BEFORE THE
INDIANA GAMING COMMISSION

IN RE: THE POSSIBLE)
ISSUANCE OF A GAMING)
LICENSE FOR A RIVERBOAT)
IN MICHIGAN CITY, INDIANA)

THE PRESENTATION OF THE **CITY OF MICHIGAN CITY**
VOLUME I, Pages 1 thru 84

The presentation of the CITY OF MICHIGAN CITY as had before the Indiana Gaming Commission, commencing on Monday, February 12, 1996, at or about 1:30 p.m. at the Pine Lake Hotel, 444 Pine Lake Avenue, LaPorte, Indiana.

GAMING COMMISSION MEMBERS PRESENT:

DAVID E. ROSS, JR., M.D.
ROBERT W. SUNDWICK
ANN MARIE BOCHNOWSKI
DONALD RAYMOND VOWELS
ALAN I. KLINEMAN
ROBERT SWAN
THOMAS F. MILCAREK

ALSO PRESENT:

JACK THAR
Executive Director, Indiana Gaming Commission
FLOYD HANNON
Deputy Director, Indiana Gaming Commission
KAY FLEMING
Chief Legal Counsel, Indiana Gaming Commission
JANINE HOOLEY
Director of External Affairs

Members of each Applicant's Staff
Members from the General Public

Reported by: Natalie Bearickx, CSR, Associate Reporter

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1 Tuesday, February 13, 1996 --
2 (At or about 8:30 a.m. Gaming Commission and
3 members of the public present at the Pine
4 Lake Hotel.)
5 MS. BOCHNOWSKI: Okay. I think we are
6 going to go ahead and get started here. I would
7 just like to make a quick announcement.
8 As Chairman Klineman indicated yesterday, he is
9 having severe back problems and he did decide
10 that he needed to return to his home so I'm
11 taking over.
12 So we are going to -- the commission
13 members are going to be moving out into the
14 chairs here so that we can see the presentations
15 better. And we'll give the Blue Chip folks time
16 to set up and -- why don't we go ahead and move
17 out. You have one hour.
18 MR. DUELLMAN: Good morning, members of the
19 Indiana Gaming Commission, Mr. Executive
20 Director, representatives of Michigan City,
21 ladies and gentlemen, my name is Joe Duellman.
22 I'm chief executive officer of Indiana Blue Chip
23 and president of Aerie Hotels and Resorts.
24 We are very pleased to be here this morning
25 to present Indiana Blue Chip's plan for a

1 riverboat casino and destination resort
2 development in Michigan City, Indiana. We feel
3 our plan is the best choice for the Indiana
4 Gaming Commission to make, not only for the city
5 of Michigan City but for the state of Indiana.
6 The Indiana Blue Chip partners have worked
7 together to develop a mission statement which we
8 believe accurately summarizes the goals we set
9 for our Michigan City project. I would like to
10 read that mission statement to you now. Indiana
11 Blue Chip is dedicated to developing,
12 constructing and operating a destination resort
13 in Michigan City, Indiana, including but not
14 limit to, an upscale hotel, a premier meeting
15 and convention site and a riverboat gaming
16 facility which will produce the greatest
17 economic benefits for the city and county tax
18 payers while generating the highest possible
19 return for its investors.
20 One of the key elements to the successful
21 achievement of our mission is the prominent
22 group of investors that has been assembled to
23 make our project a reality and to make Michigan
24 City a major midwestern tourist and convention
25 destination. Our investors include businessmen

1 from both Indiana and Illinois who are not only
2 destination travel experts but successful
3 entrepreneurs and financiers as well. Personal
4 resumes for our key investors have been included
5 in your booklet and discussed later in our
6 presentation.
7 This morning we will present to the
8 Commission two plans for a riverboat gaming and
9 destination resort in Michigan City. We have
10 worked closely with the city and have
11 incorporated its ideas, its goals and concerns
12 into each of our project plans. The Trail Creek
13 or upstream site has been selected by the
14 Michigan City Riverboat Gaming Evaluation
15 Committee as its preferred site for a riverboat
16 casino development.
17 Our Trail Creek proposal addresses the
18 city's desires for economic development at that
19 site. Our project plan includes significant
20 land-based development in addition to the
21 riverboat casino. We intend to construct an art
22 deco style support facility which includes
23 several food and beverage outlets, extensive
24 conference and meeting space and an upscale
25 hotel.

1 Our harbor site plan includes all of the
2 amenities of our Trail Creek plan including a
3 spacious meeting and conference center and a
4 hotel with sweeping views of Lake Michigan.
5 This plan has been designed for the possibility
6 that the Trail Creek site does not meet the
7 criteria of the Indiana Gaming Commission.
8 The economic benefit generated in Michigan
9 City and LaPorte County will be equivalent at
10 either site. One of the major strengths of
11 Indiana Blue Chip is financial strength of our
12 key investors. We have combined our individual
13 wealth with the financial commitment we have
14 received from LaSalle Bank in Chicago to provide
15 a financing plan for Michigan City development.
16 Indiana Blue Chip is excited about the positive
17 impact that the development and operation of its
18 riverboat casino and destination resort will
19 have on Michigan City, LaPorte County and the
20 state of Indiana.
21 Indiana Blue Chip has been working closely
22 with Michigan City officials over the past
23 several years. This strong relationship,
24 combined with our exciting and comprehensive
25 development plans and our significant financial

1 resources, have resulted in Indiana Blue Chip
2 being endorsed by Michigan City as a developer
3 for this gaming license.
4 We will achieve our goals and our missions
5 by creating elegant, first-class venues, hiring
6 excellent people and nurturing their careers so
7 that they may be inspired and motivated to
8 provide top quality service to all visitors and
9 utilizing expertise across all categories of the
10 travel and tourism industry to create Michigan
11 City's high quality riverboat casino complex.
12 At this point I would like to bring up Mr.
13 Bill Kelsey who two and a half years ago
14 organized a group of Indiana investors and
15 residents to begin a quest to seek this license
16 in Michigan City, Indiana. Bill.
17 MR. KELSEY: Indiana Blue Chip was formed
18 over two years ago by a group of Indiana
19 businessmen to seek and develop a riverboat
20 gaming license in Michigan City. Working with
21 local architect, Gerald Fedorchack, Sr., Indiana
22 Blue Chip began its plans to heed the city's
23 call to develop the Trail Creek site. Some of
24 our local investors are -- I would like them to
25 stand up -- Robert Calloway, Roger Duba,

1 (phonetic) Gerald Fedorchack, James Johnson and
2 William Renner (phonetic).
3 Acknowledging the need to bring gaming and
4 resort development and management expertise into
5 the group, as well as the financial resources to
6 make its plan a reality, Indiana Blue Chip
7 formed a relationship with prominent Chicago
8 businessmen. These individuals are expert
9 entrepreneurs and financiers whose companies
10 have been among the nation's top Wall Street
11 success stories throughout the past two decades.
12 They are destination travel experts whose
13 integrity and depth of experience covers special
14 segments of the industry such as meeting and
15 convention booking and management, resort
16 management, riverboat gaming management and
17 tourism promotion.
18 I would like to bring Mr. Duellman back to
19 the podium to tell you about HP of Indiana, Inc.
20 Joe.
21 MR. DUELLMAN: Thank you, Bill. The group
22 of Chicago businessmen that Bill referred to
23 formed HP of Indiana as a means to invest in
24 Indiana Blue Chip and become part of the
25 Michigan City Riverboat Gaming opportunity. We

1 are going to be speaking about two of these
2 individuals, they are prominent investors in HP
3 of Indiana, Mr. Peer Pedersen and Mr. Gene
4 Heytow.
5 Mr. Heytow would have liked to have been
6 here today, unfortunately, he is recovery from
7 surgery and couldn't make it today. But I would
8 like to introduce Mr. Peer Pedersen, he is here
9 with us today.
10 One of America's most prominent attorneys
11 and entrepreneurs, Peer Pedersen is known not
12 only for the founding of the prestigious
13 Pedersen & Houpt Law Firm, but for his
14 leadership in helping to build WMX Technologies
15 (formerly Waste Management) into the world's
16 largest waste removal organization.
17 He has garnered Wall Street's attention as
18 a major catalyst in the success of Blockbuster
19 Entertainment, Discovery Zone, Boston Market,
20 H20 Plus, among his many other ventures.
21 His community contributions and his
22 involvement are substantial. He is president of
23 the Robert R. McCormick Chicago Boys and Girls
24 Club and a board member of many other charitable
25 organizations. He endowed the Pedersen Law

1 Pavilion at the University of Illinois
2 Champaign.
3 Mr. Eugene Heytow is the Chairman of the
4 Board of Amalgamated Bank and Trust of Chicago,
5 Illinois, and chairman of First Oak Brook
6 Bancorp. He is a prominent member of the
7 Chicago business community, and as chairman of
8 the Metropolitan Fair and Exposition Authority,
9 he directed the state and the city board which
10 oversees the operation of McCormick Place.
11 Complete biographies for Mr. Pedersen and
12 Mr. Heytow along with complete biographies of
13 each of the other key investors are included in
14 your packet. Mr. Pedersen and Mr. Heytow, along
15 with other prominent midwestern businessmen, are
16 also investors in Eagle Ridge Inn & Resort,
17 Eagle Ridge Realty and the Silver Eagle Casino
18 Cruise. Each of these properties is managed by
19 Aerie Hotels & Resorts which is responsible for
20 all operational aspects of Indiana Blue Chip.
21 Eagle Ridge Inn & Resort is a destination
22 resort consisting of 6800 acres of luxurious
23 home sites, 325 vacation homes, 80 guest rooms,
24 20,000 square feet of conference and meeting
25 space, 45 holes of champion golf, a lake,

1 fitness center, swimming pool and fitness
2 facility, restaurants lounges and retail shops.
3 Nearing completion is an $8 million addition
4 which includes another championship golf course,
5 club house facilities and additional
6 restaurants.
7 Aerie also developed and manages the Silver
8 Eagle Casino Cruise in northwestern Illinois.
9 Opened in June, 1992, the Silver Eagle is
10 outfitted with 475 electronic gaming devices,
11 three craps tables, two roulette tables and 24
12 blackjack tables.
13 Currently the Silver Eagle has discontinued
14 its gaming excursions at its East Dubuque
15 location. The Silver Eagle maintains its
16 license in good standing with the Illinois
17 Gaming Board and is working with the board and
18 the Illinois General Assembly to seek a remedy
19 to the competitive imbalance that exists in this
20 jurisdiction.
21 I would like to take a minute now to
22 present to you a short video highlighting Eagle
23 Ridge and the Silver Eagle. Our intention is to
24 show the quality inherent in these projects and
25 to emphasize our commitment to bring that

1 quality to our development in Michigan City.
2 (A video was viewed by the Gaming
3 Commission and members of the general
4 public.)
5 MR. DUELLMAN: Our involvement with Eagle
6 Ridge and the Silver Eagle bring quality
7 combined with years of experience in the
8 hospitality industry to provide Indiana Blue
9 Chip with a strong basis for developing and
10 successfully operating a first class riverboat
11 casino and destination resort in Michigan City.
12 At this point I'd like to introduce Mr. Joe
13 McQuaid who will begin to discuss some of the
14 specifics regarding the project. Joe came to
15 our company from the Illinois Gaming Board where
16 he was instrumental in establishing Illinois'
17 excellent reputation for its regulation and
18 administration of the riverboat gaming industry.
19 Joe joined our company in 1995 and is
20 responsible for overseeing gaming operations.
21 Joe.
22 MR. MCQUAID: Thank you, Joe. Members of
23 the commission, Mr. Thar, and staff, good
24 morning. Indiana Blue Chip has gone that extra
25 mile to address concerns of Michigan City and

1 the Indiana Gaming Commission by creating two
2 viable plans for the destination resort we want
3 to develop in Michigan City.
4 The first plan develops the Trail Creek or
5 upstream area of Michigan City. This site has
6 been selected by the Michigan City Riverboat
7 Gaming Committee as its preferred site. The
8 second plan develops the harbor area. This plan
9 has been designed for the possibility that the
10 Trail Creek site does not meet the criteria of
11 the Indiana Gaming Commission.
12 Riverboat gaming will be the focal point of
13 Indiana Blue Chip's destination resort, and the
14 vessel we will build will be spectacular. The
15 permanent vessel will be consistent with the
16 upscale design and the overall art deco theme of
17 the land-side support facilities. Although the
18 final design will be dependent upon the location
19 approved by the Indiana Gaming Commission, the
20 riverboat will contain the elements whether it
21 is located at Trail Creek or at the harbor
22 site.
23 We are currently working with Guido Perla &
24 Associates of Seattle, Washington, on the design
25 of our riverboat casino. Once the location for

