairman and chief
19 executive officer of Argosy. Sitting next to Tom
20 is Steve Hilbert who is the president and chief
21 executive officer of Conseco. Next to Steve is
22 Ngaire Cuneo who is the executive vice-president
23 for corporate development of Conseco, and we have

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1 Steve norton who is the president and chief
2 operating officer of Argosy. Next to him is Joe
3 Uram who is the vice-president and treasurer and
4 chief financial officer of Argosy, and to Joe's
5 left at the end of the table is Paul Keller who
6 is our director of investment. At the outset of
7 Q&A I will also introduce other members of the
8 team we're bringing before you.
9 Before introducing Tom and Steve I'd
10 like to start, with your permission, with a brief
11 video. It is an overview of our proposal. Why
12 we believe it is a world class team for a world
13 class project that will be a gateway to Indiana.
14 (A video presentation was made at this
15 time.)
16 MR. PETER RUSTHOVEN: It is now my
17 pleasure to introduce to you Jay Thomas Long who
18 is the chief executive officer of Argosy Gaming
19 Company who will give you a detailed description
20 of the project you've just seen and of the
21 exceptional strength of the Indiana Gaming
22 Company partnership. Tom will introduce Steve
23 Hilbert who is the head of Conseco whom Tom will

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1 introduce at the close of his presentation.
2 Steve Hilbert and Tom Long are individuals who
3 had the vision to see a new opportunity, had the
4 courage to back that vision with their time and
5 money and talent and effort. Who brought to that
6 effort exceptional business acumen, a kind of
7 bottom line problem solving approach that is
8 needed to surmount tough challenges that confront
9 the best visions and ideas. For Steve, of
10 course, the vision was Conseco. Extraordinary
11 Indiana history whose highlights we'll see a bit
12 later.
13 For Tom Long the vision involved what
14 was then a brand new endeavor for the State of
15 Illinois called riverboat gaming. The company
16 was Argosy which began with one employee whose
17 name happened to be Tom Long, and the challenge
18 was to launch a new riverboat venture in Alton, a
19 small river community located just across the
20 river from a major metropolitan market called St.
21 Louis. In 1990 Argosy became the first riverboat
22 applicant in Illinois. In 1991 it was awarded
23 the first riverboat license in Illinois. Four

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1 years later it is now an enormous success. It is
2 now a public company. It is the premiere
3 riverboat gaming company in the nation. Tom is
4 now joined by some 2,800 other employees and with
5 an operation generates tax revenue and economic
6 development in every jurisdiction it serves, and
7 shortly Tom Long, you have a strong experienced
8 business executive who used a can-do problem
9 solving approach to build an enterprise from
10 modest beginnings to tremendous success. We
11 happen to believe that's exactly the venture, the
12 challenge that confronts Indiana. Our state's
13 beginning this new enterprise called riverboat
14 gaming. I also think you'll see firsthand why
15 the experience, talents and strength of Argosy
16 and Tom Long, what they bring to that challenge
17 are why your sister commissions in each of the
18 four other riverboat cruising states that have
19 decided that Argosy was a definite yes on their
20 list of licensees. Tom.
21 MR. TOM LONG: Thank you, Peter. Mr.
22 Chairman, Members of the Commission, Mr. Thar, it
23 is certainly a pleasure to be here today to talk

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1 to you about the Indiana Gaming Company riverboat
2 experience for the total market. We emphasize
3 the fact that experience is in fact one of our
4 pride points today because as we guide you
5 through our discussions we believe it will become
6 apparent that there are a number of experiential
7 factors that will lead to your decision. We have
8 the greatest financial strength, the best
9 location and the best site plan and we'll talk
10 about that in a little.
11 Argosy is very proud to be the only
12 riverboat company before you who operates in all
13 cruising riverboat states. Illinois, Missouri,
14 Louisiana, Iowa have all given us the distinct
15 honor of operating in their states and we take
16 that honor and guard it jealously. We believe
17 our record of operations in those states speaks
18 for itself and it leads to the experienced
19 applicant who will be able to bring to you and
20 design for you a world class riverboat for a
21 world class area. All completed on time because
22 we've been through shipyards before. We know how
23 to bring our projects in on time and on budget,

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1 and that experience in shipyards and that
2 experience in the marine atmosphere lends to
3 another very significant issue, safety. After
4 all, we're going to be carrying millions of
5 passengers a year. Argosy to date has carried
6 nine million four hundred thousand plus
7 passengers, has held 8500 plus cruises. We have
8 17 marine boat captains with a combined
9 experience of 385 years all with a perfect safety
10 record. I believe all of us our first and
11 foremost concern with safety and with our
12 customers, and experience brings you that great
13 safety factor, and the marine experience we have
14 is unassailable. We are one of the most
15 experienced applicants in dealing with the
16 adversities of floods and weather and rain and
17 things that cause interruptions in operations.
18 We worked through the Great Flood of 1993 which
19 was a 500-year flood. They told just because it
20 floods once every 500 years it doesn't mean it
21 won't do it again. And it did it again in 1995.
22 But what does working through the adversity of
23 the flood mean? It meant that our employees

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1 continued to work. It meant that state revenues
2 continued to flow and it meant that our
3 operations and our marketing went on impeded.
4 There again, experience will bring to you a very
5 strong benefit if and when tough times come from
6 unseen source.
7 Experience in our application also comes
8 at the top. Mr. Steve Norton, our present chief
9 operating officer, (inaudible) in the gaming
10 business. Irv Rogers, our vice-president and
11 director of casino operations, opened the first
12 gaming school and has been the driver behind our
13 gaming schools, and we're very proud to say that
14 his accomplishments have brought us promotions of
15 local people through our casinos in the top
16 management positions. Experience not only in
17 training our employees, but in marketing is very
18 important. We spend approximately six to seven
19 percent of our gross win on marketing all through
20 slot clubs, data bases, bus tours, conferences
21 and et cetera. What is important about this
22 market is we understand the riverboat market.
23 It's a day-in and day-out market. It's not

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1 We don't have to go ask for it. We can draw it
2 now.
3 The combined financial strength of
4 Argosy and Conseco is amazing. We look at total
5 assets of $11 billion, total equity of $838
6 million, total earnings of $288 million. We
7 think we have the largest combined assets of any
8 of the applicants and competitors and, in fact,
9 we think with those assets we'll be able to
10 establish for you a pretty nice rainy day fund if
11 something should happen that we have to fall back
12 on our financial resources because after all, if
13 you trust us with this endeavor you should have
14 the confidence that when the going gets tough we
15 have the resources to reach in and pull out the
16 financial tools to make the project work.
17 So our partnership investment summary,
18 our total project costs we estimate at $180
19 million. Our share 108, Conseco's 72. $180
20 million. It's not a commitment. It's not a
21 wish. It's cash in the bank today. We don't
22 come asking for any approvals in the future to go
23 to Wall Street or to do anything other than write

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1 a check and get on with the project.
2 So money in the bank is important
3 because that means there's no risk associated
4 with the commitments which may not materialize.
5 Conseco has cash marketable securities of $12
6 billion. They have the $250 million available to
7 put into any single operation today. And as
8 you'll see, Conseco is committed to this project
9 110 percent. Mr. Hilbert will confirm that fact
10 for you. What are we going to use the funds for
11 this project? As I said, we believe it's a world
12 class project and it deserves a world class
13 investment. $48 million in a riverboat that I
14 think when you see it you'll be amazed at the
15 scope and the size and the grandure of the
16 project. Any of you have visited Argosy vessels
17 you know we build projects to be proud of.
18 You'll be very proud of this vessel. The gaming
19 entertainment and equipment of course is
20 important. We know how to buy it, we know how to
21 stall it and we know how to make it work to the
22 best of our advantage. The entertainment complex
23 to support our guests and customers, it must be

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1 comfortable. We must have (inaudible) queing
2 areas, hotels, parking garages and all the things
3 to support them when they come and seek to enjoy
4 this tremendous entertainment facility. Of
5 course, we have commitments to the city and soft
6 costs for a total project cost of $180 million.
7 Why build this project? Because we have
8 the most attractive riverboat location we believe
9 in America. Primary market being that in
10 Cincinnati area, secondary market over in
11 Kentucky and and further into Ohio. What does
12 that mean for the State of Indiana? It means
13 that we'll be able with our marketing drive to
14 entice the good citizens of our sister state to
15 come over here and spend tax dollars here.
16 That's a win win situation for both the State of
17 Indiana, for the City of Lawrenceburg and the
18 communities surrounding it and, most of all, for
19 the employees that we'll hire and work in our
20 facility.
21 What types of revenues will we project
22 we will be able to deliver to you with a world
23 class operation? I've always been optimistic.

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I've always believed we can deliver what we say. We believe that we can deliver 300 hundred plus million dollars in win. State tax revenues, a total revenue of 300 plus million, state tax revenues of 50 million plus, local statutory revenues of 20 millions plus and of course local overrides for our commitments of $21 million. We believe this can be accomplished because of our experience, our site, our financial strength and our ability to seize the market. The bottom line to maximize revenue, of course, is building what we refer to as the largest riverboat casino ever built. We have the best location, the best access for our guests and the most riverboat marketing experience, which is certainly different than land-based marketing experience. People come to riverboats not as a destination, but to enjoy a day or a half day of fun in our facilities.

A few weeks ago a challenge was issued that there were traffic issues and traffic problems to be resolved in this area because of congestion that is anticipated to be on Route 50.

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1 Steve Hilbert and I got together and we said
2 let's do something about it. In true Conseco
3 style he said let's solve the problem. We went
4 out and we solved the problem. We negotiated
5 with and have acquired the rights to the Central
6 Indiana Railroad. We will be able to take up the
7 track, put a dedicated two-lane road coming off
8 I- right into our site. We will eliminate a vast
9 vast majority of all the traffic on Route 50.
10 And what does that do? It gives the merchants
11 and business people in that area the ability to
12 come and go without the crowds and without the
13 traffic problem that could exist on Route 50. It
14 gives the businesses an opportunity to grow and
15 it also gives the towns on the other end of Route
16 50 the ability to put some development into their
17 operations so the traffic flow will not be
18 terribly congested. So we've addressed local
19 manufacturers' concerns. We've concluded with
20 this that the east side truly is a vastly
21 superior site when we look at the location and
22 the traffic access.
23 But not only do we have to solve traffic

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1 problems, we have to solve potential flooding
2 problems. So a couple of years ago we acquired
3 the Pearson Hollowell site knowing full well it
4 would protect our operation day in and day out
5 from serious flooding. We believe that we are
6 the only site where the hotels and our main
7 operation are located behind the 100-year levee
8 system, and those areas, as you saw in pictoral,
9 those areas that are outside the levee systems
10 are designed so the water flow is underneath and
11 it adjusts as the water rises and decreases. So
12 we believe that we have with the acquisition of
13 Pearson Hollowell. We've cleared it. It's the
14 best site. We own it today. Construction can
15 begin, if you desire to give us the green light,
16 immediately. We can pull our permits and begin
17 work. We've designed our site to compliment the
18 city's historic preservation efforts. We will
19 have room with the acquisition of the CIRR to
20 expand our project and rework our project as we
21 pull track out of the middle of the area and, as
22 I said and emphasized, we can go when you say go.
23 So the best facility will bring to you

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1 and to the community and to the State of Indiana
2 3,000 plus parking spaces, an entertainment
3 complex second to none with five distinct
4 restaurants, first class meeting and banquet
5 rooms, a sports bar and of course a very
6 exquisite Argosy Club, gift shops for our
7 businesses and local business, pre-boarding areas
8 and 100-room resort hotel. We haven't come here
9 with a 300-room hotel. Why? Because we believe
10 the people in the local community who are the
11 hoteleers and those who may decide to get into
12 the business should have an opportunity to fill
13 that void as well. We believe 100 rooms is a
14 good way is to start to encourage those who are
15 currently expanding their businesses to expand
16 them and then we'll see where the market is. We
17 don't come to Lawrenceburg to dominate the
18 market. We come to Lawrenceburg to assist and
19 compliment the market. We believe that's very
20 important. Indiana's best boat for the best
21 market. As I said, we can be proud of this boat.
22 If we have the opportunity to build the boat,
23 90,000 square feet of casino space, 2,500 gaming

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positions, 3,400 passengers.

Let's reflect back to safety. When we have those passengers on board who is going to be in charge of their lives and their safety? We think that's very important. A wonderful entertainment lounge with daily entertainment for those who may want to take a break, may not want to sit through a whole afternoon or a whole cruise of gaming. And a designed propulsion and steering system that will be unique that will allow our boat to come and go, to be able to turn on its own radius and to be able to ply the watres of Indiana without offending any sister state. We can do this because we've built boats. We've built boats from scratch. We've rehabbed hand boats. We bought boats and cut them in half and put middle in them. We know the marine market. We know how to design one that will provide the best opportunity to maximize profits and the revenues to the State of Indiana.

Speaking of that, we want to get started. We would like to start our project as quickly as possible by Operation Fast Start.