1 our casino is determined, we believe the plans
2 and specifications will be completed swiftly so
3 that construction can begin within months of
4 opening our interim facility.
5 We have also contacted Chicago Bridge &
6 Iron regarding the possibility of constructing
7 our permanent vessel on site should the Trail
8 Creek location be selected by the Indiana Gaming
9 Commission. Teamed with marine designer, Guido
10 Perla & Associates; Chicago Bridge & Iron, a
11 midwestern steel company, was a leading
12 contractor in the construction of the Grand
13 Victoria Riverboat in Elgin, Illinois. The
14 Grand Victoria is the largest and most
15 successful riverboat casino in Illinois.
16 As mentioned previously, our first class
17 riverboat casino will have the same project
18 elements no matter which site is selected by the
19 Indiana Gaming Commission. An overall emphasis
20 will be placed on customer safety and
21 convenience, security and overall quality of
22 service. The vessel will be designed in a
23 fashion that creates an entertainment experience
24 that greatly exceeds the industry average.
25 Patrons will board the vessel on two

1 different levels directly from the land-side
2 support facility. The transition from land to
3 water will be seamless with the same art deco
4 theme being carried forward from the pavilion,
5 through the boarding area and on to the
6 riverboat itself.
7 The vessel itself will include four decks
8 with gaming activity occurring on three decks
9 and occupying approximately 70 percent of the
10 70,000 square feet of enclosed space. Total
11 gaming space will include 2,000 gaming positions
12 and the riverboat will be able to accommodate
13 2,200 passengers.
14 Gaming machines and tables will be arranged
15 to maximize customer comforts and interface
16 naturally with the non-gaming components of the
17 vessel. These components including a casual
18 dining area, lounges and areas for live
19 entertainment will significantly enhance the
20 overall experience for each patron visiting our
21 establishment.
22 The cruise path of the riverboat will be
23 determined by the site selected by the Indiana
24 Gaming Commission. If the Trail Creek site is
25 selected, our vessel will cruise between E

1 Street Bridge and the railroad bridge, a cruise
2 path of approximately one mile.
3 Since the width of the channel does not
4 offer the opportunity for a vessel the size of
5 our proposed riverboat to turn around, the
6 vessel constructed for this location will of a
7 two-bow nature. This will allow our riverboat
8 to retain symmetry as it cruises up and down the
9 channel.
10 If the harbor site is chosen as the
11 location for the Michigan City gaming license,
12 the riverboat used may be constructed
13 specifically for the project, or an existing
14 vessel with the necessary characteristics may be
15 purchased and retrofitted to our specifications.
16 At this time I would like to introduce our
17 architect, James Lencioni, of Aria Group
18 Architects, Incorporated. Prior to forming Aria
19 Group Architects in 1989, Mr. Lencioni was
20 senior designer for the firm of Bernheim Kahn
21 and Lozano. Aria Group is nationally recognized
22 for its work with leading restraunteur Rich
23 Milman of Lettuce Entertain You Enterprise.
24 Jim.
25 MR. LENCIONI: Thank you, Joe. Good

1 morning. The intent of this project development
2 is to create a facility that is not only an
3 aesthetically pleasing addition to Michigan
4 City, but also an easily accessible, functional
5 and efficient riverboat casino complex.
6 It is also important that all of the
7 elements, including the conference center and
8 hotel, not only function independently but also
9 complement each other increasing the value of
10 all of the elements.
11 The site favored by Michigan City for the
12 riverboat development is located approximately
13 one half mile upstream from the harbor along
14 historic Trail Creek. The 35 acre -- excuse me
15 -- the 35 acre site is unique in that 85 percent
16 of the property is ready for development
17 requiring minimum displacement of the residents
18 and businesses.
19 On the right you'll see the slide
20 indicating the site, and those little black
21 squares indicate homes that are actually
22 occupied on the site itself. The burgundy
23 squares are vacant homes, and the rest of the
24 land is either vacant or currently controlled.
25 The site offers an expansion of the Michigan

City Central Business and Recreation District located near, but not apart from, the harbor and Light House Place Mall areas. The Trail Creek site will avoid any traffic to this already congested area in the central section of Michigan.

Route 35 (Michigan Boulevard) will be the key access from U.S. 94. The main route entering into the site are indicated on the left there in yellow. That site right there Route -- or that road -- is Route 12 coming from the Indiana Toll Road. That's (indicating) 421, And 35 is on the right there. The two sites in red indicated in the upper area there is the harbor site and the Trail Creek site. Light House Mall is in pink, and Washington Park is in green.

Once at the site, divided boulevards will provide easy access from Route 12 and 8th Street throughout the site. A shuttle service will connect the riverboat development with Michigan City's other recreational destinations including Light House Place Mall and Washington Park. Across the water is a proposed future commercial development. The development will utilize existing structures as well as new infill

1 buildings to create an entertainment oriented
2 retail and business district
3 Amenities such as a new marina, small
4 parks, and restaurants are all joined together
5 by a riverwalk which will greatly enhance and
6 expand the downtown commercial district. There
7 have already been discussions regarding the
8 development of a new 40 lane, 50,000 square foot
9 bowling facility at this location. A trolley,
10 utilizing the existing track at the site, could
11 escort shoppers from the parking facility
12 through the development.
13 A key element to the success of this
14 project is to ensure that there is adequate
15 parking available with easy access to the
16 land-based facilities at the casino on the
17 right. In the modified plan, we have developed
18 an on grade parking area for 1,200 cars and a
19 separate bus parking lot for groups and tours.
20 Valet service will be provided at the main
21 entrance.
22 The slide on the left indicates a shot of
23 the entrance to the main docking facility and
24 the entrance canopy along with the covered
25 walkway which bisects the parking lot and leads

1 the patrons to the facility itself. A bermed
2 landscaped buffer strip will effectively screen
3 the parking from nearby residential areas.
4 The passenger pavilion itself is 77,800
5 square feet situated on two levels. The overall
6 style of the development will be reminiscent of
7 1920 art deco design including a seven story
8 light beacon. The theme will be carried
9 throughout the interior with an emphasis on
10 color and lighting to create an exciting,
11 stimulating and dramatic venue. Uniforms,
12 signage and food and beverage operations will
13 all be thematically linked creating a total
14 entertainment experience.
15 The lower level of the facility provides a
16 multi-functional conference area which can
17 divide into six separate meeting rooms. The
18 main entrance to the facility brings passengers
19 directly into the ticketing area and adjacent to
20 a 400 seat buffet restaurant. This buffet is a
21 key element to our marketing to bus and group
22 tours.
23 A separate group area and entrance will be
24 located at the west end of the first level. The
25 second level will include a 400 seat show

1 lounge, bar, and the 1,000 seat ballroom. There
2 will be regularly scheduled entertainment in the
3 lounge itself. Adjacent to the show lounge is a
4 200 seat fine dining restaurant which is
5 designed to provide an upscale dining amenity
6 for our casino patrons.
7 A separate VIP players lounge for our
8 preferred customers will be adjacent to the fine
9 dining restaurant. This special VIP area is
10 also an important component of our casino
11 marketing which will provide additional levels
12 of comfort and accessibility to our best
13 patrons. Both levels offer easy access to the
14 riverboat which will operate on the Trail Creek
15 cruise path.
16 Adjacent to the ballroom and conference
17 center is the first stage of the hotel component
18 of this project. The hotel will be a 200 room,
19 five story tower with an enclosed pool area and
20 health club providing quality accommodations to
21 support the conference center, ballroom and
22 riverboat casino operation. A key component of
23 our development plan is the ability to begin
24 operations this year during Michigan City's
25 strongest season.

1 With the interim option is in place,
2 Michigan City will garner the benefits of early
3 entry in the competitive gaming arena and ensure
4 that the performance of the gaming development
5 will be maximized. This can be achieved while
6 the permanent facility is being constructed.
7 The interim plan includes a docking
8 facility and riverboat and will be implemented
9 within five months of preliminary suitability.
10 The channel at the railroad bridge will be
11 widened to allow access of the temporary gaming
12 vessel into the site.
13 Our development would be focused at the
14 north end of the site as indicated on the right
15 slide there. Remodeling of the existing two
16 buildings at that corner, which total about
17 20,000 square feet, will provide ticketing, food
18 service, restrooms, offices, et cetera to serve
19 the visitors while the balance of the project is
20 being completed.
21 We're showing 700 parking spaces being
22 provided during this phase. The construction of
23 the permanent facility -- I mean the gaming
24 vessel and the facility -- will be at the other
25 end of the site and will completely avoid

1 interference with the interim operation.
2 An alternate plan creating a harbor site
3 facility has been developed. This site is
4 located in the heart of the Michigan City
5 recreational area between Light House Place Mall
6 and Washington Park as indicated on the left
7 slide there. Access to the site will be off of
8 Route 12 which abuts the property on the south.
9 A vehicular plaza with a grand fountain at
10 its center, will extend Wabash Street into the
11 site and feature the main entry into the docking
12 pavilion, the hotel entrance and access to the
13 parking garage. The 600 car, eight level,
14 parking structure can also be accessed from
15 Washington Street. The facility will offer the
16 same amenities as those we have just described
17 in the Trail Creek project.
18 Additional garden areas and spectacular
19 views of the harbor will be provided for both
20 the hotel and docking facilities. The ballroom,
21 restaurant and ticket functions occur on the
22 second floor along the pedestrian walkway which
23 extends over the tracks on to the riverboat.
24 This mall like space has a continuous
25 vaulted skylight with laser light effects to

1 provide a festive exciting experience connecting
2 the parking garage to the riverboat. The 200
3 room hotel has been oriented so that the views
4 are toward the harbor and entry plaza. An
5 enclosed natatorium will be provided to offer
6 additional recreational amenities to the total
7 development. The interim site for this location
8 would be remote. Train services will be
9 provided in a strong central structure. The
10 location of an interim site in any development
11 at the harbor is contingent upon acquisition of
12 NIPSCO property.
13 In order to start the revenue stream to the
14 city, county and state, we anticipate opening an
15 interim operation at either site within five
16 months. A detailed time line has been provided
17 in your information packets for further
18 reference. The construction schedules should
19 have the riverboat and docking pavilion project
20 substantially complete within one and a half
21 years.
22 As you can see, we have spent a
23 considerable amount of time designing two
24 comprehensive, first-class projects to house our
25 riverboat casino and destination resort complex.

1 Each of our proposals contains exciting and
2 diverse dining venues, extensive meeting and
3 conference facilities, entertainment areas and
4 an upscale 200 room hotel in addition to the
5 riverboat casino.
6 The basis of our interim plan is consistent
7 for either the Trail Creek or the harbor site
8 and allows us to be operating and generating tax
9 revenues by this summer. Joe Duellman is now
10 going to speak on the financial portion of our
11 proposal. Joe.
12 MR. DUELLMAN: The capital budgets for each
13 of the proposed alternatives are very similar in
14 scale. Each of the projects require an
15 investment of approximately $86 million. Each
16 of the alternatives calls for a component piece
17 of equity, asset based financing and project
18 financing.
19 The strength of this partnership lies in
20 the financial strength, business expertise and
21 financial track record of the principal
22 investors in HP of Indiana. We contemplate an
23 initial equity funding of $20 million. We
24 propose to generate an additional $40 million
25 with asset based financing. This amount

1 includes financing for computer equipment,
2 electronic gaming devices, furniture and
3 fixtures and a new riverboat to be constructed
4 on site at Trail Creek as well as the hotel and
5 conference center components.
6 In addition to these amounts, we will be
7 working with LaSalle Bank of Chicago to provide
8 additional project financing. A copy of their
9 letter has been provided to you in your packet
10 for your reference, but I would like to read the
11 short, to the point, paragraphs which speak to
12 the financial capability of this application.
13 "Commission Members, two Chicago
14 Executives, Mr. Eugene Heytow and Mr. Peer
15 Pedersen, are the principal investors in HP of
16 Indiana which holds a 60 percent interest in
17 Indiana Blue Chip. These gentlemen have an
18 enviable record in the start-up, development,
19 operation and nurturing of new companies. They
20 are respected for their integrity as well as
21 their financial and business expertise. Their
22 track record would indicate a high level of
23 confidence in the success of Indiana Blue Chip.
24 Please be advised that LaSalle National
25 Bank is prepared to provide up to $25,000,000 in

1 financing to HP of Indiana to support their
2 efforts to develop a gaming operation in
3 Michigan City, Indiana, in conjunction with
4 their investment in Indiana Blue Chip. This
5 financing would be contingent upon the
6 principals, Mr. Heytow and Mr. Pedersen,
7 providing personal collateral acceptable to the
8 Bank. Both gentlemen are well known to the Bank
9 and we are highly confident in their capacity to
10 provide the desired collateral to complete the
11 transaction."
12 In evaluating the financial credentials of
13 any company, either publicly or privately held,
14 you must determine whether or not they have the
15 money and the will to invest it. Our investors
16 have provided you with their own personal
17 financial statements demonstrating their
18 capacity to fund this project.
19 I would also like to share some additional
20 background with you. In the 1980s a small group
21 recognized the business potential inherent in
22 our rapidly changing electronic entertainment
23 industry -- Peer Pedersen was a key member of
24 that group -- that recognition became a business
25 plan which they invested in personally and

1 developed and nurtured. That idea become
2 Blockbuster Entertainment, a multi billion
3 dollar company, whose merger last year with
4 Viacom was one of the largest transactions in
5 recent years.
6 In the 1990s another small group came up
7 with a new idea in convenience dining, offering
8 an alternative to industry giants such as
9 McDonalds and Burger King, again Peer Pedersen
10 was a key member of this group. After investing
11 in this idea personally, they nurtured and
12 developed the idea until in November, 1994,
13 Boston Chicken became the most successful
14 initial public offering of the year.
15 Times does not allow us to go through a
16 complete list of their impressive
17 entrepreneurial successes. Each of these
18 companies started as an idea that required their
19 personal investment and commitment to get off
20 the ground, our investors have shown that they
21 have historically made that commitment. They
22 have a proven track record of entrepreneurial
23 success. Their business and investment acumen
24 is outstanding. They understand the business
25 plan proposed here. They realize the commitment

1 required to make it a success, and they are
2 prepared to go forward to make Indiana Blue Chip
3 a reality in Michigan City. They have the
4 resources, they have the ability, they have done
5 it in the past, they are prepared to do it again
6 with this application.
7 At this point I would like to bring Joe
8 McQuaid back up, and we're going to discuss a
9 little bit about the economic benefits of
10 Michigan City and LaPorte County.
11 MR. MCQUAID: Indiana Blue Chip is excited
12 about the positive economic impact that the
13 development and operation of its riverboat
14 casino and destination resort will have on
15 Michigan City, LaPorte County and the state of
16 Indiana.
17 The construction phases of the project will
18 generate an economic impact of approximately $60
19 million annually and provide for more than 730
20 full time jobs. Since Indiana Blue Chip is
21 committed to comparable developments at either
22 the Trail Creek or Harbor site, the final
23 location will not affect the economic impact
24 generated by project construction.
25 Once Indiana Blue Chip's project reaches

1 maturity with the opening of the hotel, economic
2 impact to the state of Indiana will be in excess
3 of $100 million annually. This includes both
4 direct spending in Indiana by Indiana Blue Chip
5 as well as the downstream benefit stimulated by
6 those expenditures. In addition, Indiana Blue
7 Chip will generate more than 1,000 jobs
8 directly, while indirectly creating more than
9 1,200 jobs elsewhere in the economies of
10 Michigan City and the state of Indiana.
11 As part of our Trail Creek development
12 plan, Indiana Blue Chip is committed to building
13 its permanent vessel on-site. Chicago Bridge &
14 Iron has determined that our Trail Creek
15 location is ideal for building a vessel on-site.
16 Chicago Bridge & Iron requested Economics
17 Research Associates to prepare an objective
18 analysis of the economic impacts of constructing
19 a riverboat on-site, as Indiana Blue Chip
20 intends to do in Michigan City.
21 ERA concluded that on-site boat development
22 generates economic impacts in the range of $22
23 to $25 million. This is consistent with the
24 primary intent of the Indiana Riverboat Gaming
25 Act which is to stimulate positive economic

1 impacts at both the state and local levels.
2 The construction of the vessel on site will
3 create an additional 230 direct construction
4 jobs. These individuals, as well as the project
5 management professionals who direct the
6 construction of the boat, will purchase
7 significant amounts of goods and services in the
8 local economy during their stay.
9 In the Elgin riverboat casino project,
10 where a vessel was constructed on-site, it is
11 estimated that members of the administrative
12 staff spent approximately $1 million for
13 housing, food, entertainment and other services
14 for the 12 months they were in Elgin. The
15 construction workers spent approximately $2
16 million in local hotels, apartments, restaurants
17 and entertainment establishments during the
18 construction phase of the project.
19 Indiana Blue Chip also will generate
20 significant tax revenues for Michigan City,
21 LaPorte County and the state of Indiana from
22 both the construction and operation of its
23 Michigan City destination resort. The
24 construction phases alone will total more than
25 $3.5 million in personal income and sales taxes

1 for the State of Indiana. Each year thereafter
2 these taxes will grow to $2 million annually.
3 The riverboat casino will also generate
4 significant gaming and admission taxes once the
5 project is operational. Indiana Blue Chip
6 estimates these expenditures could approach $28
7 million annually with Michigan City receiving
8 $7.5 million of that total.
9 In addition, Indiana Blue Chip intends to
10 contribute directly to Michigan City by setting
11 up a wholly owned subsidiary, Michigan City
12 Community Endowment Corporation, which will
13 serve as a vehicle for identifying and funding
14 projects for the local community.
15 Decisions regarding how these amounts will
16 be spent will be made by a board of directors.
17 This board will include representatives of
18 Indiana Blue Chip but will consist primarily of
19 representatives of the government of Michigan
20 City and the citizens from the local community.
21 It is anticipated that local governmental, civic
22 and charitable groups will be able to apply to
23 the Michigan City Community Endowment
24 Corporation for funds for their own preferred
25 projects.

1 This corporation will be funded on an
2 on-going basis by a semi-annual grant from
3 Indiana Blue Chip. During our initial licensing
4 period the amount of this grant will be equal to
5 one-half of one percent of adjusted gross
6 receipts. Based on current projections this
7 could amount to as much as one-half million
8 dollars per year.
9 If Indiana Blue Chip is required to develop
10 its project at the harbor site, we are still
11 committed to assisting Michigan City in
12 developing the Trail Creek area. If the
13 riverboat casino facility is located at the
14 harbor site, Indiana Blue Chip will fund an
15 additional one-half million dollars per year for
16 five years to the Michigan City Community
17 Endowment Corporation. This amount will be
18 specifically identified for providing start-up
19 capital for development at the Trail Creek area.
20 At this point I would briefly like to
21 explain our marketing strategy. Michigan City
22 is known throughout Indiana, Michigan and
23 Illinois for its miles of beautiful beaches and
24 the scenic Indiana Dunes. In addition 1.8
25 million tourists each year visit Light House

1 Place. The Indiana Blue Chip casino and hotel
2 project will position Michigan City as a
3 year-round destination for tourism.
4 It is our plan to market the Indiana Blue
5 Chip hotel and casino to the population residing
6 locally and throughout Indiana, Michigan and
7 Illinois. The Indiana Blue Chip casino project,
8 with each of its entertainment components, will
9 be marketed as an exciting and exhilarating
10 destination for both the casino and non-casino
11 patron.
12 We will market to the local population,
13 building a loyal repeat customer base and
14 vigorously pursue the individual and group
15 traveler passing through the area. The Indiana
16 Blue Chip casino will be marketed as a regional,
17 must-stop attraction/destination.
18 Michigan City is located in the heart of a
19 dense ring of population. Approximately 4.7
20 million persons over the age of 21 live within
21 50 miles of Michigan City. Three point two
22 million adults reside between 50 and 100 miles
23 of Michigan City, and 4.6 million adults reside
24 100 to 150 miles from Michigan City. In total,
25 more than 12.5 million adults live within 150

1 miles, or less than a three hour drive, of
2 Michigan City.
3 Based on these population studies, in
4 conjunction with other marketing analyses, we
5 have projected that this population base will
6 provide our casino with two million gaming
7 patrons annually, this will result in $70 to
8 $100 million of gaming win each year.
9 In order to attain this level of market
10 penetration, we expect to spend over $5 million
11 annually in advertising and business promotion
12 including extensive promotion via radio,
13 television and newspapers as well as a
14 comprehensive direct mail program targeting both
15 current and prospective patrons.
16 Indiana Blue Chip casino will have a
17 two-pronged marketing program targeted at the
18 individual and group patrons. For both markets,
19 the docking facility with its hotel, dining and
20 entertainment venues, the luxury of the gaming
21 vessel and the comprehensive services provided
22 are key elements in attracting our customer
23 base. Again, all aspects of these operations
24 will be created and geared toward providing
25 excitement, entertainment and interest.

1 One large component in the development of
2 customer loyalty will be the implementation of a
3 VIP Players Club. The VIP Players Club is a
4 marketing program which enables casino
5 management to identify, encourage and reward
6 those patrons who frequently visit the casino.
7 Each Club member's casino play will be
8 tracked electronically. Based on the number of
9 visits and amount of play, different award
10 levels will be established. Members of the Club
11 will be rewarded with discounts, complimentary
12 services and invited to special casino-sponsored
13 events.
14 Another important aspect of the marketing
15 campaign is to gain the support and involvement
16 of the local business community. Indiana Blue
17 Chip will work with the local community to
18 implement a program where VIP Players Club
19 members will be able to redeem their points with
20 area merchants who sign up to participate in the
21 program. This will offer our patrons a vast
22 array of products and services and also
23 stimulate retail activity within the community.
24 The casino marketing program gives Indiana
25 Blue Chip management the ability to specifically

1 verify, target and market directly to each of
2 our regular and most valued patrons
3 individually.
4 A far different marketing strategy is
5 necessary when attracting the group or tour
6 operator. This market segment is dependent on
7 attractiveness of locale, ease of access,
8 overnight accommodations, dining facilities, and
9 availability of entertainment. This market
10 segment is typically price-sensitive.
11 The tour operator will be drawn to the
12 Indiana Blue Chip Casino because of the natural
13 beauty of the lake and the supporting amenities
14 Indiana Blue Chip and Michigan City will be
15 creating. The docking facility has been
16 designed to include a special group entranceway
17 and a casual restaurant designed to effectively
18 and efficiently handle large groups.
19 Indiana Blue Chip will utilize a strong
20 corporate and direct sales force, group
21 incentives, lively entertainment and special
22 group discounts to attract this market segment.
23 Both the individual and group casino patron will
24 be marketed by utilizing innovative and state of
25 the art table and electronic games, fun filled

1 tournaments and aggressive payouts, a strong
2 Casino Service Department will be developed to
3 handle the specific needs of each.
4 Public relations is one of the most
5 important components of a marketing effort. The
6 pre-opening time period will lend itself to
7 various events worthy of extensive news
8 coverage, such events include signing the vessel
9 construction contracts, breaking ground for the
10 land based facilities, opening of the land based
11 facilities, launching of the casino vessel and
12 the grand opening of the entire project. Each
13 of these events will be used to provide positive
14 exposure for both Michigan City and the Indiana
15 Blue Chip project.
16 Another important part of Indiana Blue
17 Chip's development of positive public relations
18 is generated from the casino management
19 personnel and their employees. Indiana Blue
20 Chip firmly believes that all employees must
21 exude an enthusiastic attitude to develop a good
22 rapport with casino patrons which will encourage
23 repeat and referral business. In order to
24 develop and maintain such attitudes with
25 employees, Indiana Blue Chip will conduct

1 extensive employee training and motivational
2 programs.
3 Indiana Blue Chip intends to become an
4 active member of the Michigan City community.
5 By participating in community activities, local
6 business clubs, local charities and events,
7 Indiana Blue Chip will quickly become a strong
8 and supportive member of the local community.
9 Just in closing I would just like to
10 mention a little bit on the Michigan City
11 endorsement. Indiana Blue Chip is very proud
12 that Michigan City chose us as the developer of
13 choice. We, as well as the other two
14 applicants, participated in the city's selection
15 process. It was, as you heard yesterday from
16 Mayor Bergerson and her staff, a very complete
17 and fair process.
18 This process began with the selection of 22
19 individuals from the local community to make up
20 the Michigan City Riverboat Gaming Evaluation
21 Committee. These women and men were willing to
22 devote great time and effort because they felt
23 it was important to select the one developer
24 which would best represent Michigan City and its
25 interests to you, the Indiana Gaming Commission.