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1 Subject to the city being able to complete the
2 engineering and design they need to do, we
3 believe that we can comply with their desires to
4 open in December of 1995. We'd start immediate
5 tax revenues but what's the most important thing?
6 We'll begin putting people to work. Because it's
7 the smiling faces of working people day in and
8 day out that confirms the wisdom of the
9 legislature when they passed the riverboat gaming
10 law. We have vessels in our current inventory
11 that we can use at 1,200 passenger level. We
12 have dockside restaurants to support Operation
13 Fast Start in our own inventory. We don't have
14 to look for it. And we have parking availability
15 through our agreements with the city. We believe
16 that we will also then have a parking garage open
17 in the spring of '96 to help support the downtown
18 area and move some of the congestion into that
19 parking area.
20 So what is our construction schedule?
21 We believe Operation Fast Start will have us open
22 by December of 1995. That's with the city's help
23 and assistance with the Corps permits, et cetera.

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1 We would tell you by the end of '96 with all
2 permitting in place and sitting the schedule on
3 time we could be open at the end of December
4 1996. Our complete project could be open.
5 Our commitment to Indiana has been well
6 known. We were the first to assist with Indiana
7 legislation, first to establish a full-time
8 office in Lawrenceburg, expended tremendous
9 efforts in helping work the referendum for
10 passage throughout the community, and we've
11 received endorsement, unanimous endorsement of
12 Lawrenceburg city government. Our commitment to
13 the community is unassailable. Our commitment to
14 the State of Indiana is unassailable, and we
15 believe that with that we will bring for you the
16 experience, the financial ability and the
17 financial ability and best site to bring a
18 project that is truly world class to your
19 facilities.
20 When you speak of world class
21 facilities, you speak of world class companies.
22 That's when I truly have the plesaure of being
23 associated with the gentleman I'm about to

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1 introduce. Mr. Stephen Hilbert, the chairman of
2 the board, president and CEO of Conseco. His
3 commitment to the State of Indiana, his
4 commitment to this project are unquestioned. I
5 believe after you've heard from Mr. Hilbert you
6 will also agree the partnership between Conseco
7 and Argosy and Centaur is a world class
8 partnership for a wonderful state in a world
9 class site. Thank you very much.
10 MR. STEPHEN HILBERT: Tom is definitely a
11 tough speaker to follow, and for those of you
12 that know Conseco I think that you understand
13 that gaming is really not our business. At the
14 same time we look at Indiana truly as our
15 business because we believe what's good for
16 Indiana is good for Conseco. So it's with
17 pleasure that I'm here today to have an
18 opportunity to tell each of you on the Gaming
19 Commission why Conseco is involved with Indiana
20 Gaming LP and in particular why we chose Argosy
21 as the operating partner to align ourself with.
22 I say choose because just as you commissioners
23 had choices, so did we. Back when the

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1 legislation for riverboat gaming was passed my
2 phone truly rang off the hook. Many of the
3 companies that you've talked with and seen in
4 past hearings in other parts of the state called
5 as well as some you're going to see in the
6 future. They called to see if we would be
7 involved in their quest to receive a riverboat
8 license. I'd like to think they were calling
9 because Steve Hilbert is such a nice guy, but in
10 reality they were calling because Conseco has
11 such tremendous financial resources. But first,
12 we at Conseco had to truly make a decision. That
13 decision was did we want to really be involved in
14 gaming because as Peter alluded to, it is
15 somewhat controversial, but as we did the
16 analysis, we quickly concluded that gaming was
17 good for Indiana because it was going to increase
18 employment and it was also going to increase tax
19 revenues, but we felt it had to be done right and
20 I felt it was important to have a financially
21 strong Indiana participant in as many of the
22 gaming licenses as possible. I note that every
23 applicant you've seen has one or more Indiana

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1 connections, but when we analyzed those
2 applications it appears to us that they're all
3 poised to take money out and spread it into any
4 organization that they think might win your vote
5 but could just as easily say in the event that
6 things get started just a little slower than
7 anyone anticipates or along the way there's some
8 stormy periods of time, well, nothing ventured,
9 nothing lost. Well, I can assure you Conseco
10 cannot make that statement. We are committing
11 real money to this project. $72 million to be
12 exact. So we made the decision to we wanted to
13 be involved in Indiana Gaming.
14 Our next decision was who should we
15 align ourself with. Most people believe that
16 cash is king, and if you don't have cash, that's
17 true, but when you do have money and you're
18 looking at going outside your core business, then
19 operating expertise is king. So we did our due
20 diligence on the entire riverboat gaming
21 industry. We talked to people all over the
22 country, and one name kept coming to the surface
23 time and time again as being the leader and the

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1 best by any criteria that you want to measure.
2 Experience, safety, depth and management. So
3 here we are today with Argosy and Centaur and we
4 hope you agree that we're the right team for
5 Lawrenceburg.
6 Now, what I'd like to do is just to take
7 a few minutes and tell you a little more about
8 the Conseco part of that team. I'm quite proud
9 of the fact that Conseco was looked at on a
10 national basis as a true Indiana success story.
11 My ex-business partner and I founded Conseco, an
12 Indiana company, in August of 1979 with $10,000
13 and three employees. Over the next three years I
14 traveled all over the state. I talked to gas
15 station attendants, farmers, doctors, every walk
16 of life about investing in a start-up company and
17 over 2,000 additional Indiana residents provided
18 another $3 million of capital. This gave us our
19 foundation to build where Conseco is today. I
20 was also able to take the company public in 1985,
21 and if you look at all of the companies that have
22 gone public since 1985 until today, there's been
23 literally thousands, and forbes Magazine's most

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1 recent issue covered who were the top ten
2 performers of those thousands of companies in
3 multiple industries over the last ten years and
4 Conseco is the sixth best performing initial
5 public offering in America. I was able to list
6 the company on the New York Stock Exchange in
7 1986. Since then we have spun off three other
8 companies that are all listed on the New York
9 Stock Exchange with a total market value today of
10 over $4 billion. Forbes Magazine again just came
11 out a few months ago with their ranking of the
12 life insurance group. We were first in five-year
13 return on equity, first in five-year earnings per
14 share growth and we were first in five-year stock
15 performance, but what I am most proud of, since I
16 am a native Hoosier, is the fact that we have
17 relocated eight insurance companies that were out
18 of state to our home state Indiana. If you
19 recall those three employees we had here in 1979,
20 that number has grown to over 1,100 employees
21 today. Our financial strength has truly been
22 said to be unparalleled. Conseco today manages
23 more than $25 billion of assets. Over the last

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1 looked at the project. We thought the project
2 made sense. We did due diligence on Sunshine as
3 an operating entity. We knew that they had done
4 a terrific job in their past theaters that
5 they've been managing so we provided the entire
6 $11 million of capital. We today own 50 percent
7 of Deer Creek Music Center which is a showcase in
8 the Noblesville area. Even when a competitor in
9 Indiana, another insurance company, came to see
10 us because no one again outside of the state or
11 in state was willing to lead a financing package
12 so they could buy another insurance company,
13 which is what we do, we decided to take a look at
14 it because we thought again it would be good for
15 Indiana. We let $20 million financing package
16 and they were able to complete the transaction
17 and they brought more jobs to our state. When
18 you look at elderly housing projects, we provided
19 $3 million for such programs. These are just a
20 list of the few of the Indiana civic
21 organizations that we support. So I think it's
22 obvious that we are committed to Indiana. I have
23 always believed in putting your money where your

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mouth is, and I couldn't be more proud to be involved with Indiana Gaming LP and be able to tell you that we have committed and we have the money in the bank. We're ready to fund the $72 million.

So as you as commissioners do your analysis of Lawrenceburg, I hope you agree with us that it is truly a world class project and deserves a world class team. Indiana Gaming is that team. As Tom Long just pointed out, we're the most experienced. When you look at the financial strength of Argosy as well as Conseco, it's un paralleled as far as any other applicant throughout the state. We didn't bring today an investment banker. We didn't bring a commercial banker to tell you how we might be able to raise the money because we don't need the money. We have the money, and we have it for the best site in Lawrenceburg, and as Tom pointed out, Indiana Gaming is ready today. I hope each of you agree that we have earned and worked to receive your vote and I'm asking you each personally for that vote. But before we open it up to questions or

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1 have a brief recess, first I'd like to ask my
2 operating partner Tom Long to come up and just
3 say a few wrap-up words. Tom.
4 MR. TOM LONG: Thank you, Steve. We both
5 stand here before you today as gentlemen who had
6 vision in industries where we've provided
7 commitment to communities, commitment to people
8 who work for us and for our companies, and Steve
9 and I are asking today that that vision that we
10 have for this project be allowed to come to
11 fruition and that the financial commitments,
12 commitments to people, commitments to community
13 and commitments to state be allowed to take
14 place. We believe in it. We'll get it done and
15 we'll deliver it to you in a very proud and
16 efficient and world class manner. Thank you very
17 much.
18 MR. PETER RUSTHOVEN: I think I told you
19 that we're going to see two businessmen with very
20 strong and very qualified, very experienced. I
21 think you've seen that. I think I told you you
22 were going to see two people and organizations
23 that can do and problem solving. I think you've

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1 seen that. I think you've also seen two men who
2 have a great deal of intesrigyt and work with
3 this commission to make this a big success in
4 Indiana. Mr. Chairman, this concludes our
5 presentation. This marks the first time that we
6 will come in below time and on budget for you and
7 we'll be back after you've had a recess to answer
8 your questions. Thank you.
9 CHAIRMAN KLINEMAN: We'll take a five-
10 minute recess.
11 (Short break taken.)
12 CHAIRMAN KLINEMAN: I think we're ready
13 to commence the question portion of these
14 proceedings. First, I want the record who to
15 show that Dr. Ross who stayed through the
16 presentation made by Indiana Gaming has now left
17 and, as I announced yesterday morning, Dr. Ross
18 will be unable to be with us from now through the
19 conclusion hopefully Thursday. He will, however,
20 receive videotapes of the proceedings from here
21 forward and he intends to participate fully in
22 the decision-making process next week. With
23 that, I will open up to any questions by any of

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1 the members of the Commission or Mr. Thar. Are
2 you going to serve as the moderator?
3 MR. PETER RUSTHOVEN: I'm going to try.
4 From Argosy also here back there a little bit is
5 William Cellini who is our chairman. Mr. Long
6 you met. Mr. Norton who is our President and
7 Chief Operating Officer on stage, as was Joe
8 Uram, our Vice-President and Treasurer and CFO.
9 Vice-President here in their operational
10 responsibilities include Irv Rogers who is
11 Director of Casino Operations. Paul Keller who
12 is on stage is our Director of Site Development.
13 Rick Watts who is our Director of Project
14 Development. Bill England who is our Director of
15 Corporate Marketing. Dan Marshall who is our
16 Director of Investor Relations. Larry Trent who
17 is our Chief Corporate Security. Ed Voumard is
18 our Development Manager and found himself living
19 in Lawrenceburg for quite some time. And putting
20 lawyers in the place where we know they always
21 (inaudible) is my friend Jeff Roberts who is our
22 associate general counsel. With Conseco Steve
23 Hilbert you obviously met. Wally Dick who is the

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1 Executive Vice-President and Chief Financial
2 Officer of Conseco, and Ngaire Cuneo who was on
3 stage is Executive Vice-President of Corporate
4 Development. Jim Hubregson who is Senior
5 Vice-President of Corporate Development. And Jim
6 Rosensteele who I believe is around here. Jim is
7 Director of Investor Relations. Been doing a lot
8 of work in the last hour. With Centaur we have
9 Michael Murray who is President of Centaur. Rod
10 Ratcliff. Rod is also the head of RJ Investments
11 which is the investment vehicle through which Rod
12 now owns his percentage of the project.
13 Engineers are from American Consulting Engineers,
14 Jim Wurster, Michael Marinaro. And I have two
15 colleagues with me from Barnes & Thornburg, Steve
16 Lee, my partner who knows about real estate, and
17 Margaret Burlingame who has worked hard with Mr.
18 Thar and Mr. Fleming. Been very helpful in terms
19 of dealing with the Commission and following up
20 with inquiries. Also Jim Sommer and Tom Hicks
21 from Sommer & Barnard who represent Centaur.
22 That's pretty much the cast, Mr. Chairman. Try
23 and field the questions as best we can.

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1 COMMISSIONER BOCHNOWSKI: As long as I
2 have been on this track, I might as well start
3 out with the environmental issues. How your site
4 impacts on the delicate environmental areas and
5 are you disturbing any wetlands? Will you be
6 replacing those? What are your plans?
7 MR. PETER RUSTHOVEN: I think the answer
8 to that is no, we have absolutely worked to
9 minimize that. That's one of the reasons you saw
10 the clip design there. We've run an
11 archeological (inaudible). We're located inside
12 the levee in terms of the permanent site
13 development so that's not really an issue we're
14 going to have there, and I think Mike can talk
15 for just a minute about how we've explored and
16 studied and give you more detail on that.
17 MR. MIKE MARINARIO: Mike Marinario,
18 American Consulting Engineers. We've done a
19 wetlands delineation of the lands outside the
20 levee that we propose for our project. There's
21 about six acres of wetlands that we will be
22 disturbing to build the project. We will
23 mitigate that, as you heard yesterday, by

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creation of new wetlands. We propose do in the same area adjacent to the Oxbow land. We have about six acres that we'll be constructing somewhere between 20 and 30 acres of new wetlands depending on what the Corps of Engineers asks us to use as a ratio.

COMMISSIONER BOCHNOWSKI: You're using six and it will be between 20 and 30 you'll replace?