1 The city utilized the services of a professional
2 consultant who was hired to coordinate these
3 efforts.
4 The thousands of hours spent by the
5 committee members reviewing each applicant and
6 their project plans culminated in a scoring
7 summary that was held on December the 6th, 1995.
8 Each committee member evaluated the four
9 proposals and rated each in 11 different
10 categories. Based on the results of this
11 scoring summary, Indiana Blue Chip earned the
12 privilege of representing Michigan City as its
13 preferred developer. Indiana Blue Chip was
14 selected first overall. Indiana Blue Chip was
15 selected first over the other applicants for
16 Trail Creek. Indiana Blue Chip was selected
17 first over the other applicants for a harbor
18 proposal. It was clear then and it is clear
19 now, Michigan City wants Indiana Blue Chip.
20 In other commission hearings the local
21 endorsement process has been questioned in
22 regard to:
23 The opportunity for all applicants to
24 participate, all applicants participated for
25 Michigan City;

1 The possibility that the endorsement has
2 grown old or stale, this endorsement is 68 days
3 fresh;
4 The possibility that the endorsement was
5 initiated by one or two individuals, this
6 process had 22 citizens of Michigan City all
7 with the same voting power;
8 The fear that the endorsement was made away
9 from public review, all contact with the
10 committee members was at public meetings;
11 The possibility that the criteria used for
12 selection was vague, each of the 11 categories
13 for evaluation were identified and defined.
14 There can be no doubt that Indiana Blue
15 Chip is Michigan City's choice. Thank you.
16 MS. BOCHNOWSKI: I think we'll go ahead
17 and get started. Dr. Ross will be back, he had
18 important calls to make, so he will join us when
19 he can. Oh, here he is, never mind. We'll wait
20 for you. Good timing.
21 Okay. Since we have got everyone here,
22 we'll go ahead and get started with our
23 questioning. Just to start out with, I think
24 this is a question that's on all of our minds,
25 particularly in view of the last speaker

1 yesterday, and that is the closing of the boat
2 in the Galena area. And I would like you to
3 address that, how Michigan City should feel
4 knowing that you left an area where there is
5 competition. You are going to be facing
6 competition here from Indian gaming and from the
7 Lake County boats, what's to prevent you from
8 leaving Michigan City when times get tough?
9 MR. DUELLMAN: Well, I would like to
10 address that carefully and clearly because there
11 is a lot of misconceptions about what has
12 happened. First of all, the Silver Eagle still
13 retains its license with the state of Illinois,
14 and the license is in good standing with the
15 Illinois Gaming Board.
16 We are a company that is meeting all of our
17 obligations to the county, to the state and to
18 our community, and we are not necessarily
19 leaving that jurisdiction. Our situation in
20 East Dubuque is that we are in a situation that
21 has a competitive imbalance between Illinois and
22 Iowa.
23 We are talking here today about awarding
24 one license to Michigan City. In our location
25 in East Dubuque, there is now three gambling

1 entities in a county that has 23,000 people and
2 does not have accessibility to major centers of
3 population, as we showed in our marketing
4 analysis here.
5 What we -- actually what has happened in
6 this location is that in May, or the spring of
7 1994, Iowa dramatically amended its -- the Iowa
8 Gaming Act. They removed all of their
9 restrictions on gaming wagers and on gaming bank
10 roll, but they did something much more
11 significant. They allowed the creation of slot
12 -- land-based slot operations at paramutual
13 sites, and they also eliminated or dramatically
14 revised their boarding rules and requirements
15 for vessels to cruise.
16 In Illinois every single gaming excursion
17 has a requirement or mandate to cruise. We have
18 a set boarding time, a set cruise time and a set
19 disembarking time. On the shortest possible
20 schedule in Illinois we can board passengers on
21 to the riverboat 25 percent of the time that we
22 are open. In Iowa, when they amended the rules,
23 they have set a standard for the riverboats to
24 cruise 100 times per year, this is generally
25 met -- this obligation is generally satisfied by

1 cruising once a day in the summertime, usually a
2 9:00 in the morning cruise, and then staying
3 completely docked throughout the balance of the
4 day, allowing passengers to complete
5 accessibility, boarding and disembarking, at
6 will. In effect, it becomes a completely 100
7 percent accessible casino.
8 In the situation where most of our patrons
9 are driving up to an hour, or possibly an hour
10 and a half or longer, to come to the attraction,
11 the lack of accessibility is a serious
12 competitive problem. If you miss our boarding
13 requirement by five minutes, you will be
14 required to wait for an hour and a half before
15 you can get on the vessel again. Whereas you
16 can go two minutes away across the river to the
17 Iowa site and be completely free to come and go
18 upon arriving.
19 The competitive imbalance was -- is
20 something that we have tried to amend at the
21 regulatory level. We have been appearing for
22 the Illinois Gaming Board for over two years
23 seeking some type of revenue to allow us to
24 compete with this imbalance going forward. We
25 also appeared before the Illinois General

1 Assembly that continued to lobby in Illinois for
2 the potential of revising the Illinois Gaming
3 Act to provide a more equal playing field,
4 particularly for those entities that are
5 competing on the Illinois, Iowa border. That
6 effort has been public, it's been shared with
7 our employees, it's been shared with the county
8 board and it has been publicly reported since it
9 began over two years ago.
10 Our situation there now is that in October
11 our competing riverboat on the Iowa side
12 dramatically expanded its facility, adding twice
13 the casino space and twice the casino capacity
14 by bringing in a much larger boat than Dubuque.
15 In November of 1995 the Dubuque Greyhound Park
16 opened a land-based slot facility with 550
17 electronic gaming devices. We had anticipated
18 that these events would occur, we had no way of
19 knowing exactly how they would affect our
20 operations. Our employees and the county and
21 the Gaming Board was all aware that this was
22 going to be happening.
23 When the land-based slot operations at the
24 Greyhound Park opened, its effect on our
25 operation was dramatic, it was immediate and it

1 was drastic. Not only did it occur in one of
2 our worst seasons, the winter season, the effect
3 was awesome. On certain days, since the opening
4 of the Greyhound Park, we had 44 people all day
5 in the operation.
6 We cannot compete with land-based casinos
7 in that county with another -- with two other
8 entities alongside. It is probably a classic
9 example of market saturation. And on the
10 Illinois side of the border we are working with
11 a severe competitive imbalance, we can't
12 compete. We are currently maintaining all of
13 our obligations. We haven't abandoned our
14 community. We are paying all of our bills. We
15 haven't sought the protection of bankruptcy. We
16 are paying all accounts payable. We have
17 honored our obligations to our employees, we can
18 probably talk about that in a moment. And we
19 are pursuing a remedy with both the Illinois
20 Gaming Board and the Illinois General Assembly
21 to try to seek some kind of relief for this
22 situation.
23 MR. VOWELS: You were talking about the
24 other two boats there in the Galena area and
25 then the ones going across the river with Iowa.

1 I don't see a whole lot of difference between
2 what your competition was there and the problems
3 you had versus -- there is going to be four
4 boats in Lake County and in southern Michigan
5 and the possibly of land-based casinos with the
6 Indians.
7 MR. DUELLMAN: That's true.
8 MR. VOWELS: You need to explain to my
9 satisfaction how it is that that's going to be
10 any different here than there because -- I will
11 be honest with you, after each of this licensing
12 hearings, particularly lately, this commission
13 has come under some attack. If we were to grant
14 Blue Chip this license and then you pulled out,
15 then at least in that instance, the attacks that
16 this commission would be under would be, in my
17 mind, completely valid, and I don't see how I
18 can defend that. So you need to understand, as
19 far as my mind goes, that I see that as a real
20 problem. Develop that more how it is that I
21 should believe that you are not going to pull
22 out once the Indians get going and once Lake
23 County gets going because I don't see any
24 difference in what happened in Illinois.
25 MR. DUELLMAN: First, I would like to

reiterate that we have not left the East Dubuque location. We are still there, and we are still meeting our obligations.

MR. VOWELS: Your boat is here, right?

MR. DUELLMAN: No, sir, it's not.

MR. VOWELS: The Silver Eagle is not coming here as your temporary boat?

MR. DUELLMAN: The vessel itself -- it is part of our plan to bring that vessel here, the reason that that vessel -- it satisfies a couple of situations. It has a narrow beam which will allow us to use the Trail Creek site as an interim facility. It will require us to replace that vessel in East Dubuque in order to maintain our license standing in Illinois. It is a piece of gaming equipment that is uniquely suited to our application as an interim facility here in Michigan City which will only allow us to get up and running at the earliest possible date.

MR. VOWELS: Can that boat turn around in that creek?

MR. DUELLMAN: It cannot turn around in that creek.

MR. VOWELS: Can it go back and forth?

MR. DUELLMAN: It will be going back and

1 forth.

2 MR. VOWELS: Go ahead. I'm sorry.

3 MR. DUELLMAN: What we can -- the vessel is
4 a piece of equipment, we have to replace it in
5 Illinois. We have obligations and license
6 requirements in Illinois, the same as exist here
7 in Indiana. Regarding the market situation, Jo
8 Daviess County has 23,000 people. Dubuque
9 County, the entire county, has 85,000 people,
10 that's 110,000 people in the two adjoining
11 counties.

12 In Michigan City we have almost -- we have
13 over 12 million people within 150 miles. In Jo
14 Daviess County the population center there is
15 dramatically different. We are also under
16 competitive -- we are also suffering from this
17 competitive imbalance with Iowa. Iowa has
18 expanded its gaming up and down the Mississippi
19 River dramatically.

20 The difference in Michigan City is that we
21 have a dramatically larger core population. We
22 competed aggressively and successfully with some
23 of the competition that has come on board for
24 over two years. We didn't pop up and disappear,
25 we have been there since 1992. We have seen

1 seven new casinos operate on the Iowa side of
2 the river since the change in legislation in
3 '94. If there were five new casinos in Michigan
4 City, I don't believe all five would be
5 successful.
6 I do believe that we have shown we can
7 compete aggressively, even under the
8 circumstances of the competitive imbalance, but
9 at some point markets are saturated. When the
10 land-based facility opened at the Dubuque
11 Greyhound Park, we reached that saturation
12 point, and there was not adequate population to
13 support three casinos in that area of the
14 country. That's not the condition in Michigan
15 City, and we feel that we would be funded, we
16 would have an excellent facility here and we
17 would be able to draw and garner a significant
18 market share from the population base.
19 MR. MILCAREK: You are saying conditions
20 changed which caused the increase in
21 competition, and I believe you said that there
22 was some indication of this and you could see it
23 coming.
24 MR. DUELLMAN: Yes, sir.
25 MR. MILCAREK; Did you share this with

1 Michigan City before the evaluation process?
2 Did you say, we are in trouble, it doesn't look
3 good, it looks like we are probably going to
4 close that operation?
5 MR. DUELLMAN: At both of the public
6 meetings I was asked point blank why our boat
7 was doing -- they looked at the numbers as
8 compared to other Illinois boats and what was
9 the situation with our boat, why was it only
10 doing $1 million, a million two a month, and we
11 explained exactly what we said here.
12 When Iowa changed its law, it was very --
13 it affected our operations significantly. Our
14 ability to compete head-to-head, when we had a
15 competitive imbalance, was a severe problem. We
16 continued to garner a significant market share
17 until the opening of the Dubuque Greyhound Park.
18 At that point the Dubuque market, which we value
19 at about 60 to $65 million annually, had three
20 competitors in that site all pushing for market
21 share. The only competitor with a competitive
22 constraint was on the Illinois side of the
23 River.
24 We had a boarding accessibility problem
25 that limited us to putting passengers in our

1 casino only 25 percent of the time. With those
2 kinds of constraints and that kind of market
3 condition, three competitors would not be
4 successful in that arena.
5 MR. MILCAREK; I realize that. I have
6 your reasoning. I'm wondering at what time
7 frame you shared this information with Michigan
8 City.
9 MR. DUELLMAN: In both of the public
10 meetings that question was asked, and both times
11 I answered it in those terms.
12 MR. MILCAREK: Did you answer similarly --
13 MR. DUELLMAN: Yes.
14 MR. MILCAREK: -- to what you're doing
15 now --
16 MR. DUELLMAN: Yes.
17 MR. MILCAREK: -- or did you just say,
18 well, we think we are closing, we think we are
19 in trouble, or did you go on and say, the
20 competition was tough and so on and so forth?
21 Did you indicate you were planning on closing
22 that boat?
23 MR. DUELLMAN: I gave them the state of
24 the art as it was at that moment. When the
25 Dubuque Greyhound Park opened, it was in late

1 November, around November 20, and the situation
2 accelerated very dramatically thereafter. And
3 we had no preconceived notion that we were going
4 to close. Our anticipation was that we were
5 going to be there and continue to compete to the
6 best of our ability.
7 MR. MILCAREK: With the plan to bring the
8 Silver Eagle to Michigan City, are you now in
9 the process of locating a boat to replace this
10 --
11 MR. DUELLMAN: Yes, we are.
12 MR. MILCAREK: -- or are you going to wait
13 and see what happens?
14 MR. DUELLMAN: No. We have several
15 potential boats available. One of the
16 situations that make the Silver Eagle
17 particularly acceptable for a Michigan City
18 interim solution is the fact that it's an ocean
19 worthy craft. It was built on the West Coast
20 and brought down the Pacific Ocean through the
21 Panama Canal for application on our side in East
22 Dubuque.
23 At East Dubuque a much more varied type of
24 craft is acceptable and at work in that
25 location. Many flat bottomed, typical paddle

1 wheel type vessels could operate in that
2 scenario where they would be very difficult to
3 bring across Lake Michigan. So the Silver
4 Eagle, from a marine capable standpoint,
5 satisfies what we need in Michigan City. Many
6 other vessels are available that would satisfy
7 the requirements at the East Dubuque location.
8 MR. VOWELS: There are two other boats
9 there now still in Galena; is that right?
10 MR. DUELLMAN: There is one boat, the
11 Dubuque Diamond Joe, and then there is the
12 Dubuque Greyhound Park, which is a land-based
13 slot operation.
14 MR. VOWELS: Had there been an earlier boat
15 that pulled out?
16 MR. DUELLMAN: There was an earlier boat
17 that withdrew, it pulled out in March of '93, I
18 think.
19 MR. VOWELS: But they didn't have the
20 problems with Iowa at that time, did they?
21 MR. DUELLMAN: They were an Iowa vessel.
22 MR. VOWELS: They were an Iowa vessel?
23 MR. DUELLMAN: They were an Iowa vessel,
24 and at that time, although I can't speak -- I
25 was not a part of that company -- but they

withdrew -- Iowa had --

MR. VOWELS: My whole question was: Do you know how the remaining two entities are doing there from where you guys left?