MR. MIKE MARINARO: That's correct. We've also performed the Phase I archeological reconnaissance of the site. We understand that there are archeological resources in the vicinity of where we are constructing, both historic and prehistoric elements. We've done the best we can to avoid the historic because we have a fairly good idea of where those are. The prehistoric, we understand most of the problem areas or areas we would have problems with because of our resources are on the north side of the railroad track, so ours should be minimal impact. We do have plans ready to go for Phase II reconnaissance, which is digging in the soil to

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see what is there. We also have in place a proposal to DNR to do a Phase II reconnaissance of the site as private property. We are not required to do that. But because of the sensitive nature of the area, we have chosen to go ahead and start on that work. As soon as we can get approval from them we'll be out there digging.

COMMISSIONER BOCHNOWSKI: Have you been in touch with the Oxbow people? Have you talked to them?

MR. MIKE MARINARO: Yes, we have. They have not seen a wetlands mitigation plan from us and so they are not willing to come up and say we're fully behind them. They have told us that they like what we have done to minimize the impact of our project on the environment. We'll work with them. We've told them that. We've had conversations with them to create a new wetlands that is pretty agreeable to them and the Corps of Engineers.

COMMISSIONER VOWELS: When is the last time you were in contact with someone from Oxbow?

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1 And who was it?

2 MR. JEFF ROBERTS: My name is Jeff

3 Roberts. I'm associate general counsel for

4 Argosy. We met with Oxbow about two weeks ago.

5 We were in Lawrenceburg in a meeting we held for

6 the local residents. It was an opportunity we

7 had to speak with them. Their primary concern

8 was our accessing the property through the

9 roadway. We believe that by acquiring the rights

10 to Central Indiana Railroad we will satisfy the

11 majority of the concerns that Oxbow had. When we

12 told them that that was a consideration they were

13 greatly relieved and it appears that many of

14 their concerns may be alleviated by that.

15 COMMISSIONER VOWELS: Was there -- I

16 don't know how Oxbow is set up. Do you recall

17 was it the attorney from Oxbow that you met with

18 along with the others?

19 MR. JEFF ROBERTS: Yes, we had their

20 attorney Mr. Morrow was there as well as a couple

21 of their operations people who historically

22 helped them with acquiring the easements that

23 they have, the environmental easements. So we

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had, I think, a representation of three or four individuals including their counsel.

COMMISSIONER VOWELS: This is a couple weeks ago?

MR. JEFF ROBERTS: Yes.

CHAIRMAN KLINEMAN: Why is it that the mitigation plan hasn't been submitted? Is it just starting to come in formation or is it --

MR. MIKE MARINARO: Mike Marinaro, American Consulting Engineers. We've submitted our delineation plan to the Corps, and until they come back to us and tell us what ratio that they want us to use, we cannot come up with a plan. If they come back and say we're disturbing six acres and we want a four to one ratio, we'll have to come up with a plan for 24 acres. If they say three acres, we'll come up with a plan of 18 acres. So until they get back with us and, as you know, they're not moving on any of the applications.

CHAIRMAN KLINEMAN: Wouldn't you want to overmitigation or don't I understand the problem? Wouldn't you want to plan for a maximum they

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1 might request and have that as a plan? Is that a
2 problem that you don't have a plan or what would
3 be the reason not to overmitigate?
4 MR. JEFF ROBERTS: We have not done that
5 because we don't see that as a problem, Mr.
6 Chairman. There's plenty of land in the region
7 or in the neighborhood that we could acquire for
8 mitigation purposes. We have not gone out and
9 identified it largely for the reason that we know
10 it's there. We know that it's acquireable. It's
11 simply a question of how much. So we haven't
12 focused on that as our priority right now. It's
13 a timing consideration, and we placed it from a
14 time line standpoint back simply because they'll
15 tell us how much they want and there's plenty
16 there.
17 CHAIRMAN KLINEMAN: That doesn't answer
18 my question. I'm not sure I'm fully satisfied.
19 MR. JEFF ROBERTS: We would expect that
20 we could -- once the Corps of Engineers were to
21 tell us the amount of wetlands that they would
22 ask us to mitigate, we could expect we could get
23 that done in very short order. We certainly

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1 could, if you would prefer, go out and acquire a
2 quantity of mitigation property right now that we
3 think would be reasonably expected the Corps of
4 Engineers would ask us to do. We could do that.
5 We are not priororitized.
6 COMMISSIONER BOCHNOWSKI: Maybe what Alan
7 is getting at here is we heard from some other
8 applicants that they have gone out and really
9 they've worked up plans for a tremendous amount,
10 probably more than is necessary to make a
11 mitigated area, however you say that, but I think
12 maybe that's why you're asking that question.
13 MR. RUSTHOVEN: I understand the
14 concern. My understanding is in terms of the
15 overall (inaudible) this is not something that
16 poses a difficulty in doing, and when we say it's
17 not prioritized, we're not prioritized right now.
18 It's not that we haven't done the exploration.
19 It's just that we know that we can get that done
20 and we can get that done in a way that would
21 satisfy people. Every reasonable expectation
22 people can have and are absolutely committed to
23 doing. In terms of this stage of the process,

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it's not something you have to have all lined up right now, but we can have this Commission -- this Commission is going to be very happy with the mitigation that we do with any wetland. That's not going to be an issue.

CHAIRMAN KLINEMAN: I think one of my concerns is that, at least speaking for myself, I don't intend to have the wetlands issue be completely decisive of what happens in regards to the Certificate, but it is of a major concern as you've heard from the questioning that's been going on these last two days and we're going to be faced with trying to make a decision and maybe we won't have a good feel as to whether or not you are the desirable choice if you're unable to work out the mitigation. I guess I would feel more comfortable as a lawyer if you had an option on a bunch of ground and you said if we have to go to court and we've got the land under control or it's (inaudible). I get the feeling you really don't have a handle on this, and I know the Corps is not going to give you a permit until you do, and to me that's going to drag out the

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Corps procedure maybe longer than it should be if you were all set to go. If I don't understand the problem, tell me.

MR. JEFF ROBERTS: First of all, we understand your concern. We have developed four riverboat properties and we have dealt with wetlands issues in four states and certainly there may be some nuances here in Indiana, but we believe that the approach we're taking is a prudent approach, that it's an approach that has been successful and has worked in our other locations. We're confident, Mr. Chairman, that we will be able to obtain the property necessary to satisfy the Corps of Engineers.

MR. PETER RUSTHOVEN: I was going to introduce Tim Kovacks with American Consulting Engineers who has worked on some of the wetlands issues.

MR. JIM KOVACKS: Good afternoon. I'm Jim Kovacks with American Consulting Engineers and I'm the environmental scientist for our company. I did the delineation work on this site and the application that has been submitted to

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the Corps. What we have is a forested flood plain wetland and most of the area down there is of neither a Newark or Huntington soil that could easily be restored back to wetland, and the area that the conservancy district has that several of the other firms vying for a license have already suggested as suitable for wetland would certainly be suitable for wetland on this site, and it's not a situation that Argosy would take lightly, but it's a situation that is not uncommon to something that they've done in the past and that our firm has done in the past.

CHAIRMAN KLINEMAN: So the answer is the land which might be used is under, quote, friendly control; it's in the conservancy. Is that what I'm to understand.

MR. JIM KOVACKS: That land is suitable for restoration or creation.

CHAIRMAN KLINEMAN: In other words, even though you are not part of the, quote, conservancy district, none of the land you're talking about is in that area; is that correct?

MR. PETER RUSTHOVEN: None of the land-

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base -- Steve Lee, my partner, can describe this for you a little better.

CHAIRMAN KLINEMAN: You bought the old lumber yard?

MR. PETER RUSTHOVEN: That's correct. That's where the land-base facility is going to be.

MR. STEVE LEE: But each of us needs to get to the river and conservancy district at least for our side is located controls the property to the south of the CSX railroad tracks and we will locate the pavillion in that area. These are the CSX. The conservancy district controls this property. Also controls this property. The environmental engineer was referring to this property which is under control of the conservancy district but can be used to restore the wetlands disturbed in creating this canal.

COMMISSIONER BOCHNOWSKI: The Oxbow property is above there?

MR. STEVE LEE: Right here.

COMMISSIONER BOCHNOWSKI: How many

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1 acres -- is this triangle that you have here
2 where your land-base facility, how many acres is
3 that?
4 MR. STEVE LEE: This?
5 COMMISSIONER BOCHNOWSKI: That's right.
6 MR. STEVE LEE: Approximately seven and
7 a half, eight acres, plus we have some over here.
8 The total is about ten acres.
9 COMMISSIONER SUNDWICK: I think you have
10 co-applicants that have talked about this
11 particular area being one of the premiere gaming
12 locations in the country today. Am I right?
13 MR. PETER RUSTHOVEN: As did we.
14 COMMISSIONER SUNDWICK: It seems they
15 continue to talk about this as a destination, and
16 I've heard something in your presentation someone
17 say that this really is not much of a destinatic
18 as a day trip issue. Therefore, we need 100
19 hotels room and we only need this much, seven
20 acres of land because this is really not a
21 destination. It is in fact a day trip.
22 MR. PETER RUSTHOVEN: The person who
23 said that I think is Tom Long who is best able of

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1 addressing that issue.

2 MR. TOM LONG: Thank you, Mr. Sundwick.

3 Our experience in the riverboat gaming business

4 is that we aren't building Las Vegas here. We're

5 certainly not building the critical mass that

6 would allow a strip of casinos or a strip of

7 hotels to be built that would support 12, 14, 15

8 thousand people at a time. The fact that it is

9 called a day trip business doesn't depricate the

10 strength of the market. The market is very

11 strong. It's very deep and it is very compelling

12 from an economic standpoint and marketing

13 standpoint. But we don't kid ourselves to think

14 that we're building Disneyland or that we're

15 building a resort that everyone is going to come

16 and spend seven days at. What we're building is

17 a facility that will be very amenable to the

18 guests who will come. It will allow them easy

19 access to our site to allow them to enjoy

20 themselves for a day. They can stay overnight in

21 our hotel or the hotel some of our fellow

22 businessmen may build, but we don't in our

23 experience in operating four sites so far don't

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1 see a vast desire for people to come and spend
2 three, four and five days like they do in the
3 Las Vegas market. It's riverboat gaming. It
4 requires a great deal of marketing and we put a
5 great deal of marketing in bringing the people
6 here, and the hotel feature is one that is very
7 significant, but our experience on it is that
8 these are very much like baseball, basketball,
9 football franchises. People use them as an
10 alternative for the entertainment dollar in the
11 metropolitan area and they make a decision on
12 that, and that's what our experience has been and
13 that's why I made at that statement, sir.
14 COMMISSIONER SUNDWICK: The legislature
15 prior to that there could be a number of boats
16 that could be a licensed in that particular
17 county. As of Friday the court said that in fact
18 it could be one. Doesn't that change your
19 attitude about a market with eleven million
20 people within driving distance that this and all
21 the other issues doesn't it make more of a
22 destination than just a day seven-acre location?
23 Marketing business seems to me better off with a

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destination location than a boat that says this is not a very big project relative to maybe the opportunity when you might have the only license in the area.

MR. TOM LONG: I'm going to let Mr. Norton address that issue for you.

MR. STEVE NORTON: I've been in the situation --

CHAIRMAN KLINEMAN: For the record, state your name.

MR. STEVE NORTON: Steve Norton, president of Argosy. This is a lot more like Atlantic City than it is Las Vegas where you have significant population nearby. Ninety percent of it is in other states other than Indiana, so Indiana is going to get the benefit of these tax dollars, and those were part of my recommendations in the past before the Indiana legislature that there are several locations in this state that are very close to population -- great population in surrounding states where the benefits are going to be primarily bringing people from other states into Indiana, but this

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1 business is still primarily a day tripper
2 business here. Atlantic City 90 percent of the
3 business is day tripper in New York, Philadelphia
4 from Washington, Baltimore. They drive up to
5 three hours and then go back the same night. We
6 have Indianapolis, we have Columbus, Dayton, we
7 have Lexington. For a while we may have
8 Louisville. Those markets will all be coming
9 here, but initially they will be coming primarily
10 for a same day trip. There are a lot of hotel
11 rooms in the region. Most of those are dead on
12 weekends when this kind of project would have the
13 strongest hour of demand. So we'll be working
14 with the existing hotels in the greater
15 Cincinnati area and in Lawrenceburg to try to
16 help them with a lot of weekend demand to offset
17 their midweek demand for convention and for
18 commercial business, but initially the important
19 thing is here to build a facility that can
20 accommodate a lot of people coming on bus, coming
21 in their own cars, coming by train. They will be
22 going home the same day. We will gradually
23 build, expand that and we have developed a site

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that gives us the ability to expand a number of hotel rooms as the demand increases, but as you see Atlantic City, most of the properties still have the 500 rooms they started with in 1978, '79 and '80. Only a few of the properties have expanded beyond that. In Nevada in order to be successful, since there is no drive-in market, they need 3,000 or 4,000 rooms. In Nevada the average win per available room is about $40,000 per year per room. That means that a 200-room hotel is only producing $8 million in win. I think all of the proposals you've seen here before you today and yesterday and probably tomorrow is talking about casino wins in the $200 to $250 million range. That is not being driven by the 200 or 300 or 100 rooms that are being proposed by these developers. It is being driven by the seven million people that are in a one-and-a-half-hour drive, the eleven million people that are within a three-hour drive.

COMMISSIONER SUNDWICK: Your parking facilities is close to 3,000 cars, right?

MR. STEVE NORTON: We have space for

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1 3,000. It's not all in the garage. We have flat
2 parking. We also have an off-site parking that
3 we will use extensively during the interim
4 facility.
5 COMMISSIONER SUNDWICK: This seven-acre
6 plot you currently have has space for 3,000 cars?
7 MR. STEVE NORTON: That's space for
8 2,000 in a garage. There is additional -- you
9 can figure about a hundred cars per acre of other
10 flat acres for flat parking, but we have 2,00 --
11 two garages of 1,000 cars each planned for the
12 permanent facility.
13 COMMISSIONER SUNDWICK: How many
14 people -- what's the capability of your boat?
15 MR. STEVE NORTON: Including employees
16 it's like 3,400. You take away the employees and
17 you're probably just under 3,000 passengers for
18 2,500 gaming positions. Which is about the right
19 ratio we like to see, about 1.2 times as many
20 potential passengers as you have gaming
21 positions, but with 2,000 cars, the average car
22 brings 2 to 2.1 person each. You've got the
23 ability to put 4,000 people there. With the

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1 cruise. That's where that number comes from. We
2 can't accomodate any more than 3,000 at one time
3 on the boat itself. Now, there will be some
4 other people that will be accommodated in the
5 support facility in the restaurants and the
6 nightclub and the banquet facilities, but it's
7 not likely that we'll see more than 4,000 or 4,
8 500 people in that complex at any one time.
9 2,000 cars will take care of that most of the
10 time.
11 COMMISSIONER SUNDWICK: That's currently;
12 you expect that right away?
13 MR. STEVE NORTON: Not on the interim
14 facility.
15 COMMISSIONER SUNDWICK: When you get it
16 finished right away?
17 MR. STEVE NORTON: I just think we'll see
18 that kind of demand early.
19 COMMISSIONER SUNDWICK: Where do you plan
20 to expand? You said you're going to put in
21 another 250 hotel rooms?
22 MR. STEVE NORTON: That plan does have
23 the ability to be expanded with additional hotel

1 possibility for expansion west should that become
2 desirable.
3 MR. STEVE NORTON: If a large hotel were
4 desirable and necessary in the future, it could
5 be built on fairly small footprint. Some of the
6 Atlantic City properties, one of the smaller ones
7 had a two-acre footprint for a 500-room hotel.
8 The Taj Mahal which is one of the largest has
9 about a 17-acre footprint and has three million
10 square feet of space in it. Some of the Las
11 Vegas properties have more acreage but they
12 spread their facilities, but there is plenty of
13 property available to develop anything that would
14 be needed in terms of marketing this property,
15 but we are limited in the property by the fact
16 that a single riverboat and the potential size of
17 a riverboat is very difficult to get a casino
18 riverboat of in excess than 100,000 square feet.
19 Right now we think that's a practical maximum.
20 MR. PAUL KELLY: Paul Kelly again. Just
21 to show you that we are thinking about the
22 future, we have developed a site plan that shows
23 potential expansion to the west once the Central

1 Indiana Railroad is acquired, and I've shown that
2 plan up there. You can see here that this
3 property -- you can see that by eliminating the
4 railroad it really improves the geometry of the
5 site. Again, we don't feel this is necessary for
6 what we envision for day one. It certainly does
7 allow this whole area to become available for
8 expansion.
9 COMMISSIONER SUNDWICK: Would you set
10 that one down on the floor. Show me -- you're
11 talking about -- you're not just talking about
12 future expansion. You're talking about changing
13 everything because that building you have in the
14 west certainly doesn't fit into what you have
15 proposed currently, so expanding that to that is
16 not practical.
17 MR. PAUL KELLER: Well, these are
18 conceptual drawings. What we attempted to show
19 here was that there is land available if it is to
20 be acquired, that you are correct in assuming
21 that these -- this does not really represent a
22 natural extension of this plan. We simply
23 basically drew this to show you that there is

room there for expansion. We strongly believe that site is totally adequate for the market as it is.

COMMISSIONER SUNDWICK: Almost looks like the bottom plan was the original plan at one time and decided to go back to the other one.

MR. PAUL KELLER: No, this has always been our plan. This is the plan that was submitted originally with our application.

CHAIRMAN KLINEMAN: Mr. Keller, we see lots of plans. There's another one in the annual report. I assume this came out a couple months ago. It doesn't look anything like either one of those and it's supposed to be Lawrenceburg. It doesn't even have the boat coming on an angle. I don't know whether this is an earlier one or late one.

MR. MIKE MARINARO: Mike Marinaro, American Consulting Engineers. The plan you see on the bottom is one we generated to convince Tom Long and Steve Hilbert to buy the railroad so that if the land became available we could expand the project. It doesn't represent the expansion

of the project. It represents what we could do.

CHAIRMAN KLINEMAN: Annual report shows a pretty big building. I don't know where that came from.

MR. STEVE NORTON: Steve Norton, Mr. Chairman. That is the same site. What you see there is a facade on the side of the parking garage that's now been changed somewhat, but it's still basically the same number of hotel rooms. We just designed the site to cover up the side of the garage, and they did a very excellent job in that artist rendering.

CHAIRMAN KLINEMAN: This is a site plan I'm looking at. It's a site plan. It's not facade.

MR. STEVE NORTON: You're not looking at the picture then.

CHAIRMAN KLINEMAN: No, I'm looking at the site plan.

MR. STEVE NORTON: But it is basically the same site. We have not changed the site. We have changed the architectural somewhat.

MR. MIKE MARINARO: Mike Marinaro,

American Consulting Engineers. I'm looking at the same drawing you are.

CHAIRMAN KLINEMAN: What is that large building which is on the other side of the levee?

MR. MIKE MARINARO: That was designed to be a hotel.

CHAIRMAN KLINEMAN: And how large?

MR. MIKE MARINARO: That was a 300-room hotel with a central atrium.

CHAIRMAN KLINEMAN: That's what I thought it looks like.

MR. MIKE MARINARO: That's correct. It was a Grand Hotel. When we found out the concerns with, wetlands with archeological we started looking at alternates to putting a hotel out there and the real killer was when Ed Voumard was out there one day he saw that entire land where that hotel was was under two feet of water and his comment was we can't put a hotel where there's two feet of water, so we brought it back inside the the levee.

CHAIRMAN KLINEMAN: Pretty smart man.

MR. STEVE NORTON: Steve Norton again,

1 Mr. Chairman. We also brought the hotel back in
2 because it functions much better as part of the
3 public space with the facility. If it's on the
4 other side of the levee it doesn't have the same
5 syngery in terms of the restaurants, the night
6 clubs, the casino that it would have if it's on
7 the same side of the levee that we are. That
8 happened to be one of our earlier plans. The
9 more recent ones had the facade and had 100
10 rooms, but we do have the ability to expand this
11 plan to, I think, 400 was the last I saw.
12 MR. STEPHEN HILBERT: Steve Hilbert,
13 Conseco. I've sort of got egg on my face because
14 your concern was Argosy's concern. My concern
15 was the fact that I was born and raised in Terre
16 Haute, Indiana, north Terre Haute to be exact,
17 and before I got in the insurance business I was
18 with a wholesale appliance company and as I
19 traveled in Indiana, Linton, Jasper, all the
20 different spots, all of these wonderful
21 businesses were in place and then something like
22 Wal-Mart came in, and Wal-Mart's been a wonderful
23 success story but it's also killed an incredible

1 amount of businesses. There are 300 rooms
2 available in Lawrenceburg. We can expand this
3 hotel to the 300, and I'm the one that said,
4 look, let's give the business community an
5 opportunity to utilize their space. Tom, his
6 idea was to make it larger. I said if the demand
7 is there we'll make it larger, but I think going
8 in and killing others in the community doesn't
9 make a lot of sense so, again, these issues
10 they're answering a lot of questions that I'm th
11 real genesis for so I apologize.
12 CHAIRMAN KLINEMAN: We're not in a
13 position where we want you to change your plan
14 because we have some ideas, but you are the fli
15 side of what we heard this morning. We heard
16 destination, destination, beautiful facilities to
17 draw people during the week and all sorts of
18 times. The gaming got to be a very small part of
19 what was going to get people to the site and you
20 people are exactly the opposite.
21 MR. STEPHEN HILBERT: With all due
22 respect, Mr. Chairman, and with nothing negative
23 about the competitors, the reason we chose Argosy

1 is because they have the most experience in
2 riverboat gaming and I believe they understand
3 the dynamics of riverboat gaming and more
4 importantly the demographics, so I think that
5 from a destination perspective Tom Long is right.
6 It's primarily a day trip, but in the event that
7 destination becomes an issue, we have on the
8 drawing board and we could quickly go to another
9 200 rooms if need be.
10 CHAIRMAN KLINEMAN: The only reason with
11 300-room hotel produces more jobs and produces
12 more dollars in place on ground.
13 MR. STEPHEN HILBERT: As long as it's not
14 eliminating jobs.
15 MR. PETER RUSTHOVEN: And as long as 300
16 rooms are being filled.
17 CHAIRMAN KLINEMAN: That's a trade-off we
18 go through. Everybody says, sure, you're
19 creating jobs, but there are going to be jobs
20 lost other places, but we have IUPUI who works
21 those numbers around for us and we believe that
22 there's definitely a net gain with jobs.
23 MR. JOHN THAR: To follow up on that

point. This is the current trend on riverboat gaming across the country to build more of a destination resort as opposed to just a day trip market item?

MR. TOM LONG: Yes, Mr. Thar. We're putting rooms in Kansas City. We're looking at rooms certainly in Baton Rouge. I'm not debating the issue that there is never any issue of destination concept here, but it's a question of how much. I guess we're talking about real money here. We want to maximize the revenues to this great state and to this project, but Steve and I would like to grow into this and we believe starting with a 100 rooms and allowing the community to grow into the project with us is a prudent thing to do, but Mr. Thar, you're right, this trend is coming along and it is growing and it is maturing and we recognize that as we are doing with some of our other sites.

MR. JOHN THAR: My concern isn't so much whether or not you would reinvest in the project as it would get bigger. It what looks to me your project is basically landlocked. You've got

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approximately 7.5 acres plus another some acres to make it a total of ten under your control; is that right?

MR. TOM LONG: Yes, sir.

MR. JOHN THAR: The problems I have is, number one, you're right up against the levee on two sides. I don't know how you're going to traverse to get traffic into that site. I don't know how -- what your plans are to handle the levee to go to the docking facility on the outside of the levee. I don't know where your expansion would be except it would have to go either into the city or on the other side of the levee, and that would seem to me put the project a little bit disjointed. Can you address some of those issues starting with how you get the traffic into the sawmill area and deal with the levee?

MR. TOM LONG: Mike, can you help us with that and Paul, please.

MR. MIKE MARINARO: Mike Marinaro, American Consulting Engineers. Our original proposal was to reconstruct Canal Street from

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U.S. 50 down to the sawmill side. It used to be there before they built the levee. They stopped it. There's still a curb cut. We're going to build up the road to come over the levee back down adjacent to the railroad tracks and then off to our site.

MR. JOHN THAR: Is that the way you're going to do it now or go over the levee?

MR. MIKE MARINARO: We would still go over the levee. Now we are planning on building a road that starts at 275, has an overpass over the 275 ramp, comes down, lands on the railroad tracks, follows the railroad tracks and through the gate through the levee and on to the site.

MR. JOHN THAR: When you say you dealt with the railroad, they're going to remove track and it's going to become your road?

MR. MIKE MARINARO: That's correct.

MR. PAUL KELLER: Paul Keller. In our opinion there is simply no easier way to get to any site than to get to this site. People will come, cross the bridge, off an off-ramp off the freeway. They will arrive onto what we are going

to call Argosy Parkway which will be the old railroad bed that will be limed, lit and landscaped. They will move directly to the site without any stoplights and without any turns or questions in their mind as to how to get to the site because basically it is our driveway. I would just remark -- make one other remark. Our experience in the riverboat business is that travelers to a riverboat who are constrained by the cruising times, if they find themselves running a little behind with the potential of missing a two-hour cruise, these people will do some unusual things. These people will drive on sidewalks. They will drive around crossing guards, over railroad tracks. We have videos of this happening. That is why traditional traffic analysis that looks at sites that require people to travel down a road that has stoplights on it doesn't take into account the fact that there is a safety consideration when people start to get nervous that their whole evening will be ruined. I think what we have provided is a very very simple way to get off the freeway. There's no

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1 light. There's no stop signs. You arrive at our
2 parking garage and get on the boat.
3 MR. JOHN THAR: Now, you've got to funnel
4 all those cars into that 7.5 acre spot where
5 you've got 2,000 parking spots, right?
6 MR. PAUL KELLER: That's correct.
7 MR. JOHN THAR: Where does the overflow
8 traffic go?
9 MR. PAUL KELLER: Well, the 2,000 parking
10 spots will accommodate approximately 4,000
11 passengers. We would --
12 MR. JOHN THAR: I just want to know where
13 the overflow traffic goes.
14 MR. PAUL KELLER: Overflow traffic?
15 MR. JOHN THAR: Where does the 2,001 and
16 first car go?
17 MR. PAUL KELLER: We have an overflow lot
18 on the fairgrounds that the city will provide.
19 MR. JOHN THAR: How does that work? Do
20 you have to kick back out? Do you go on to
21 another street? How does that work? I just want
22 to understand the traffic flow on your property.
23 MR. PAUL KELLER: That is a matter solved

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simply with signage.