MR. DUELLMAN: We competed with the replacement vessel, the riverboat, and did all the way until the opening of the Greyhound Park. We shared markets. I would say that -- I don't have exact number of what the entire market did in 1995, adding up all of the component parts, my guess would be it was around 55 million, maybe $50 million. With a third entity with a significant competitive advantage, that market can support three competitors.

MR. VOWELS: Do you feel that competition in Illinois was a better scenario or worse scenario than what would be here with four boats in Lake County and possibly a land-based Indian casino?

MR. DUELLMAN: I think Michigan City is dramatically better, it's not close. If -- I'm sorry. I should have brought a map to maybe indicate how remote East Dubuque is from other centers of population. The closest Illinois town of any size is Rockford which is 90 miles

1 from Galena. And Rockford is closer, in fact,
2 to Elgin where Illinois opened the Grand
3 Victoria Riverboat.
4 MR. VOWELS: What's the status of that
5 lawsuit that the employees filed about -- that
6 complies with the federal warning?
7 MR. DUELLMAN: Well, the status is that
8 it's been filed. The -- in actuality we honored
9 all of our obligations under the Worker
10 Adjustment Retraining Notification Act.
11 MR. VOWELS: There is a time period that
12 you have to give notice to the employees; is
13 that correct?
14 MR. DUELLMAN: Yes.
15 MR. VOWELS: How many days is that, 60
16 days?
17 MR. DUELLMAN: Sixty days is how the act
18 reads, and there are provisions within the act
19 to allow for unforeseen circumstances and other
20 things which apply to the operation of the
21 business.
22 One of the things that the young lady
23 mentioned yesterday -- let me discuss a little
24 bit about what some of those unforeseen
25 circumstances are, and I believe that you are

1 probably in a better position to understand at
2 least this element of the problem. We have met
3 with the Illinois Gaming Board approximately 10
4 days after the opening of the Dubuque Greyhound
5 Park. At that point we were doing a negligible
6 amount of business per day and we wanted to
7 address our options.
8 The Gaming Board had some significant
9 issues and they were considerable. They were
10 concerned that if, under a status of
11 notification, what level of diligence would our
12 employees have in the operation of gaming
13 activities. Would our surveillance people be as
14 vigilant as they were under regular
15 circumstances? Would our supervision of table
16 games and fault and cage operations be up to the
17 same standard that we supplied when we were not
18 under such notification?
19 What would be our ability to replace key
20 executives if they left for other positions?
21 Would we be able to recruit other executives and
22 bring them in and provide the same type of
23 effective control systems that the Illinois
24 Gaming Board demands or would we be at risk?
25 And, thirdly, they did have a concern about the

1 possibility of employee collusion, what was the
2 risk of employees possibly entering into some
3 type of malfeasance or misconduct that would
4 affect the relationship with the customer.
5 It was the Gaming Board's position that
6 they had a definite mandate from the Illinois
7 General Assembly to ensure that the operation
8 was beyond any question of integrity. They felt
9 that under some scenario of notification that
10 they could not make that claim, that we would be
11 open to some type of concerns over whether or
12 not we could maintain the integrity of the games
13 at the level that the Illinois Gaming Board
14 demanded. And in concert with them, it was
15 decided that we would have to close
16 precipitously without notification.
17 MR. VOWELS: I understand your explanation.
18 I don't see any difference in that and any other
19 industry. Back in 1988 that problem was debated
20 in congress when they passed this act, so I
21 guess the Illinois Gaming Board carved out some
22 exception to the federal law. I understand
23 where you are coming from, but I don't see it
24 being any different from any other industry
25 protecting workers.

1 MR. DUELLMAN; Well, Commissioner, the
2 actual -- they didn't address the question of
3 the law, they addressed the question of whether
4 or not we would be allowed to continue to stay
5 open as a gaming entity. They said under those
6 circumstances we cannot meet the mandate that we
7 have and protect the integrity of the customer,
8 and under those circumstances you will not be
9 allowed to be go forward. They didn't address
10 the question of whether or not they that
11 violated the warrant act. Their sole concern
12 was their obligation to the public, and they
13 felt that they could not guaranty the same level
14 of integrity under those circumstances.
15 MS. BOCHNOWSKI: I have a question. Jack,
16 in our investigation, have we spoken with the
17 Illinois Gaming Commission regarding that issue.
18 MR. THAR: We have not spoken with the
19 Illinois Gaming Board with regard to that issue,
20 no.
21 MR. SUNDWICK: I would like to ask a
22 question if I can. Explain the relationship
23 between Blue Chip and the Silver Eagle
24 organization as far as ownership. We are
25 assuming today that these are 100 percent the

1 same people, 100 percent the same companies.
2 MR. DUELLMAN: No, sir.
3 MR. SUNDWICK: And as much as -- as
4 distasteful as this appears to be as far as the
5 lady's statement last night, I want to give you
6 the opportunity to try to explain that to us and
7 the committee at large the relationship so maybe
8 you don't personally take all of the specific
9 blame for this.
10 MR. DUELLMAN: Thank you. Whatever blame
11 is there is probably more on my shoulders than
12 anyone else's, I don't view it in quite that
13 same situation. The young lady's testimony
14 yesterday was dramatic. From our standpoint
15 it's unfortunate that -- I'm not sure that the
16 people who were supporting her in that
17 presentation yesterday don't have a different
18 agenda, and it's maybe not always in the best
19 interest of the employees, it might be more
20 directed toward an agenda of anti-gaming in
21 general.
22 The organization structure -- the Silver
23 Eagle is owned and operated by HP, Inc. The
24 individuals who make up HP of Indiana are all
25 investors and principals in HP, Inc., they are

same people, 100 percent the same companies.

MR. DUELLMAN: No, sir.

MR. SUNDWICK: And as much as -- as distasteful as this appears to be as far as the lady's statement last night, I want to give you the opportunity to try to explain that to us and the committee at large the relationship so maybe you don't personally take all of the specific blame for this.

MR. DUELLMAN: Thank you. Whatever blame is there is probably more on my shoulders than anyone else's, I don't view it in quite that same situation. The young lady's testimony yesterday was dramatic. From our standpoint it's unfortunate that -- I'm not sure that the people who were supporting her in that presentation yesterday don't have a different agenda, and it's maybe not always in the best interest of the employees, it might be more directed toward an agenda of anti-gaming in general.

The organization structure -- the Silver Eagle is owned and operated by HP, Inc. The individuals who make up HP of Indiana are all investors and principals in HP, Inc., they are

1 two separate organizations. So from that
2 standpoint -- and then HP of Indiana owns a 60
3 percent interest in Indiana Blue Chip, so they
4 are two separate and legal entities. HP of
5 Indiana will be a 60 percent owner in Indiana
6 Blue Chip.
7 MR. SUNDWICK: So HP of Indiana, as 60
8 percent owner, is the responsible partner for --
9 in the Silver Eagle?
10 MR. DUELLMAN: The individuals who make up
11 HP of Indiana are also investors in HP, Inc.
12 There is no direct tie between the two other
13 than commonality.
14 DR. ROSS: Who owns the boat, Silver
15 Eagle?
16 MR. DUELLMAN: HP, Inc. owns the boat.
17 DR. ROSS: They own the boat 100 percent?
18 MR. DUELLMAN: Yes, sir. HP Indiana would
19 acquire the vessel from HP Inc. in Illinois.
20 DR. ROSS: One hundred percent?
21 MR. DUELLMAN: Yes. It would buy a piece
22 of equipment.
23 DR. ROSS: They would buy it, not rent it?
24 MR. DUELLMAN: No. And they would have to
25 meet all of the regulatory protocols that are

1 required in Illinois for that to happen in order
2 to bring it to Indiana.
3 DR. ROSS: You know, it seems to me three
4 things happened real quick -- it may be
5 coincidental -- one was when you decided to
6 close down in Galena and; two, was when -- it
7 seemed like when the committee said that you
8 were their main choice to come to Michigan City,
9 these two things happened on the same day; and
10 the other thing is that you needed that boat to
11 come to Michigan City. Is that just a
12 coincidence that those things happened together?
13 MR. DUELLMAN: Not entirely. We have been
14 pursuing the Michigan City license opportunity
15 for some time. We felt that the Silver Eagle,
16 as a vessel, would provide us with a wonderful
17 interim solution to get up and running in
18 Michigan City. We anticipated from day one that
19 the vessel itself would have to be replaced at
20 the East Dubuque location.
21 In Illinois I can think of five boats
22 who -- five gaming companies, who have traded
23 out or changed pieces of equipment or vessels.
24 In fact, the Empress, the affiliate of the
25 company that's just been selected in Hammond,

1 has brought in new boats. It was always our
2 intention to try to use that vessel in Michigan
3 City, we were very open about that.
4 The thing that is coincidental is that our
5 closing was tied, not to the endorsement process
6 of the city but to the reaction to the opening
7 of the Dubuque Greyhound Park, that was the
8 driving force in what happened with the
9 discontinuing of gaming excursions.
10 DR. ROSS: Did all three of these things
11 happen on December 6th?
12 MR. DUELLMAN: We discontinued operations
13 on the 5th, the gaming endorsement was on
14 December 6. If there was any way -- I would
15 never pick December 5th as the time that we
16 would have elected to discontinue that gaming
17 excursion with the city's endorsement lying in
18 the balance the next day, that was not something
19 we chose.
20 DR. ROSS: Who chose that?
21 MR. DUELLMAN: It was in discussions with
22 the Illinois Gaming Board that that became a
23 matter of when it was chosen. It had to do as
24 much with the fact that there was a meeting with
25 the Illinois Gaming Board, a public meeting, on

1 that Tuesday, and they wanted to make that
2 scenario the implementation of this
3 discontinuation program consistent with that
4 meeting schedule.
5 DR. ROSS: One other thing about the
6 organization, I see Mr. Pedersen has been
7 involved in some very big rich things. The --
8 let's see -- Boston Chicken and Blockbuster, is
9 he -- is he a major player in Blockbuster and
10 Boston Chicken? Does he own all of it or --
11 MR. DUELLMAN: I think he wishes he owned
12 all of it but he -- he -- Mr. Pedersen was part
13 of the council that took Waste Management public
14 approximately 20 something years ago. And he
15 has been a close associate and confidant and
16 advisor with Mr. Hizinga, (phonetic) Mr. Quinn
17 (phonetic) and a few others who have been
18 instrumental in the development and nurturing of
19 these companies. The list is more extensive
20 than Boston Chicken and Boston Markets and more
21 extensive than just Blockbuster but in the
22 interest of time we to focused on those two
23 because they are well known here in the Midwest.
24 His interest has been significant, and I
25 believe that in your packets you have his

1 personal financial statement which would be
2 probably the most appropriate determinant of how
3 significant his involvement has been. He
4 continues to serve on the board in many of his
5 corporations.
6 DR. ROSS: I have an interest in two
7 because these are the two I know about, I eat at
8 Boston Chicken sometimes. I just --
9 specifically what is his -- how much of Boston
10 Chicken does he have?
11 MR. PEDERSEN: I help co-found Boston
12 Chicken. I'm on the Board of Boston Chicken. I
13 own a significant amount of stock in Boston
14 Chicken and have an interest in probably 350 of
15 their franchise stores, so I have been there
16 from the beginning. And when they first started
17 out, since they were initially from Blockbuster,
18 they asked my advice when they bought these
19 seven or eight little stores in Boston, and I
20 have been on their board and very much involved
21 and very much a substantial investor. And I
22 also raised the money for them on their two
23 private offerings, I was in charge of that.
24 DR. ROSS: I'm not trying to be picky, I'm
25 just trying to understand something. It seems

like the bank of LaSalle said that they would loan all this money if you came up with the proper collateral, could you speak on that.

MR. PEDERSEN: Well, I think you have my financial statement, and I have the will and the desire and the capacity to do that together with other people that I would, you know, bring into the package. So I don't think there is a -- could be a question about our ability financially to do it.

MS. BOCHNOWSKI: You are willing to put up the collateral necessary for this loan?

MR. PEDERSEN: Yes, I and some other investors. I would not be the sole investor just as I am not in HP of Illinois.

MS. BOCHNOWSKI: This would be the same as a personal guaranty then?

MR. PEDERSEN: I have a $13 million personal guaranty at the Bank of America for the Illinois boat, not for the Illinois boat, the Illinois operation.

MR. SWAN: Where do we stand as far as the financing from the other investors as well? This is a fairly highly leveraged endeavor from what I see, and the Indiana investors were to

1 come up with $8 million or some figure like
2 that, do you know where that stands now?
3 MR. PEDERSEN: I believe they are
4 committed and prepared to do that and have the
5 ability to do it.
6 MR. SWAN: Is anything secured at this
7 point as far the financing for those
8 individuals?
9 MR. DUELLMAN: Bill, why don't you speak.
10 MR. KELSEY: As far as the Indiana
11 investors are concerned we are committed to $8
12 million. We have a million and a half on
13 deposit at LaPorte Bank today, and in addition
14 to that we can come up with six and a half
15 million dollars of the personal net worths of in
16 Indiana investors.
17 MS. BOCHNOWSKI: You are saying that you
18 don't have to finance that, you'll just put your
19 own personal money --
20 MR. KELSEY: We have -- they will either
21 borrow it or come up with it. They have north
22 worths in excess of $30 million, I believe.
23 MS. BOCHNOWSKI: So that would be on
24 individual basis --
25 MR. KELSEY: Yes.

MS. BOCHNOWSKI: -- not the company borrowing, the individual borrowing?

MR. KELSEY: Right.

MS. BOCHNOWSKI: Excuse me. Could everybody please identify yourself as you speak. Go ahead and do that for the court reporter.

MR. DUELLMAN: The last speaker was Mr. William Kelsey, and I'm Joe Duellman.

MS. BOCHNOWSKI: From now on, everybody please identify yourself.

MR. MILCAREK: Could we get back to the Galena operation. What besides the boat was there, what kind of facilities, restaurants?

MR. DUELLMAN: The video -- we wanted to show the video to give you a sense of it. There was a 25,000 square foot pavilion including a restaurant, two lounges, office space and a passenger ticketing facility as well as -- as well as parking for approximately 750 cars.

MR. MILCAREK: Is that similar to what we would be in Michigan City?

MR. DUELLMAN: It is smaller in scope than what we planned in Michigan City.

MR. MILCAREK: Now that the gambling operation has been shut down, how are the other

1 facilities doing without the boat?
2 MR. DUELLMAN: Those facilities are
3 essentially not operating right now.
4 MR. MILCAREK: So if your boat leaves
5 Michigan City, that could be the same scenario
6 here?
7 MR. DUELLMAN: Well, there is not a hotel
8 on site there. One of the things that I would
9 like the commission to be still maintained an
10 awareness of is that we are still one of the
11 largest employers in Joe Davies County near East
12 Dubuque.
13 The Galena operation also includes our
14 operation of Eagle Ridge Inn and Resort which is
15 the finest golf resort in the Midwest. We
16 employ approximately 600 -- over 600 people at
17 Eagle Ridge and had just made another
18 significant investment in Eagle Ridge to
19 continue on. Our presence in the county is
20 going to remain.
21 We have always tried to attach the Silver
22 Eagle and Eagle Ridge to pick up the synergy
23 between the operations, but the two are separate
24 there. In Michigan City you are going to have a
25 resort hotel built as part of the project.

1 Michigan City has made it very clear to us that
2 they have a significant interest in a meeting
3 and conference center. Well, I understand that
4 it's the entire county, this facility is
5 somewhat small for this type of meeting, it's
6 small and narrow. And we are hoping to bring to
7 Michigan City a better venue for conference and
8 meeting space, that will remain regardless of
9 what happens.
10 MR. MILCAREK: What year do you intend to
11 start the hotel?
12 MR. DUELLMAN: I think our time line shows
13 that we have about 9 to 10 months for plans and
14 it will begin operating in the ground around the
15 year 02.
16 MR. MILCAREK: The presentation this
17 morning, it really doesn't compare to what we
18 have been shown in the past. What happened to
19 the Trail Creek extension? I guess what I'm
20 trying to say is, this plan looks different than
21 the one you submitted to the commission.
22 MR. DUELLMAN: In analysis we determined
23 that the Trail Creek extension, the dredging of
24 that channel, was not nearly as viable as the
25 using Trail Creek itself for the entire cruise

1 path of the vessel. We felt it was more in
2 keeping with the act in that doesn't change or
3 alter existing pathways, that it provided an
4 adequate cruise path for the vessel. We used --
5 well, it's a different jurisdiction, we compared
6 it significantly to the operation in Elgin,
7 Illinois, which has been a successful operation.
8 MR. MILCAREK: I think the point I'm
9 trying to make is the plan you presented this
10 morning and the one you submitted to the
11 commission for study is significantly different.
12 MR. SUNDWICK: Also let me ask the
13 question, is that the same package that you got
14 the nod from the city on with the intent over
15 the canal, did they --
16 MR. DUELLMAN; We had the cruise path.
17 The channel was there but in discussing the plan
18 with the Gaming Evaluation Committee, we
19 indicated that we felt that the tent or the
20 canvas coming provided some significant
21 drawbacks and most likely not be part of the
22 plan. We felt that the covering would provide
23 some environmental and HBAC problems, exhaust
24 fume problems and in the final analysis was not
25 in the best interest of the license application.

1 MR. SUNDWICK: They were, in fact, aware,
2 that this is not something --
3 MR. DUELLMAN: Yes. We shared that with
4 the Gaming Evaluation Committee.
5 MR. SUNDWICK: Within the last 68 days
6 there was an opportunity -- this is the first
7 time, I think -- I was really anxious to see
8 this. We knew 68 days ago that we weren't going
9 to do this, right?
10 MR. DUELLMAN: We knew that we were going
11 to probably have to redesign the canvas
12 overview, yes, sir.
13 MR. SUNDWICK: In the harbor -- the
14 dredging or new path is drawn, you knew that 68
15 days ago?
16 MR. DUELLMAN: Yes, sir. Let me restate
17 that. We knew that the canvas shelter --
18 MR. SUNDWICK: Uh-huh.
19 MR. DUELLMAN: -- was -- it was highly
20 likely that it was not going to work, that there
21 would be a better plan that can be made viable.
22 And I'm not sure whether it was 68 days or so
23 but we had our questions about the viability of
24 the plan at that time, and we have continued to
25 develop it until it has this stage today.

1 MR. SUNDWICK: So the 22 member commission
2 at that time, 68 days ago, they really did think
3 they were going to have this other canal but
4 they didn't? I'm confused. They were aware
5 that it just wasn't going to be there?
6 MR. DUELLMAN: I believe it was part of
7 the package that the canal would be
8 perpendicular to Trail Creek. And I do believe
9 that that was part of the package at that time.
10 And we addressed the problems of the awning and
11 a potential for other problems there and talked
12 about that, but we did not present the plan that
13 said that Trail Creek itself would be the entire
14 cruise path.
15 MR. SUNDWICK: Why were we notified today
16 or this morning, but I was so anxious to see
17 this, but we didn't know about it.
18 MR. DUELLMAN: I believe that we tried --
19 I think we had a discussion with staff about
20 some ideas regarding the plan. Let me just
21 check one -- check.
22 MR. McQUAID: If I could, Mr. Commissioner,
23 the amenities have all stayed the same. I had
24 discussions with staff about the possibility of
25 using the natural cruise path of Trail Creek

rather than making a leap of faith that a manmade channel would be consistent with your interpretation of the act.

MR. SUNDWICK: You kind of narrowed it, I think, a little because I'm having a problem thinking the state legislature thinks that we ought to have boats on Lake Michigan and we are going to end up with less than a mile of very narrow creek, am I right? That's what we have now?

MR. McQUAID: The cruise path would be approximately one mile, and that would probably be very consistent with the breakwater distance at the harbor. This is still considered Lake Michigan waters. We do not want to come here and ask the commission to weigh the possibility that a manmade channel would be consistent with Lake Michigan waters. But as far as the canopy over the top of the pavilion, that was never part of our presentation to the city, in fact, that was dropped during our first presentation to the city, as we informed them then, that there would be some inconsistencies with what I interpreted the act of leaving the dock.

MR. SUNDWICK: So the first presentation

to the city the canopies were gone?

MR. McQUAID: Yes, sir.

MR. SUNDWICK: How long ago was that?

MR. McQUAID: That was in September and I think that was consistent with our application to the commission.

MR. SWAN: I would like to ask a follow-up, if I may, as far as two sites themselves are concerned, do you as a provider of these services have one preference over the other? I know the city has said that they like the Trail Creek site but do you have a preference for harbor versus Trail Creek?

MR. DUELLMAN; We are here because we made a commitment to the city to represent Trail Creek as our preferred site, I would -- that would be our position. If the commission finds that the Trail Creek cruise path is inconsistent with the Gaming Act, then we would develop the harbor. But our responsibility today to the city and to the endorsement process is to be here to represent Trail Creek.

MR. SWAN: As far as you're concerned is the harbor site viable, can it be done?

MR. DUELLMAN: Well, it certainly can. We

1 don't believe it can with done without some
2 access to the harbor, and that seems to be a
3 significant drawback. We think that there are
4 some problems with space in the harbor and --
5 but it can work. We feel that the cruise path
6 on Trail Creek is consistent with Lake Michigan
7 waters but we are aware that that's the
8 commission's interpretation, and the
9 commission's interpretation will determine
10 whether or not that cruise path is acceptable
11 which is the reason we have proposed the harbor
12 as an alternate.
13 MS. BOCHNOWSKI: Have you had any
14 conversations -- I understand NIPSCO does not
15 want to let go of that land for more than a
16 year -- have you had any conversations with
17 NIPSCO?
18 MR. DUELLMAN: There was some casual
19 conversations but it was our understanding that
20 they did not want to discuss anything prior to
21 an actual applicant being selected.
22 MR. SUNDWICK: Is it there any other city
23 property that if you had a clean sheet of paper
24 that you can look at and say this is a better
25 spot than the creek area? There is a lot of

city property around there, and it appears to me the city is saying that we don't want to disturb that, we don't want to disturb that, et cetera, et cetera, but, you know, I don't think you are putting this project in the best locations because you are being restricted by the city.

MR. DUELLMAN: Well, we viewed the project from a gaming standpoint. Outside of the determination of whether the cruise path meets the act, being on a confined cruise path provides a number of safeguards, both for passenger's safety and for operation of the vessel. The Elgin operation is probably a good example for what that does for the operation. It does provide a cruise path, it does provides limited concern for passenger safety. It would be in a channel that's protect from high winds and wave action. You would be in a channel that would not have access to a significant amount of traffic.

As you move downstream toward Lake Michigan, there are a number of significant vessels there, personal boats, which are fairly good size. They also have to operate through the harbor, the chance for accident are more

difficult. There are questions about whether or not there will be rescue operations, both -- all of our vessels, all of the applicants are anticipating significant vessels with thousands of passengers on them at one time and to operate on Lake Michigan provides significant safety hazards, it will require significant safety plans, so those are all elements -- it's all doable but it's all elements and tradeoffs and which locations are acceptable.

I haven't seen any other significant area that would be acceptable. To be honest, we listened primarily to what we felt was the mandate of the city and the Trail Creek operation. The referendum and the whole process seemed dependent on Trail Creek, and we felt that that was an important part of representing the city's interest.

MR. MILCAREK: In your application you stated that the vessel would be constructed by Jeff Boda (phonetic) in Jeffersonville, Indiana. When did you change to the plan that you are going to build it on site?