MR. JOHN THAR: I'm sorry.

MR. PAUL KELLER: With signage.

MR. JOHN THAR: And how? So I'm on your property and there's no parking spots. What signage do I follow to get to the parking lot?

MR. JIM WURSTER: My name is Jim Wurster. We will have -- on that arrow that you saw coming off the ramp there will be an overflow or an access to 50 from the railroad track right in the Hardingsburg area. Hardingsburg is a little town right there in the corner of the interchange of U.S. 50. There will be a road out to 50. When the parking lot is full there will be a sign that says overflow and they'll be directed to the overflow.

MR. JOHN THAR: Off this new road that you built there's going --

MR. JIM WURSTER: Off the new road there will be a connection back to 50, yes.

MR. JOHN THAR: Let's talk about your temporary spot. Where is the temporary parking going to be and where is the location of your --

have you changed the location of your temporary boat facilities from originally to present?

MR. TOM LONG: The parking for the temporary facility, Mr. Thar, will be the fairgrounds area. We have -- our experience in the business we shuttle all our locations today, and although not ideal, it's the trade-off of getting a temporary site open or not. We'll run an extensive shuttle system for people from the fairgrounds area into our temporary site. Your second question have we changed it. I don't believe so, sir, but I'm going to look for confirmation here from these people. Always been at the Walnut Street site.

MR. JOHN THAR: Is that the site where those coal chutes are?

MR. TOM LONG: Yes, sir, it is.

MR. JOHN THAR: That is what you still propose to be your temporary site?

MR. TOM LONG: It's downstream of it some but not right behind it but it's in the vicinity.

MR. JOHN THAR: Does it involve that

land?

MR. TOM LONG: It does not involve the land, sir.

MR. JOHN THAR: But it's between there and the sawmill?

MR. TOM LONG: Let's show you exactly on the site plan.

MR. MIKE MARINARO: Mike Marinaro, American Consulting Engineers. Temporary facility that's proposed will be constructed on land that is owned by the city. It's the current right-of-way for Walnut Street and land adjacent to that downstream. We are not using any private property for this construction.

MR. JOHN THAR: Is it right at the end of Walnut Street?

UNIDENTIFIED SPEAKER: Yes, sir.

MR. JOHN THAR: So it's not as far north as those coal chutes?

MR. MIKE MARINARO: That's correct.

CHAIRMAN KLINEMAN: It's the site that the city is already attempting to get permits for?

1 MR. MIKE MARINARO: That's correct. They
2 have applied to the Corps of Engineers for a
3 permit for docking facilities.
4 COMMISSIONER VOWELS: Your original
5 application didn't have anything about the
6 100-room hotel. How come?
7 MR. TOM LONG: We believe that the
8 dynamics of the program dictated that we have a
9 100-room hotel there, that we start off with it
10 and look forward to expanding it if necessary.
11 COMMISSIONER VOWELS: So somewhere alor
12 the line you got religion. You didn't have it
13 the beginning. Was there something that spurre
14 that or was that an oversight?
15 MR. TOM LONG: As we said -- did I
16 answer you, Mr. Thar? We do believe there is
17 certainly room in the market area for hotels
18 attached to riverboats. Our company has a policy
19 beginning with 100 rooms moving up to 200 if we
20 need so, and we believe that there is certainly a
21 piece of the market there that we use that.
22 COMMISSIONER VOWELS: How you come didn't
23 put it in in the first place?

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MR. TOM LONG: At that point we didn't believe that that was so. We changed our mind and I guess, as you said, we got religion.

COMMISSIONER VOWELS: Was that after the other applicants proposed it?

MR. TOM LONG: I don't think so.

COMMISSIONER VOWELS: Was it in reaction to the other applicants?

MR. TOM LONG: No, sir, I don't believe so.

COMMISSIONER VOWELS: In the application it says sometime later 250 rooms will be added. What time frame are we talking about or what condition will spur that?

MR. TOM LONG: I think the market is going to dictate that, sir. I don't have a specific time frame for you. If you'll look at our properties, we have invested heavily back into our properties and as we see a need, we will be glad to expand.

COMMISSIONER SUNDWICK: The question I have. A 250-room hotel. We're getting caught up in this. I think it's a (inaudible). You

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apparently ahve a lot of renderings up here and some of them show a pretty large hotel. The gentleman out here said I've been around Indiana and we ought to share some with of the local people. I think that's certainly commendable, but somebody in this process said we ought to have 250 rooms and then we're beating back full 200 rooms. Do you agree with 100 rooms or do you think we ought to go back to our original 250?

MR. TOM LONG: Mr. Sundwick, to open up this project in the City of Lawrenceburg 100 rooms is absolutely very adequate. I believe this market can mature, but until we mature I think 100 rooms is certainly adequate in my professional opinion.

COMMISSIONER VOWELS: So the opinion would be 100 rooms is what there should be and if the market later down the road shows that you were incorrect, you'll add another 250 rooms?

MR. TOM LONG: That's correct.

COMMISSIONER VOWELS: Basically you want to see if your market pans out if it's going to be worthwhile?

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1 MR. TOM LONG: That's how we've done
2 business in the past.
3 COMMISSIONER VOWELS: Let me ask this
4 question. You've got parts of your presentation
5 you had told us that of all the jurisdictions
6 that have cruising gaming vessels you have
7 vessels there. What would be your response to
8 the other side of that coin that you've expanded
9 too fast. You've got a second boat. The pursuit
10 of that in Iowa, whether it would be your
11 statement or reaction to the statement that that
12 may detract from the Indiana operation. Rapid
13 expansion, what's your response to that?
14 MR. TOM LONG: I certainly don't think
15 so. My response is it certainly will not. All
16 of our operations are stable moving forward very
17 well. We opened up three operations in 1994.
18 They've been digested very well and we're moving
19 forward. Lawrenceburg has been on our radar
20 screen for almost three years now. Our movement
21 into Indiana market is well thought out. It's an
22 easy movement for us to do and it's a project
23 that can easily be developed alongside our

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1 Lawrenceburg project. We have committed all of
2 our corporate resources and we have committed our
3 corporate executive time and our developmental
4 time to this Lawrenceburg project and we think
5 developing projects going forward is not outside
6 the scope of our abiilty as we certainly have
7 done in the past.
8 COMMISSIONER VOWELS: My understanding,
9 total amount of investment $138 million; is that
10 correct?
11 MR. TOM LONG: $180 million.
12 COMMISSIONER VOWELS: From what we have
13 received $35 million for the boat and the gaming
14 equipment, the land-based operations. Can you
15 give me a breakdown because that's different than
16 what I read.
17 MR. TOM LONG: Yes. There's a slide on
18 that. I think we have $48 million in the boat.
19 $19 million for FF&E.
20 COMMISSIONER VOWELS: How much for the
21 boat?
22 MR. TOM LONG: $48 million.
23 COMMISSIONER VOWELS: Does that include

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MR. TOM LONG: It would be hard for me not to agree with that, sir.

COMMISSIONER VOWELS: $14,500,000 for gaming equipment.

MR. TOM LONG: It's 19.

COMMISSIONER BOCHNOWSKI: Can you put that slide back up that breaks it down. I guess we've got it.

COMMISSIONER VOWELS: The marina dockside improvements are twelve and a half million dollars. What is that now?

MR. TOM LONG: I'm going to have to ask Mike and Paul. It's in the $75 million number, sir.

COMMISSIONER VOWELS: You got landbase development of $67 million, related development of $23,500,000. So what's included in the $75 million? Landbase development?

MR. TOM LONG: The $75 million includes all dockside development, the buildings, the parking garages and everything but the boat and FF&E and everything but the road work that needs to be done to make the site accessible.

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1 COMMISSIONER SUNDWICK: That's $23
2 million for this related development?
3 MR. TOM LONG: City infrastructure is 423
4 million.
5 COMMISSIONER VOWELS: So we have 23 and
6 a half million. Well, let's get back to my
7 question. My point was whether it's $138 million
8 or $180 million. My reading shows that there was
9 $100 million line of credit. Is that going to be
10 sufficient for all the projects including
11 Indiana?
12 MR. TOM LONG: I ask Joe Uram, our chief
13 financial officer, to deal with that, sir.
14 MR. JOSEPH URAM: My name is Joseph
15 Uram, Chief Financial Officer of Argosy. Argosy
16 has two projects where we are completing from
17 temporary permanent sites, that in Riverside --
18 Kansas City, Missouri, and Baton Rouge.
19 Remaining project costs to complete there is
20 about 440 million. Argosy has annual cash flow
21 in excess of $70 million. Therefore, the line of
22 credit with Bank of America as the lead bank
23 allows for $90 million in addition to the $10

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1 million of cash that I have. I have 100
2 available for this project. In addition, that
3 bank group specifically allows for supplier
4 financing for slot machines, so this project is
5 well within Argosy's capability even without cash
6 flow.
7 CHAIRMAN KLINEMAN: On day one --
8 MR. JOSEPH URAM: I think it's probably
9 appropriate to comment that we have a partner who
10 is bringing 40 percent of the funds. Balance
11 sheet is a tad bigger than ours, but certainly
12 Argosy has the ability to pay for existing
13 projects from cash flow and for Lawrenceburg from
14 the line cash and supplier financing.
15 COMMISSIONER VOWELS: I show Conseco owns
16 26 and a half percent and providing 40 percent of
17 the financing; is that correct?
18 MR. JOSEPH URAM: Conseco is indeed a
19 financier.
20 COMMISSIONER VOWELS: What is RJ and
21 Centaur providing for their investments?
22 MR. PETER RUSTHOVEN: Answer that and
23 then we can have other people from Centaur

1 respond. You have to understand the history of
2 this a little built. This is an unusual project
3 in terms of the applicants before you. The
4 Indiana investors were there first as opposed to
5 people who were found later. Centaur put the
6 money in and did the preliminary work, got in
7 touch with Argosy and tried to put this project
8 together, later was instrumental in bringing
9 Conseco to the table to make the whole project
10 work, so Centaur had money in this project as it
11 moved along. When you came to the point where we
12 were going to bring in a major Indiana financial
13 partner, Centaur's original investment got
14 repaid, but they were left still with the
15 opportunity to participate in this project and
16 that they will still have a real money investment
17 in this project. This was an arm's length -- and
18 I can speak as the attorney who represented the
19 group and therefore was not involved in doing the
20 specific negotiations. This was an arm's length
21 business-like negotiation. Everybody feels it
22 was very fair all the way around. This is not,
23 repeat not, a situation where some local Indiana

1 people were found where people then handed out
2 points to. Centaur was involved in gaming in
3 Indiana before there was a gaming act, before
4 there was a gaming commission. So they put some
5 real hard work and equity into this project, and
6 the people who are supplying the major money feel
7 it's very fair for them to be involved.
8 COMMISSIONER SUNDWICK: So they were in
9 fact reimbursed their money?
10 MR. PETER RUSTHOVEN: Yes, at the time
11 they were reimbursed for some of that money their
12 percentage interest in the project dropped
13 significantly from where it was before. That's
14 where Conseco came in with the 26 and a half
15 percent.
16 COMMISSIONER SUNDWICK: They only got a
17 percentage of their money back or all their money
18 back?
19 MR. PETER RUSTHOVEN: I think it would be
20 helpful to have Jim Sommer of Sommer & Barnard
21 who represents Centaur to give you details.
22 MR. JIM SOMMER: Jim Sommer of Sommer &
23 Barnard. To put this in perspective as I think

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1 Peter did, Centaur was an early player in this
2 project and were not a token Indiana investor but
3 Centaur was out in front at a time when $100,000
4 to Centaur maybe didn't mean as much as ten to
5 Steve Hilbert coming in 1979, but was a
6 significant investment. In February of 1993
7 Centaur and Argosy entered into a letter of
8 intent that called for a three-step process to
9 bring this project to fruition. At that time
10 Centaur had a 40 percent interest. It was
11 contemplated that Centaur would remain a partner
12 of Argosy through the development of the project.
13 I must add that the project at that point in time
14 was maybe a $32 million project whereas now it's
15 $180 million project, and so the need and role of
16 Centaur necessarily had to shrink, and Centaur
17 has become, I guess, something of a minor player
18 on the side line, but our position was finding
19 negotiating with Tom Long and Argosy and with
20 Conseco in April of 1994, and at that point in
21 time Centaur did get a payment back. I believe
22 they left those funds in for further development.
23 I think their investment at that point in time