MR. DUELLMAN: The actual vessel -- we have contracted -- they haven't contracted with

1 anyone, we have had discussions with several.
2 We have discussed it with CB&I because of their
3 experience and their success in launching the
4 vessels on site. The primarily consideration is
5 to try to find a local contractor. Part of the
6 reason there is no contract is we haven't
7 determined the site. If we have two sites still
8 before the commission, we think that there is
9 going to be significant changes in the final
10 determination of the vessel and the vessel would
11 be bid and would be awarded to the most
12 appropriate contractor.
13 MR. MILCAREK: I'm somewhat curious. Why
14 wouldn't you state in your application if there
15 were a possibility that the vessel would be
16 built on site? Why didn't you -- this morning I
17 don't believe we were told that this was going
18 to happen. I'm thrilled that it will be
19 available on site but I'm wondering why it
20 differs so much from your original proposal.
21 Why didn't you mention that, is this something
22 that just came up recently? That's what I am --
23 MR. DUELLMAN: Joe.
24 MR. McQUAID: We feel, sir, at this time.
25 MR. SUNDWICK: Give your name.

MR. McQUAID: Joseph McQuaid. The Trail Creek location will really dictate that the boat has to be built on site and it was certainly our intention in our application to indicate that, we were just discussing. I thought it was in our initial application that if Trail Creek was the selected location, that any vessel at Trail Creek will have to built on site due to the height limitations and the width limitations of the two bridges.

MR. SWAN: Can I ask a follow-up on that.

MR. McQUAID: Yes.

MR. SWAN: Is there a problem with running the excursions up and down Trail Creek with other boat activity in the area? That boat is how wide, I don't remember right now?

MR. McQUAID: Yes, sir, the Silver Eagle is approximately 45 feet wide.

MR. SWAN: I'm talking about --

MR. McQUAID: -- the permanent vessel. And I would like, if I could, to bring Jim Lencioni up here to explain the component where the boat will be birthed.

MR. LENCIONI: My name is Jim Lencioni. And the permanent vessel we would actually, in

the overall final construction, widen Trail Creek where the vessel would be docked. Joe is over there pulling out the site plan now. And there would be some additional dredging which would accommodate the vessel in that particular route in Trail Creek. For our interim vessel -- we can get that into the site, it's a smaller vessel -- and we will be able to, again with minimal dredging, get it at the interim docking site.

MR. SWAN: How wide is the permanent vessel?

MR. McQUAID: It would be approximately 70 feet wide.

MR. SWAN: And the creek itself is about 100 feet.

MR. LENCIONI: Correct, without any additional widening.

MR. SWAN: And that's the dotted line, I see.

MR. McQUAID: This is it's creek line as it stands now and that's where it would be.

MR. THAR: Okay. There is a couple of things, let me back up to a few discussions that the staff has had. Joe, can you leave that up,

please.

MR. McQUAID: Yes, sir.

MR. THAR: There's two things, Bob Sundwick, to go back to your original question about the cover trench so to speak, that was eliminated early and in time to make into these reports. You did have a discussion with Joe McQuaid concerning whether or not Joe's statement that you believe the company was going to switch from using a channel at all to cruising up and down Trail Creek based upon a dredging operation, that discussion occurred too late to get into the reports.

I don't believe that anything has been presented to the commission in written form other than the discussions and showing the site plan. In follow-up to what Tom Swan just asked -- which is the reason I'm interjecting and I apologize, because we are not the answers weren't to the question asked -- the question was: How is the boat traffic going to get up Trail Creek?

If the full-size, built on-site boat is cruising Trail Creek between the two bridges indicated -- and in discussions that exact

question was asked and their answer was to build a new marina there so boats docked on Trail Creek will no locker dock on Trail Creek but, in fact, be at the northern edge of the cruise area to minimize pleasure boat traffic with the cruise boat.

MS. BOCHNOWSKI: Are most of those boats headed out to Lake Michigan exactly? There is really nothing to do.

MR. McQUAID: I apologize for not answering the question. This will be prepared to mitigate the loss of any of the slips along here. This will be cruise path, and these boats will go back out to the harbor.

MR. THAR: Which then raises the issue on the new boat that is built, if you were to built one on site, the height of that bridge is only 40 feet at 12th, how do you intend to get the boat underneath there to the railroad bridge, that's another 30, 40 yards, maybe 60 yards.

MR. McQUAID: Actually this is approximately 48 feet. I think the Elgin boat is 52 feet and there is some room and some flexibility. We are still working out those plans and details.

MR. THAR: The bottom line is that you would intend that the permanent boat would dominate that area of Trail Creek from at least the 12th Street Bridge to the E Street bridge and eliminate for all practical purposes any pleasure craft from going in that area?

MR. McQUAID: Right.

MR. THAR: If the Coast Guard brought into that proposal.

MR. McQUAID: Right.

MR. THAR: The other aspect with regard to Trail Creek, from a Corp of Engineer point of view, everything from E Street to the lake is considered a navigable waterway which will mean that both the Coast Guard and the Army Corp of Engineers will have jurisdiction over the development phase, is that your understanding?

MR. McQUAID: Yes.

MR. SWAN: Have you had any preliminary indications as to feasibility from those people? Have you talked to them at all about this plan?

MR. THAR: Let me back up just a minute. The staff has been advised by the Army Corp, and that is some years ago, a permit was allowed by the Army Corp of Engineers for a proposed

condominium, et cetera, type development in the area, the gray area, that is shown in there, which is one of the reasons why the bank is holding a lot of the property there, and the city owns some of the other property, it went belly up.

Under that permit there was some dredging that was allowed and some construction that was being allowed. Now, the corp has told us they would review that permit to see if it was workable so that any permit application would be an amendment to that or they may require a whole new permit application, they haven't decided. But some issues with regard to dredging and with regard to construction in that area, the corp has already seen, they just have to process it.

MR. SUNDWICK: Excuse me. The majority of the property in gray is owned by the bank?

MR. McQUAID: Yes, sir.

MR. SUNDWICK: How many people from the bank are on the commission?

MR. McQUAID; None to my knowledge. I can verify that, but there is none to my knowledge.

MS. BOCHNOWSKI: I think we do.

MR. THAR: Bob, it was represented

yesterday when that question was asked of the city that no one involved with the bank was involved directly or indirectly with the selection committee.

MR. SWAN: I guess the area north of that -- is it the 12th Street Bridge is the one at the top?

MR. McQUAID: Yes, sir.

MR. SWAN: And then there is the railroad bridge north of that?

MR. McQUAID: Yes.

MR. SWAN: And there would be pleasure craft coming in-between into those bridges into that harbor there --

MR. McQUAID: Correct.

MR. SWAN: -- and would be competing for space with those pleasure crafts as well, right?

MR. McQUAID: At times, yes, sir.

MS. BOCHNOWSKI: I don't want to move on if there is some other questions. There is some question that was brought up in our information here regarding your temporary vessel, the Silver Eagle, that you are bringing here. The size of that is quite small, and would you be able to meet your projections of your number of

1 customers just based on the side of the boat,
2 and it would possibly have more demand than you
3 can handle, could be a problem? And how long --
4 and again can you repeat how long that temporary
5 boat would be in operation?
6 MR. DUELLMAN: This is Joe Duellman. I do
7 think that the demand would be in excess of
8 capacity initially. The boat does have the
9 Coast Guard capacity of 1100 passengers, it has
10 approximately 600 gaming positions. The real
11 advantage in this -- for us in using this vessel
12 is that it would be immediately accessible to
13 us, and we felt that it would meet the marine
14 problems and navigable problems of this site.
15 It has a 46 foot beam.
16 We believe that we have a scenario where it
17 can actually access the interim site by widening
18 the railroad bridge, a project which has been
19 already evaluated and considered by Amtrak. And
20 our engineers have met with their engineers and
21 we have seen no problem in moving forward on
22 that process, that would allow Silver Eagle to
23 come in to the Trail Creek area and utilize the
24 two existing facilities there.
25 We believe the earlier the vessel comes in,

the more capable it will be to take advantage as yet on an untapped market. Obviously the demand is greatest when there is fewest number of competitors. The sooner the boat opens, the more market share it should garner, therefore, demands should exceed capacity. And our plans would be to build a larger boat at the earliest possible convenience.

MS. BOCHNOWSKI: You don't have specific date for when you will build that larger boat?

MR. DUELLMAN: We have some people with us from CB&I, and we believe that it can be designed, constructed and completed within one year.

MS. BOCHNOWSKI: So from the time you are granted the license a year?

MR. DUELLMAN: We would hope it would be up and running before the summer tourism season next year with the larger vessel.

MS. BOCHNOWSKI: Based on having the smaller vessel, though, do you think that your projections are accurate?

MR. DUELLMAN: We think the projections are accurate. We think that a larger vessel earlier on will do a significantly -- will do

1 significantly more business.
2 The projections are fairly flat because we
3 anticipate that the startup of getting a smaller
4 vessel up and running is a tradeoff on market
5 share until we have a larger vessel. We have
6 been more conservatively projecting going
7 forward due to the potential market impact of an
8 Indian casino and other competitors coming on
9 line. So early on it's market share based on
10 the vessel, later on its effects of other
11 competition.
12 MR. SUNDWICK: If, in fact, this commission
13 determines that going a mile up and down a very
14 narrow waterway doesn't comply with the state
15 law, what major problems do you see building on
16 the harbor, what's your major problems going to
17 be?
18 MR. DUELLMAN: Well, there will be -- the
19 most significant problem is access still,
20 assuming that we can get access, appropriate
21 access, in the site worked out. We do think
22 that there are some other concerns regarding
23 vessel and marine design, all of which can be
24 handled, they are operational but I think that a
25 good plan can address those. They have to do

with Coast Guard capabilities, safety issues, parking and access are more difficult at that location.

MR. SUNDWICK: Do you have any options on the land that you are proposing?

MR. DUELLMAN: No, we don't have any options there.

MR. SUNDWICK: Really what you have is you just have the bank property under control now?

MR. DUELLMAN: We don't have bank property under control either. The bank --

MR. SUNDWICK: But that won't be a problem?

MR. DUELLMAN: According to what the testimony was yesterday it's not, not according to our discussions. They want to deal with the successful applicant. Our feeling in the harbor, while the owners of much of that property are part of another applicant.

Whoever is the successful candidate in this process, we hope to be able -- if it's us, we hope to be able to deal in an environment to acquire property and work with individual owners to move forward on that site. There is only going to be one successful applicant here and if

it is us, we hope to deal hope openly in the acquisition of that property.

MR. SWAN: May I ask sort of an unrelated question but it's one that's been on my mind, in your projections your win is $34 is what I am seeing, and that's probably one of the most conservative numbers I have seen in a long time. I'm curious how that number was derived?

MR. DUELLMAN: Our projections are very conservative. We believe that -- we -- our presentation and our marketing plan involves a market segment from Chicago and from the western locations, but we believe it is more significantly going to be drawn from the east and from the south and bus tour markets. And our plan is to concentrate on group business. Although the estimates there are very conservative, we do not believe we are going to be hitting $60 wins, I believe it will be less than that, it may be more in line what you see in Peoria, the Metropolis.

MR. SWAN: Those would be --

MR. DUELLMAN: Mid 40s.

MR. SWAN: Evansville was at 38, I think, in December. I haven't seen January yet but it

1 may be that kind figure I guess. While I said
2 that was conservative, I wasn't so sure about
3 the attendance. I did some quick math on that
4 and it looks like you would be pretty well
5 running at full occupancy or at about 85 percent
6 maybe during that first year on an interim
7 vessel, is that what your understanding is too?
8 You're showing about a million nine for the
9 first year.
10 MR. DUELLMAN: We think it would be about
11 70 percent. In Joe Davies County in Galena we
12 were doing about a million passengers annually
13 with severe competitive problems by aggressively
14 marketing the bus tour business and bringing
15 business from outside that location. And in
16 generating a million passengers without the
17 population base and the market base that we have
18 here on the Michigan south shore so we think
19 it's very doable.
20 MR. SWAN: Have you done any calculations
21 to show what your break even point may be? We
22 have a couple of significant variables obviously
23 with the admissions and with the win. If you
24 kept those reasonably constant, let's say you
25 use the $34 win, what would your admissions need

to be break even cashflow-wise?

MR. DUELLMAN: Do we have that? We have done those projections. I don't have those available right now. I would be glad to get them back to the commission.

MR. SWAN: I'd be interested to see what that is. If we can do it, I'm freezing the win at the 34, 35, 36 dollar level, something like that, it will be interesting from a cash flow standpoint.

MS. BOCHNOWSKI: Okay. We need to take a very short break to change paper for the recorder.