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1 MR. JIM SOMMER: He did not sell his
2 interest. He was -- RJ Investments was separated
3 from Centaur. If you left Rod Ratcliff's
4 interest in, the combined Centaur-Ratcliff
5 interest would be 13 and a half. Centaur's down
6 to nine and a half. RJ investments is Rod's
7 separate interest because in his situation I
8 think because of the effort he had given it was
9 felt appropriate that his category be something
10 different than that of Centaur's so Rod's
11 interest or RJ Investments does not have an
12 obligation to make capital contributions as does
13 Centaur. I want to make that clear again.
14 Conseco loans those funds for Centaur.
15 COMMISSIONER VOWELS: Let me just see if
16 I can get this clear. Mr. -- RJ Investment
17 was -- its four percent interest was originally
18 four percent interest of Centaur?
19 MR. JIM SOMMER: Before that he had an
20 interest in Centaur. His interest, indirect
21 interest in the whole entity was, I think,
22 something like 5.8 or 6 percent so when Conseco
23 came into the picture he dropped down by

1 approximately two percent, but he didn't drop
2 down as much as the other Centaur investors as a
3 group.
4 COMMISSIONER VOWELS: Is it correct to
5 say that he took his Centaur Incorporated
6 interest, came over here and created RJ
7 Investment with that interest?
8 MR. JIM SOMMER: He was simply separated
9 from Centaur.
10 COMMISSIONER VOWELS: His four percent
11 interest -- that's fine.
12 CHAIRMAN KLINEMAN: I've got some more
13 on that, Mr. Sommer. The Steven Norton who is
14 Centaur, is that the same Steven Norton who is in
15 Argosy?
16 MR. JIM SOMMER: Yes, sir.
17 CHAIRMAN KLINEMAN: Could you tell me how
18 he got in and was he an officer of Argosy when he
19 got into Centaur?
20 MR. PETER RUSTHOVEN: I think Tom
21 probably knows that better.
22 MR. TOM LONG: Yes, Mr. Klineman. When
23 the project came to us Steve Norton had not been

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1 working for Argosy. We were just then going
2 public. The opportunity was brought to us and
3 Steve had indicated he was at that point in time
4 a shareholder in Centaur. Brought it to us,
5 disclosed it to us. We said fine. We still
6 wanted your services so we made an agreement he
7 could maintain that interest. Our board approved
8 that. We entered into an employment contract
9 with Steve, and at the same time we kind of
10 Chinese Wall-ed it to some extent. The decision
11 that had been made with regard to the project was
12 related to financing and significant issues other
13 than planning. Planning and input have been
14 pretty much within my bailiwick so that Steve
15 didn't have a conflict but our board has approved
16 it. He came with that opportunity, disclosed it
17 to us and we said we want you and we want you to
18 maintain your opportunity.
19 CHAIRMAN KLINEMAN: That clears it. It
20 did look like a corporate opportunity to me, but
21 if it existed prior, it existed prior and that's
22 fine.
23 COMMISSIONER SUNDWICK: I had Mr.

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1 Ratcliff -- I'm sorry. Your name is --
2 MR. JIM SOMMER: Jim Sommer, Sommer &
3 Barnard.
4 COMMISSIONER SUNDWICK: I'm sorry. I
5 think I misunderstood what you said. You said
6 the 9.5 percent of Centaur, their original
7 investment was about $100,000?
8 MR. JIM SOMMER: I believe that's
9 accurate, yes. I think it was $137,000. I
10 believe there was either invested or loaned into
11 the company, provided to the company at the
12 outset.
13 COMMISSIONER SUNDWICK: The 137 has not
14 been paid back?
15 MR. JIM SOMMER: I do not believe it's
16 been paid back to the shareholders of Centaur.
17 It's been left in the company.
18 COMMISSIONER SUNDWICK: So Centaur gets
19 9.5 percent for $136,000 investment?
20 MR. PETER RUSTHOVEN: I'd like to address
21 that just a little bit. Centaur, yes, gets 9.5
22 percent for the $137,000 investment or whatever
23 it was, but for some other things too. Centaur

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1 gets that percentage because Centaur before there
2 even was legislation in the state was trying to
3 build community support for this idea in
4 Lawrenceburg and Dearborn County, before they had
5 a partner named Argosy, long before they had a
6 partner tamed Conseco. Centaur was trying to
7 persuade the legislature that this was a good
8 idea. Centaur helped put this together. I
9 emphasize that's part of what there is such thing
10 called sweat equity and in this case sweat equity
11 is pretty important when you're talking about the
12 whole game, whether there is riverboat gaming in
13 Indiana. The other thing I would emphasize is
14 this has been an arm's length negotiated deal. I
15 know that as well as anyone because representing
16 partnership I've had to sit on the side lines
17 because I can't represent one partner in
18 negotiations. And I've watched the arm's length
19 negotiations. These are people who deal with
20 each other on a straight-up business-like basis.
21 Nobody feels that anybody is getting something
22 for nothing out of this deal. I think that --
23 let's put it. Our deal is not anybody getting

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1 something for nothing. I'll just leave it there.
2 Steve.
3 MR. STEPHEN HILBERT: No one appreciates
4 pioneers more than I do because when I founded
5 Conseco my initial stock was a quarter of a cent
6 a share and I think that initial stock that I
7 paid a quarter of a cent of share for for $10,000
8 turned into $85 million for me. So when you sit
9 down and you really have an idea and you make the
10 idea work, we had no problem participating with
11 and helping continue to keep their ownership
12 because again, I don't believe we'd be here today
13 if it hadn't been for the week they did. We have
14 loaned them money to maintain their ownership at
15 the nine and a half percent and the first money
16 out pays us back so they're not getting any
17 freebies, I can assure you.
18 MR. JOHN THAR: Mr. Rusthoven. The
19 partnership contained a provision uncomparable
20 with the licensing ability of certain partners
21 within the partnership. Does the partnership
22 acquire that interest?
23 MR. PETER RUSTHOVEN: I think it does. I

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1 confess, there are people who are much more
2 familiar when I say it does.
3 MR. JEFF ROBERTS: Mr. Thar, the
4 partnership agreement, as all of our agreements
5 in our other jurisdictions, has a provision which
6 would require a limited partner to redeem out
7 one of its significant shareholders or
8 significant investors if the state DCI were
9 determine that individual were unsuitable. If
10 that person were not bought out we would have an
11 opportunity to buy the partner out.
12 COMMISSIONER VOWELS: I need to ask a
13 question. The other jurisdictions where you've
14 received a license for the gaming vessels, as far
15 as the local endorsement process in those other
16 jurisdictions, my understanding was that was --
17 and I get some of these confused. Was it in
18 Missouri or one of the other jurisdictions where
19 the local endorsement carried so much weight that
20 the commission within that state just grants and
21 allows the locals to choose. Can somebody shed
22 some light on that? Let me sum up the question
23 in this way. In the other jurisdictions you're

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1 in what is the importance of local endorsement
2 and how does it play into the issuance of the
3 license?
4 MR. TOM LONG: I think that all of the
5 commissions are very sensitive to the issue of
6 local endorsements, although I'm not aware that
7 in any state where the local endorsement is the
8 essence of the licensing process. In other
9 words, it doesn't carry the final word or it is
10 not a statutory perequisite for licenses to be
11 issued by the gaming board. Certainly in our
12 philosophy as a company we believe it's very
13 important that you be able to work with the local
14 community and the government within that
15 community, and we've sought that very actively in
16 the areas in which we have operated and competed
17 for a license, but they have not in Illinois nor
18 in Missouri or nor in Louisiana or Iowa are they
19 perequisite or mandatory for licensing. I think
20 they are given great weight, but I don't think
21 they are at all -- they are not at all required.
22 COMMISSIONER VOWELS: When we first
23 started up in between the time that legislation

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1 went into effect in July of '93 until Mr. Thar
2 came on in October or so of '93 and we had to
3 pass a resolution specifically addressing the
4 problem of local endorsement priority, the
5 deadlines of application process and your company
6 had entered into the arena in the southeastern
7 portion, how important -- it seemed to me as soon
8 as that legislation hit everybody got on the
9 ground and got going and tried for local
10 endorsement. Was that the way it was here? I'm
11 not pointing any fingers at anybody because we
12 hadn't put a resolution in. Was that seen as
13 extremely important or somewhat important for
14 your company when you went to the southeast?
15 MR. TOM LONG: When we went there -- and
16 I've got to speak after the fact because I wasn't
17 there originally, but we went there to work with
18 the community and asked the community if they
19 would be interested. The administration said
20 they would. This is before there was a law even
21 passed. It was important to us that they said
22 they would want to support it so that we had the
23 ability to go to the legislature and say there's

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1 an area that certainly wants this. It was very
2 important. We negotiated an agreement up-front
3 before anybody thought there could be gaming. It
4 said if it happened we would have the ability to
5 develop in that community. Subsequently this
6 commission indicated that that should be
7 rescinded, and we certainly did that, but to
8 answer your question, Mr. Vowels, it's very
9 important. It was a very important issue to us
10 and I think continues to be.
11 COMMISSIONER VOWELS: Let me ask what I'm
12 leading up to here. When you went into
13 Lawrenceburg to seek the endorsement prior to
14 that resolution, then following the procedure as
15 we set forth, Mr. Zerbe was the city attorney and
16 he was at some point allowed to invest and --
17 returning to attorneys. Let's talk about the
18 conflict there.
19 MR. PETER RUSTHOVEN: I very much
20 appreciate your raising that issue. I think it's
21 something we can clarify.
22 COMMISSIONER VOWELS: I can't imagine
23 going into an area and approaching the city

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1 attorney or allowing the city attorney to invest
2 because that conflict just hits me right off the
3 bat.
4 MR. PETER RUSTHOVEN: It would hit me
5 right off if the city attorney were involved
6 representing the city. In that particular
7 discussion we were very very careful to make sure
8 that didn't happen. Let's back off a little bit.
9 We did not -- so that the timing is understood.
10 The sequence here was not --
11 COMMISSIONER VOWELS: Let up or back off?
12 MR. PETER RUSTHOVEN: I would not tell
13 you to back off.
14 COMMISSIONER VOWELS: As an attorney you
15 understand I have to kiss up to you the entire
16 time.
17 MR. PETER RUSTHOVEN: I do understand
18 that. I understand what it means to say thank
19 you when you've been told you're stupid too. The
20 timing is important here. If I may go back to
21 what was sort of an assumption and an
22 understandable one in your question to Mr. Long.
23 The timing here was not legislation gets passed.

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1 Argosy says great, legislation is passed. One of
2 the areas is Lawrenceburg. Let's go get
3 Lawrenceburg lined up with us. That's not the
4 timing here. The timing here is Indiana is
5 considering gaming, but a lot of people back then
6 weren't giving it much of a chance. Before
7 gaming is passed we weren't going to go try to
8 get gaming passed. Sort of on the blind. We
9 wanted a site, a place where it could be done,
10 both to generate community support and show
11 interest in legislature, and so if it did get
12 passed, looking at the situation then, we thought
13 we would have a place to go. What happens? So
14 we have this endorsement and I'll address the
15 Zerbe thing in detail. We have an endorsement.
16 Legislature passed and this commission is put in
17 place. This commission quite understandably says
18 we do not want to have local endorsements before
19 the application process is done so that whatever
20 weight we give to local endorsement we know this
21 is a competitive process. We're faced with a
22 situation then where we have an exclusive
23 agreement with the city, and the commission rules

1 doesn't order to us get out of that. The
2 commission rule says we're not going to give it
3 that much weight. Couple ways you can go with
4 that kind of situation. And one of the things
5 that you could think about is legal action.
6 That's not what we thought about. We went to the
7 city and we said we think it is important that
8 the cities recommend applicants, whoever they be,
9 be someone the commission is comfortable with and
10 we do this right. We're going to rescind this
11 agreement, and the only thing we want as part of
12 rescinding this agreement is if you do an
13 endorsement process -- and at that time we didn't
14 know what that process was going to be. We don't
15 want having put all this effort into it and all
16 this time getting legislation passed, we don't
17 want then to be in a situation where we're not
18 one of the endorsements. So if you endorse, we
19 will be among those endorsed. Not only do we do
20 this. I think we tried very hard to keep the
21 staff aware of exactly what we were doing in
22 terms of the position we were taking,
23 understanding the staff understood why we were

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1 taking that position. Now, what happened then?
2 The city did have an endorsement process in which
3 we participated. We participated fully. I will
4 tell you candidly -- and I say this is not
5 (inaudible). We kind of set the standard because
6 first there was an RFP that everybody was
7 supposed to meet and we came in with our request
8 for proposal, and we thought it was the best.
9 Then we found out the next stage it wasn't going
10 to close but then there were going to be detailed
11 negotiations with the city where everybody sort
12 of came up to a certain standard, and we
13 participated in those. I will tell you the city
14 was represented by the Indianapolis law firm of
15 Lowe, Gray, Steele & Hoffman, a very fine firm,
16 and I will tell having been in those negotiations
17 the city had very strong representation at those
18 negotiations. Those were arm's length. At the
19 end of that we were unanimously endorsed by the
20 city council. Looking back, if I could have
21 known what the process was going to be and what
22 was going to come up, I wouldn't even have put a
23 recission agreement in the endorsement because I

1 think we won it. That's the endorsement. Mr.
2 Zerbe has also got to be put in the proper time
3 frame. The time frame is there is no
4 legislation. There is no structure for how any
5 of this is going to happen. Nobody knows what's
6 going to happen, but one of the things we're
7 going to try to sell this whole idea is to build
8 community support and if you to southeast
9 Indiana, you go to Dearborn County and you go
10 Lawrenceburg, one of the most respected names in
11 Lawrenceburg is Zerbe. David's father, Harry
12 Leland Zerbe, has a building named after him.
13 David's father is one of the most respected
14 people there. David is extremely respected
15 there. We thought in terms of building community
16 support he was important, but we also thought if
17 we're going to do this you cannot be involved in
18 any way in representing the city, and he wasn't.
19 Now, I'm an officer of the court, like everyone
20 else, so I hope you can take my word on it, but
21 you don't just have to take my word on it because
22 David Zerbe was then subjected to an independent
23 counsel investigation because -- well, let's just

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1 put it this way. I discovered over the course of
2 the last few years maybe that occasionally rumors
3 come up in this business. I don't know why.
4 Occasionally people try to suggest -- maybe they
5 try to suggest when they're dealing with somebody
6 who is terribly strong on the merits that there's
7 some other issue we ought to look at. So David
8 Zerbe was subject to an independent counsel
9 investigation, and the independent counsel
10 investigation comes back that David Zerbe did
11 exactly right except for one thing. You're
12 supposed to file the same disclosure in two
13 places at the same time, and he made one on time
14 and he was a couple days late on the other. The
15 executive (inaudible) that's all it turned up.
16 David Zerbe continued -- and I speak with some
17 passion on this because I think David's been
18 through a lot. David continued to be the subject
19 of rumors to the point he resigned as city
20 attorney to try to put them to rest. The state
21 out of litigation that was otherwise he was
22 handling if it had the possibility of a
23 connection, of a hint with any impact on gaming

1 stayed out of it. Finally reached the point
2 where David decided two things. He didn't want
3 to deal with this anymore. He had heard enough
4 about this. Second, he knew what kind of project
5 this was. He knew what kind of money people are
6 putting into it and what kind of effort, and he
7 did not want to be the person, the issue, this
8 extraneous side issue that would cause any
9 problem with the city that he's worked for and
10 its endorsed candidate and with the company he
11 worked for. So David got out. I will tell you
12 candidly I think he's been through a lot and I
13 admire him for how he handled it.
14 COMMISSIONER VOWELS: He didn't redeem
15 his stock until May 17th of this year but then he
16 did return it for the purchase price; is that
17 correct?
18 MR. PETER RUSTHOVEN: That is correct.
19 CHAIRMAN KLINEMAN: If we're at a
20 breaking point I would like to take a small
21 break. We've been going steadily now for an hour
22 now. Why don't we take a 15-minute break until
23 about five after four.

(Short break taken.)

CHAIRMAN KLINEMAN: I've got a few questions I think you could handle. First, as I have now understood you were talking about using part of the conservancy district property in your operation, and the question has come up heretofore whether or not the conservancy district could lease the property for use as intended, and I'm told that there is an opinion by someone. Have you done any research in that respect? Can you give us an opinion?

MR. PETER RUSTHOVEN: We absolutely have and I believe that there are no problems with that. The best person to talk about that is my partner Steve Lee who knows about real estate. Steve.

MR. STEVE LEE: Steve Lee of Barnes & Thornburg. We have investigated it. We think there is absolutely no question that the conservancy district has the power directly to lease property for water-related recreation activities, and I can't imagine a better description of what we're going to do.

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1 CHAIRMAN KLINEMAN: Tell everybody it's
2 water related activities. And you -- never mind.
3 Then the non-compete situation. Have you given
4 any thought to that?
5 MR. PETER RUSTHOVEN: Tom, I think you
6 should address that.
7 MR. TOM LONG: Mr. Klineman, what do you
8 have in mind?
9 MR. KLINEMAN: I'm not in a position to
10 negotiate, but obviously one of the things that's
11 important to Lawrenceburg and the State of
12 Indiana is that you go into Lawrenceburg and stay
13 there and not jump across in case they say new
14 ports open and that's closer to Cincinnati,
15 easier to get to or whatever. We want you to
16 there.
17 MR. TOM LONG: I understand that.
18 Certainly it's -- we have never done it before,
19 but I will stand here and tell you that we will
20 certainly enter into a non-compete for a
21 reasonable period of time and reasonable
22 circumstance around it, and I think as I used to
23 draft the language in my non-competes, subject to

1 the blue line. Whatever the court says.
2 CHAIRMAN KLINEMAN: You haven't
3 forgotten all the lawyer talk.
4 MR. TOM LONG: I haven't forgotten it
5 all. We certainly will, sir, and I don't know --
6 CHAIRMAN KLINEMAN: Would you send us a
7 letter in the next couple days outlining -- as I
8 say, I'm not in a position negotiating a non-
9 compete. Just tell us what you'll do for us.
10 MR. TOM LONG: Absolutely.
11 MR. PETER RUSTHOVEN: You do pretty well
12 for not trying to negotiate.
13 CHAIRMAN KLINEMAN: The process that you
14 outlined a minute ago vis-a-vis the original
15 contact with the city and the subsequent release
16 and the subsequent negotiations, would you say on
17 balance the city of the citizens of Dearborn
18 County are going to do better by the subsequent
19 agreement maybe than they would have under the
20 early one?
21 MR. PETER RUSTHOVEN: Yes, absolutely,
22 although I think part of that it's not so much
23 because it was some kind of a bad deal when we

1 were all trying to figure it out at the very
2 beginning. It's just that people have learned an
3 awful lot more as they studied what the potential
4 for this is and what kind of project can be built
5 there. In terms of comparing where they are now
6 in terms of where we all thought it might be
7 three years ago, it's much better.
8 CHAIRMAN KLINEMAN: I like to feel this
9 Commission did open the situation up to
10 competition and the fact that you people --
11 MR. PETER RUSTHOVEN: Be absolutely
12 candid about this. If this Commission doesn't do
13 what it does with Resolution 10, our legal
14 position, the whole playing field is a little
15 different from where it was . Did it open it up?
16 Absolutely.
17 CHAIRMAN KLINEMAN: I just wanted to go
18 home feeling good tonight. On day one, so I can
19 understand the financing. I understand
20 everybody's got money running out of their
21 pockets, but on day one when this place opens up
22 tell me how much is going to be equity and how
23 much is going to be debt.

1 MR. PETER RUSTHOVEN: Joe.

2 CHAIRMAN KLINEMAN: At the partnership

3 level.

4 MR. JOSEPH URAM: At the partnership

5 level, the total project cost is $180 million.

6 25 percent of that is equity. If I can do math

7 in my head -- and I probably can't because I can

8 no longer work without a calculator -- I think

9 that's $45 million.

10 CHAIRMAN KLINEMAN: I think you did very

11 well.

12 CHAIRMAN KLINEMAN: The balance is either

13 equipment financing or other sorts of secured

14 debt; is that correct?

15 MR. JOSEPH URAM: I want to clarify.

16 There's $180 million project costs. Argosy

17 brings 108, Conseco brings 72. Conseco's comes

18 from their checkbook. Argosy's comes -- Argosy's

19 108 comes from $90 million of bank agreement

20 that's in place. It's not a credit agreement.

21 $10 million of cash and $10 million of supply

22 financing on the slot machines.

23 CHAIRMAN KLINEMAN: We were at the

1 partnership level and you said 445 million is
2 equity and the rest in debt, and that's the
3 question I asked was the form of the debt.
4 Partnership day one.
5 MR. TOM LONG: The debt goes back to
6 Conseco and Argosy so it's basically friendly
7 debt, it's inside debt. It's 25 percent equity,
8 75 percent debt. It goes back to Conseco and
9 Argosy on the inside. So effectively I call it
10 friendly debt.
11 CHAIRMAN KLINEMAN: But there still will
12 be equipment financing probably?
13 MR. TOM LONG: No, sir, we don't think
14 so. probably up to $10 million on the slots
15 machines.
16 CHAIRMAN KLINEMAN: I guess I'm getting
17 off a little bit. I'm more interested in equity.
18 Look to equity and that's $45 million.
19 MR. TOM LONG: Yes, sir.
20 CHAIRMAN KLINEMAN: That answers that.
21 Next question I have -- I'm jumping around a
22 little bit because these are sort of cleanup
23 things I've got. The railroad. I think we heard

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1 yesterday somebody else says they're going to
2 come down the Central Indiana abandoned track.
3 Is that a possibility, you have control of that?
4 MR. PETER RUSTHOVEN: I think they're
5 coming down someplace a little different. Mike
6 can talk about that.
7 MR. MIKE MARINARO: Mike Marinario,
8 American Consulting Engineers. I was here in
9 that presentation. They are talking about
10 building a road between the railroad tracks and
11 U.S. 50, not on the railroad tracks.
12 CHAIRMAN KLINEMAN: Not on the
13 right-of-way. You own the whole right-of-way?
14 MR. MIKE MARINARO: The railroad
15 right-of-way.
16 CHAIRMAN KLINEMAN: How wide is it? Wide
17 enough for two lanes?
18 MR. MIKE MARINARO: I believe it's 80
19 feet wide, most of the lane. One spot is a little
20 narrower than that.
21 MR. PETER RUSTHOVEN: He is the engineer.
22 MR. MIKE MARINARO: The other thing we're
23 going to do with that railroad that's a little

bit different is that we're going to raise it up ten inches. That would allow -- according to Greendale, that will provide a levee for their town so they can do more development of their property or private property in their city.

MR. PETER RUSTHOVEN: How many acres is that, Mike?

MR. MIKE MARINARO: I'm not sure how many acres it is.

CHAIRMAN KLINEMAN: In the large construction of the offramp off of 275, the Argosy Parkway, when do you envision that to be constructed? Is that going to be constructed when the permanent is put in place or would it come on later? If so, what temporary provisions have you made for traffic?

MR. JIM WURSTER: Jim Wurster with American Consulting Engineers. The ramp kind of off I-275 ramp that would become Argosy Parkway would all be subject to the State of Indiana because it will be coming off the state highway. We anticipate no problems in getting that approval because it's going to help tremendously,

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1 help the already bad situation without a casino
2 on 50 that already exists. We're not going to
3 add to that problem. It can be accomplished in
4 twelve months.
5 CHAIRMAN KLINEMAN: My point really is
6 that I'm convinced that 275 needs two left-turn
7 lanes now. The day everybody opens up, whoever
8 opens up, and have you made any provision for
9 doing that?
10 MR. JIM WURSTER: That can be
11 accomplished, yes. We understand there's already
12 a project about going to letting on U.S. 50 that
13 will have have to be expanded at this
14 intersection.
15 CHAIRMAN KLINEMAN: Yeah, but it's on a
16 different road. The U.S. 50 thing I'm satisfied
17 is at least very much in the mill, but the other
18 hasn't even -- nobody even talked about.
19 MR. JIM WURSTER: At 275? The project
20 goes all the way to 275.
21 CHAIRMAN KLINEMAN: 275 itself as you
22 come off these two left-turn lanes.
23 MR. JIM WURSTER: That can be

accomplished, and we will do that.

CHAIRMAN KLINEMAN: You will do that?

MR. JIM WURSTER: It can be done, yes, sir.

MR. PAUL KELLER: Paul Keller. I understand that that is actually part of the INDOT plan now. That will be let this summer and, as we heard yesterday, completed by the end of the year, according to the state.

CHAIRMAN KLINEMAN: I guess I misunderstood. We will be hearing from the state highway. But if it isn't, you people are willing to take a look at it?

MR. PAUL KELLER: Oh, sure, absolutely. I would like to make one other comment because the comment the question was raised about the right-of-way, and one of the reasons we preferred to acquire the railroad in lieu of what might appear to be a more cost effective solution of just utilizing an existing city right-of-way is that that right-of-way goes through some existing commercial areas, so we don't believe that it is nearly as clean as simply acquiring the railroad,

1 pulling up the trucks and paving the road. We
2 think that's a very simple solution and a very
3 effective one.
4 CHAIRMAN KLINEMAN: Mr. Thar or any
5 Commissioners have anything?
6 COMMISSIONER VOWELS: Just a quick
7 question about the temporary boat. Reading
8 through this it says that the best efforts to
9 within six months of awarding the license in
10 place temporary boat. That temporary boat is 750
11 positions; is that correct? That's what it says
12 here.
13 MR. JOSEPH URAM: Joe Uram, chief
14 financial officer. We have a boat that
15 accommodates 1,200 passengers and it's just over
16 900 -- close to 1,000 gaming positions that's
17 available today. Candidly, we will seek another
18 vessel that's larger as an interim boat if we are
19 selected by this Commission. We felt like not
20 competing against numerous other people
21 pre-licensure would allows us more negotiating
22 posture for a larger boat, but the fact of the
23 matter is we have nearly 1,000 gaming position

vessel available today.

COMMISSIONER VOWELS: So that's different than what you had earlier?

MR. PETER RUSTHOVEN: I think what you're reading from, but I know in terms of the development agreement was, but that was like absolute floor as part of that agreement as opposed to what we were going to do.

COMMISSIONER VOWELS: It seems small. Now you're talking about 1,000. How long would you anticipate if you receive a license you got the temporary boat? How long would the temporary boat have to be in place before you get a permanent boat?

MR. TOM LONG: If we could hit the construction schedules that were up there, we're budgeting the end of '96 to open up the entire facility. Our boat would be done -- I believe the 13-month buildout on the boat and so the boat would be ready and we would open the large boat up with the this facility.

COMMISSIONER VOWELS: That's what we're looking at here?

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MR. TOM LONG: Yes, sir, that's our construction schedule.

COMMISSIONER VOWELS: So end of '96 then you'd have a permanent boat in place?

MR. TOM LONG: That's correct.

COMMISSIONER VOWELS: So let's say you get the license next week. Six from now would be the end of year so we're taking ten, twelve, eleven months that you have to use a temporary boat?

MR. TOM LONG: That's about correct, yes, sir.

COMMISSIONER VOWELS: I don't have any other questions.

COMMISSIONER MILCAREK: This road on the railroad tracks, will that be built to the Department of Transportation standards and will it be dedicated road or will it be owned by the company?

MR. PETER RUSTHOVEN: I'm told, yes, first part dedicated road Department of Transportation standards.

COMMISSIONER SUNDWICK: Two lanes, four

lanes?

MR. JIM WURSTER: Jim Wurster. It will be two lanes for most of its length. That's plenty adequate to service the facility. At the intersection it, of course, will be wide enough for turning movements.

CHAIRMAN KLINEMAN: Anything further?

MR. JOHN THAR: Couple questions on the Baton Rouge project of Argosy. From what has been published with regard to that project seems to indicate that the cost has been a little bit more expensive and the project has not quite performed up to expectations. Would you consider that to be accurate or inaccurate?

MR. TOM LONG: Yes, sir, they're both accurate.

MR. JOHN THAR: Will that then have any effect on your company's ability to finance the Lawrenceburg project?

MR. TOM LONG: It does not, sir. The Lawrenceburg money is committed. The Baton Rouge project is gaining. This month's numbers are looking very good. We have funding on a cash

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1 flow to finish out the project which requires
2 about 20 million more dollars which are -- less
3 than that and we'll be able to finish that,
4 complete it. The after we finish that we believe
5 that the numbers are really going to build and
6 we're opening up pieces of the project as we go
7 along.
8 MR. JOHN THAR: The performance of your
9 boat in Baton Rouge, has it not met the
10 expectations that you had hoped in your earlier
11 projections?
12 MR. TOM LONG: It has not.
13 MR. JOHN THAR: One of the concerns that
14 we had over the course of investigation done by
15 IU and Purdue is they find that you made some
16 relatively optimistic assumptions with regard to
17 your operating profit and net profit margins as
18 being somewhat optimistic compared to your record
19 at other places. My question then is is this.
20 If you do not perform or your performance in
21 Lawrenceburg false as far short as it did of your
22 expectations in Louisiana, what effect do you see
23 that having on your ability to keep going with

1 the project?

2 MR. TOM LONG: I guess I'll frame it up

3 this way, Mr. Thar. We're talking about two

4 totally separate markets and venues. The

5 Lawrenceburg project is going to be an

6 (inaudible) market if there are two boats in the

7 market or three. The Baton Rouge market is a

8 market that has been heavily serviced by

9 Mississippi, New Orleans and two boats in Baton

10 Rouge. The Lawrenceburg market, if you want to

11 look at margins, will more likely resemble our

12 Alton margins before the all the competition came

13 into Alton. The Baton Rouge market will continue

14 to grow with us as we open up our additional

15 facilities there. So I guess the answer to your

16 question is we don't see our Baton Rouge project

17 at all emperiling at all the commitments we've

18 made to this Commission, and certainly we believe

19 that the expectations we've indicated in our

20 projections are attainable and that the

21 lawrenceburg market will bear out those

22 expectations from a margin standpoint.

23 MR. JOHN THAR: With regard to your Alton

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1 project, has the original debt on that project
2 been paid off?
3 MR. TOM LONG: Yes, sir.
4 MR. JOHN THAR: Is that basically a
5 debt-free project, long-term debt?
6 MR. TOM LONG: Yes, it is.
7 MR. JOHN THAR: In terms of the
8 performance of the boat, from the numbers I see
9 from Illinois you'd be in the bottom half
10 performance-wise, but my quess would be your
11 operating margins would be a lot higher than some
12 others?
13 MR. TOM LONG: I'm going to let Joe
14 answer that.
15 MR. JOSEPH URAM: Mr. Thar, we are in a
16 segment of the market of St. Louis that is the
17 smallest population portion. Argosy has right
18 now 19.6 percent caasino with 13 percent of the
19 gaming positions which means we have a
20 disproportionate percentage of revenue to our
21 level of capacity. One of the things that
22 company has done reasonably well in all markets
23 except Baton Rouge is try to build the right size

1 project for that market, and we understood the
2 competition would be immediate from the state of
3 Missouri and, accordingly, we did not commit the
4 kind of funds to the Alton market that we
5 committed that we're committing today to the
6 Lawrenceburg project. Again, we have the highest
7 win per slot machine, the highest win per gaming
8 position of anyone in the St. Louis area on the
9 Missouri side by a margin of two and a half
10 against any of your Missouri competitors.
11 MR. STEVE NORTON: Steve Norton of
12 Argosy. I think we need to say one more thing
13 about our Baton Rouge facility. Our original
14 projections there were based on the fact that we
15 would be getting in and all of the land-based
16 facility would have been completed by our partner
17 in that project. Our partner was unable to
18 finance his part of the development in spite of
19 loans from us. We had to go in and buy out his
20 interest and we are having to complete that
21 project itself. Had he performed according to
22 the contract, all of the land side development at
23 Catfish Town in Baton Rouge would have been done

1 by the time we opened the boat in the latter part
2 of last year. None of that was done and we have
3 now been completing it ourself. So our revenues
4 were good until competition opened and they were
5 able to offer valet parking, self park. They
6 were able to offer restaurants. None of those
7 things were available to us at Catfish Town
8 because the land-based development had not been
9 completed. We have started the phase completion
10 of that now and our revenues have jumped from
11 somewhere in the $3 million range to possibly as
12 high as $5 million this month or next month. So
13 we have had substantial improvements. We have
14 been able to add valet parking even though it's
15 not as good as our competitor right now and we
16 are building our garage which will open this
17 summer. We're building -- we've opened our first
18 restaurant there. We've opened our Argosy
19 landing with a casino club with an entertainment
20 venue and with another lounge overlooking the
21 river. We are doing things, but our original
22 projections were based on facts that turned out
23 not to be the case when our partner failed in his

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development.

MR. JOHN THAR: Before you sit down, you might be the right person to throw this to. Could you explain for the Commission Argosy's version of what transpired in Louisiana resulting in the investigation of this year?

MR. STEVE NORTON: During our first few weeks of operation there we had the normal kind of problems that you would always have in a startup operation. At the state's request and part of our commitment to them, we started with all training of new cashiers, dealers. The only people that really had experience were floormen and pit bosses that we brought in from outside. So it was natural that there would be issues where things were not done totally a hundred percent correct. They came into our position earlier than they have in any other case in the state of Louisiana and started taking a look at our operations within weeks of our start and they came up with a number of issues where i's weren't dotted, t's weren't crossed. Something that might required three signatures might have had

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two signatures. Those things have all been corrected. We've had outside auditors ourselves and also the state. There's been no indication of any missing revenues which would be the primary thing you'd be looking for or concerned about. None of that has taken place. The state -- the police recommended a fine, but nothing has been done at this point. We will be continuing to have discussions with them, but there is no determination yet. That was not a fine. That was a recommended amount, and I think there will be some discussion on that amount.

MR. JOHN THAR: On that point then, if I may. If you could get the license in Indiana you would probably experience the same type of employees here, meaning relatively inexperienced people because of, A, I would assume you want to hire locally if you can. B, you're going to want to train them. What have you learned from that that would help you get through those types of problems in this jurisdiction?

MR. TOM LONG: Mr. Thar, let me answer that, please. First and foremost, let me say as

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1 the CEO of the company when I find out about
2 situations like this I don't react very nicely
3 within my company, so there have been a great
4 deal of memos and new policies put in place as to
5 what we are going to do. In the Louisiana
6 situation we had a moving starting date. We
7 could never get out of the state you will be able
8 open on such and such a day and such and such as
9 day we hired 800 employees in literally six days.
10 They had to be 90 percent Louisiana residents.
11 We didn't have a day when we could say we could
12 open. For a lot of reasons targets kept moving.
13 No excuses. No excuses. I don't stand here and
14 give any excuses. If there is an issue we've got
15 to learn from. We've learned from it. I can
16 give you my personal assurance as CEO of this
17 company that this issue will never come up again.
18 We will very forcefully, very thoroughly get out
19 in front of this issue, be well aware of it and
20 have the opportunity in Indiana to do a lot more
21 of advanced training, a lot greater opportunity
22 for advanced training than we did in Louisiana.
23 I don't stand here with any excuses other than to

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1 say we fixed the problem if there was one, and I
2 guarantee you that it's fixed for good.
3 MR. JOHN THAR: Don't get me wrong.
4 There's no suggestion in anything I've read or
5 anything that said I'm saying there was anything
6 unlawful about what occurred. The impression
7 that I have from the information that I received
8 was that, A, there could have been some startup
9 problems, maybe they called you on relatively
10 (inaudible) and, B, that maybe you had more cash
11 than you thought you did. Are those two things
12 that you think probably happened? Your books
13 didn't reconcile right.
14 MR. TOM LONG: They ended up -- it
15 initially talked about not reconciling, but in
16 the end it did. We were very very close. There
17 was a lot of banter, but I can assure Ernst &
18 Young has looked at it. They certified there was
19 payment. They indicated there was no material
20 breach in internal control, and it's not good
21 enough for me because I don't want to be in a
22 situation again and I'll guarantee that.
23 MR. JOHN THAR: I suppose if we were to

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1 look at it most optimistically you can say you've
2 been through it, you know what it's like and you
3 can assure it won't happen again, right?
4 MR. TOM LONG: Been there, done that is
5 an issue that can fall in that category, yes,
6 sir.
7 MR. JOHN THAR: That's all I have.
8 COMMISSIONER VOWELS: I just have one
9 brief question. You were one of the three who
10 received local endorsement from the city council.
11 Will you assure the Commission that you made no
12 promises or that any member, city official
13 elected or otherwise, spouse or child will
14 receive any future compensation or any future
15 employment, that there have been no promises made
16 up to this point to guarantee that?
17 MR. PETER RUSTHOVEN: I gave you a very
18 long answer before. Let me give a real short
19 answer here. Absolutely give you that assurance.
20 Absolutely no promises have been made. You can
21 hear that from anybody else involved.
22 COMMISSIONER VOWELS: The statute now
23 requires that we can't grant the license of the

applicant if the Commission determines that would be difficult or unlikely for a riverboat to depart from a dock. Would you respond to that, that the boat will be able to --

MR. PETER RUSTHOVEN: You mean sail from Indiana? Absolutely we can do that.

MR. TOM LONG: This boat absolutely will be able to depart from the dock and sail in Indiana waters, yes, sir.

COMMISSIONER VOWELS: I have no other questions.

COMMISSIONER BOCHNOWSKI: I just have one. I'm sure that you people at Centaur did do a lot to pass this legislation, but I'm sure you weren't intending to leave out the fact that the City of Gary did a lot too.

MR. PETER RUSTHOVEN: That's true, but if we had to try and take care of everybody who helped in Gary, we couldn't be here with the financial backing we have today.

COMMISSIONER BOCHNOWSKI: Just wanted to get that out in the open.

CHAIRMAN KLINEMAN: As was said before,

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1 the legislature in its wisdom.
2 MR. STEPHEN HILBERT: I'd just like to
3 add one thing about Louisiana, and that is that
4 is one of the reasons that we truly made the
5 decision to align ourselves with Argosy is
6 because when you look at what happened to them
7 with a defaulting partner they still fulfilled
8 their commitment to the community in a very tough
9 political environment. Tom didn't want to say
10 that, but I can say it. We don't have any
11 Louisiana companies and there's a reason. We
12 have done -- Tom did solve that problem and he's
13 fought through it and, as Tom said, it is not
14 going to happen here in Indiana. I'd also like
15 to say the fact that I'm a little sensitive to
16 that hotel issue because again that was my issue,
17 and I've done several billion dollars worth of
18 transactions and I can assure you that when
19 people stand up before you and tell you they're
20 going too build $300 million projects, 300 rooms,
21 500 rooms but they don't have the money, you may
22 get a letter that says, you know, we're going to
23 start a little smaller because our financing

1 sources want to be sure we can make this
2 transaction work. You'll never get a letter from
3 us saying that the transaction that we proposed
4 is going to be smaller. We're going to do
5 everything in our power and you'll see
6 Lawrenceburg in essence grow because of Indiana
7 Gaming LP's participation.
8 CHAIRMAN KLINEMAN: Anything further from
9 the Commission? I guess you're through then,
10 unless you have something.
11 MR. PETER RUSTHOVEN: Just to thank you
12 for your courtesy and your attention.
13 CHAIRMAN KLINEMAN: We want to thank you
14 for a very interesting presentation.
15 (Whereupon, the proceedings were
16 concluded.)
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STATE OF INDIANA)
) SS:
COUNTY OF MARION)

I, Deanne S. Hutson, Stenographic Reporter within and for the County of Marion, State of Indiana, do hereby certify that on the 20th day of June, 1995, I reported the foregoing Public Meeting; and that the transcript is a full, true and correct transcript made from my stenographic notes.

Deanne S. Hutson

Deanne S. Hutson, Notary Public
Residing in Marion County,
Indiana

My Commission expires:

November 6, 1998

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