(A short break was taken.)

MR. MILCAREK: Other applicants show a slowdown -- other applicants show a slowdown in the third, fourth and fifth year and you do not seem to project that, can you tell us why that is?

MR. DUELLMAN: We anticipate that we won't be able to accommodate a full market share early on due to the using of the smaller vessel and the building of our larger vessel. We believe that by the time our larger vessel comes on board, we anticipate competitive intrusion that

1 is anticipated in the other applications. So we
2 believe that earlier on we have a smaller
3 capability to require market share. We can be
4 up and running early but we are giving up a
5 certain amount of market share in order to do
6 that.
7 We are anticipating, on a conservative
8 basis, that by the time our permanent boat comes
9 on line that at that time we would anticipate a
10 very early entry of the potential of Indian
11 casinos in Michigan.
12 MR. MILCAREK: You don't see a slowing in
13 the third, fourth and fifth year as the others
14 do?
15 MR. DUELLMAN: I believe that we see it
16 occurring -- we see a slowing as you go forward,
17 as other competitors enter the market. We have
18 incorporated primarily in our third year.
19 MR. MILCAREK: I would like to -- I would
20 like to change the question here for just a
21 moment. It says that you encourage minorities
22 and women who own business to do business with
23 you. Could you please give me an example of
24 what type of services you would expect them -- I
25 mean I hear the phrase all the time we encourage

1 people -- how would you encourage them and what
2 businesses would you suggest that prepare for to
3 take advantage of this?
4 MR. DUELLMAN: Certainly we have used NB
5 and WD qualified companies in the construction
6 phases and development phases of our other
7 businesses, I think I can think of one right off
8 the top of my head, which is Equipment Dynamics,
9 which is a woman owned business, that has worked
10 with us in all of our applications in providing
11 all of our kitchen equipment and kitchen design
12 in all of our restaurants and food service
13 applications.
14 I believe on an on going basis certainly
15 out source capabilities come in terms of
16 advertising, possibly public relations. In
17 addition to the construction trades on the
18 initial building, bus service and tour operators
19 are also areas where we would probably be doing
20 a large amount of business with those sources.
21 MR. MILCAREK: What do you think in your
22 job fares, or whatever, the way you might
23 conduct that, would it be beneficial to provide
24 a list at that fair to people to say these are
25 the type of services we are going to require,

here are some ideas for you to think -- to maybe start a business or to take advantage OF that because the statement is really batted around quite freely, we are going to give the opportunity.

A lot of people have approached me and asked about this. What opportunities will there be? What is something specific that you could put out at a job fair or something that would give them an idea of how to approach this over than just working on the boat?

MR. DUELLMAN; We have had -- in our bid process we have tried to identify certain construction firms who meet those qualifications, and we have tried to publish those, we did process significantly. Perhaps -- Joe, do you have anything you can add on the bid process?

In our Galena operations, there is -- it has not been -- we have not had the capability of many minority owned operations. We in a population mix of that area is heavily white, it has not been possible. We have tried to bring women owned businesses in line and have used, for example, the example of Equipment Dynamics.

At the Silver Eagle itself the general manager, who was with us until December, was a female. We believe in advancement and try to meet the standards identified in those applications.

MR. MILCAREK: Yes. I was thinking along the lines of helping someone start a business. And, you know, if some newcomer could say to you, I'd like to start a business, I would like to get involved in it, it would be nice if you could give some thought to that in the future and answer those questions. Also, will you have incentive or profit sharing program for the employees?

MR. DUELLMAN: We have a 401K plan in place currently under Aeria which we have made available to all Silver Eagle and Eagle Ridge employees, that is currently the program available.

MR. MILCAREK: Does the company contribute to that?

MR. DUELLMAN: They did not last year.

MS. BOCHNOWSKI: I would like you to review your financing book again. In my material that I have here at the time they were doing the

1 investigation, it was a little hazy exactly how
2 all this was going to come together and whether
3 or not the individuals, particularly the
4 local -- the Indiana portion, had enough cash
5 flow really -- if the cash flow from the
6 operation didn't meet expectations -- to cover
7 their debt obligations so I would like to hear
8 that.
9 MR. DUELLMAN: If it's on the locals, let
10 me bring up Bill Kelsey, one of the local
11 investors, and he can address that.
12 MS. BOCHNOWSKI: Yes. And even the total
13 financial package, I just want to get a real
14 strong feeling for how that's going to come
15 about.
16 MR. KELSEY: My name is William Kelsey. I
17 think I testified earlier that the local
18 investors would be investing $8 million. We
19 have a million and a half dollars on deposit in
20 a LaPorte County Bank, the remaining 6.5 million
21 would be available when we are licensed, it
22 would either come from the net worths of the
23 individuals, either through loans or from cash
24 that they have, and it would be repaid or debt
25 from dividends from the boat or from other

income that they had.

MS. BOCHNOWSKI: What if you didn't get cash flow you expected from the boat, would you be able to put in your own money or would that be a problem?

MR. KELSEY: We would do that. And I think we have an understanding with the Illinois people that they would be of assistance as far as that's concerned too.

MR. SUNDWICK: What does that mean?

MR. KELSEY: Well, I think that we have significant net worths there, that if we weren't able to take care of the obligation, that they would back up our obligation which I know it would.

MR. SUNDWICK: Is there a written agreement to that or you think they will?

MR. DUELLMAN: Well, it's -- currently we don't have a formal agreement to that effect.

MR. SUNDWICK: Their boat just left someplace, you know.

MR. DUELLMAN: We have confidence in the people and the integrity of that group. I think that we have dwelled on their boat but I think it's a totally separate operation in a different

1 market with a different population base and so
2 we are highly confident.
3 MR. SWAN: Well, on the total package you
4 had indicated, Mr. Duellman, I think that you
5 would have, I think, 41 and a half million of
6 asset based financing -- maybe I wrote this down
7 wrong -- in what we were presented with a
8 proposal it looks like it's 23 million.
9 MS. BOCHNOWSKI: Yes. There is some
10 discrepancy between what we have got and --
11 MR. McQUAID: Joseph McQuaid. As a point
12 of clarification, and I apologize for the
13 inconsistencies, we submitted the black book
14 today and just if we could walk you through that
15 version of the financial section, it might be
16 easier.
17 MS. BOCHNOWSKI: What page are we talking
18 about?
19 MR. McQUAID: It comes immediately after
20 the reference.
21 MR. SWAN: I really want to know what the
22 difference is between what you gave us before
23 and what you have now, if we could focus on that
24 when we get to it, that's what I want to
25 understand.

1 MS. BOCHNOWSKI: There is a page titled
2 Indiana Blue Chip Financing Plan, that's the
3 page we are talking about.
4 MR. McQUAID: Yes, it is.
5 MR. SWAN: Does that this relate to phase 1
6 only, what we were talking, about the original
7 proposal that's phase 1 and phase 2?
8 MR. McQUAID: Yes.
9 MR. SWAN: So there is a couple million
10 dollars difference in that, in the total -- in
11 the total package but I want to know about the
12 asset based financing differences between the
13 two proposals.
14 MR. DUELLMAN: This is Joe Duellman again.
15 Some of the changes that are reflected in these
16 financial statements have to do with changes in
17 some of the soft costs that were in the earlier
18 presentation were at a higher level. Some of
19 the expense due to the dredging of that channel
20 has been eliminated, and we have increased the
21 capital budget for the vessel. And we have
22 projected a higher amount of investment in
23 gaming equipment, slot machines and so forth.
24 MR. THAR: Can we reformulate the
25 question. The figures that Mr. Swan is

1 referring to as shown are investigative
2 information based upon figures provided by you.
3 It would indicate, for instance, $20 million
4 equity distribution for both the Trail Creek
5 site and the harbor site, that appears to be
6 consistent with regard to the financing plan
7 shown in the black book.
8 You then shift to debt financing with
9 LaSalle National Bank, in the black book you
10 have $25 million to secure financing at 41.5
11 whereas bank financing based on projections we
12 earlier had was $33 million and asset based was
13 $23 million. I believe today it has been
14 illustrated at 46 million and I believe Mr. Swan
15 is really getting to, can you tell us where
16 those differences are coming from and why?
17 MR. DUELLMAN: By changing and increasing
18 the capital budgets in both the boat and gaming
19 equipment we are able -- it changes the ratio of
20 debt and equity. So prior to that in 33 -- I
21 believe the number is 33 -- we had included in
22 there significant amounts of contingencies and
23 soft costs, we included some dredging of that
24 channel, we included some materials for the
25 possible relocation of the vessel that we don't

1 believe are necessary now, if we had to acquire
2 a vessel in our area. They were budget numbers
3 which now had been hardened into projections of
4 a larger amount of money spent on the boat which
5 also equals the ability to finance it at a
6 higher level and more gaming equipment which
7 also includes the ability to finance that at a
8 higher level, and that is taking the amount
9 necessary in outside financing down to about $25
10 million.
11 MR. SWAN: Do you have some form of
12 commitments on the asset based lending at this
13 point?
14 MR. DUELLMAN: We don't because we don't
15 have plans built for the boat, we don't have
16 plans for the hotel. We have had conversations
17 and understandings about the project but really
18 the strength lies in the individuals who stand
19 behind those project.
20 And as Mr. Pedersen said, he is committed
21 to making this project go so is Mr. Heytow and,
22 of course, he couldn't be here today.
23 MR. SWAN; Would you expect on this asset
24 based lending they would ask for some forms of
25 guaranties beyond the assets themselves?

1 MR. DUELLMAN: In some cases they may ask
2 for a portion of that be guaranteed personally.
3 We have had discussions with gaming equipment
4 managers and some of the boat lenders and we
5 believe that we are in good shape in this ratio.
6 And we have the underlying of our investors to
7 stand underneath that and provide shortfalls if
8 necessary.
9 MR. SWAN: And they are willing to do
10 this. And again Mr. Pedersen addressed the $25
11 million LaSalle note is he further willing to go
12 into this and a personal guaranty and to the
13 extent necessary on this collateral as well.
14 MR. DUELLMAN: I will ask him directly,
15 but our expectation is not that those are going
16 to have to be 100 percent collateralized. Our
17 funding has been and our experience in other
18 projects was that some of those assets have
19 significant value and can be secured by the
20 assets themselves. There may be a portion that
21 will require some personal guaranty or personal
22 collateral above and beyond that.
23 What -- I'm paraphrasing Mr. Pedersen, and
24 he is right here -- but he will use his personal
25 resources. And if we need to, we have access to

1 other individuals who are anxious to come into
2 this process, given their suitability to the
3 Indiana Gaming Commission's scrutiny who would
4 also provide significant net worth if necessary,
5 it was beyond his scope.
6 MR. SWAN: I need to ask one more
7 question. As far as bonding is concerned,
8 things of that nature, I'm concerned that there
9 may be some amount of development down here in
10 this area and with competition, you may decide
11 that this isn't the place for you and that you
12 have to leave. Have you had discussions with
13 the community about providing some amount of
14 bonding or financial surety that the land in the
15 area can be reclaimed appropriately if you do
16 have to move?
17 MR. DUELLMAN: We have not to this stage.
18 And while the emphasis is focusing on leaving
19 based on what's happening in East Dubuque, I
20 would just, for practice, like to say again that
21 we have not left the East Dubuque location and
22 we continue maintain and meet all of our
23 obligations in East Dubuque.
24 We have currently discontinued gaming
25 excursions but we are there paying all of our

1 vendors, meeting all of all obligations to the
2 banking communities there. We have met all of
3 your debt an interest obligations there. And I
4 think that instead of focusing on a situation
5 that because of a competitive concentration in
6 the East Dubuque area our shareholders and our
7 investors have stepped up and not sought any
8 relief from this situation but are continuing to
9 seek an orderly transition in conjunction with
10 the Illinois Gaming Board and the Illinois
11 General Assembly.
12 MR. SWAN: I don't mean to press on that
13 point, I want to make it clear that we ask
14 virtually same questions of each applicant in
15 each location. We need to have assurance that
16 if you are going to pull out, that we can get
17 things back to normal around here.
18 MR. DUELLMAN: We have to problem
19 providing those assurances and working out those
20 agreements.
21 MS. BOCHNOWSKI: Bob is right, normally we
22 do require a bond of some sort.
23 MR. DUELLMAN: We have no problem entering
24 into those and I believe we have an agreement.
25 MR. McQUAID: Joseph McQuaid. We do have

1 a letter of agreement with the city that will
2 call for a million dollars a year for any
3 abandonment fee for the licensing period.
4 MS. BOCHNOWSKI: Now, I want everybody
5 to -- Bob, if you have anymore questions, don't
6 feel like you have quit your line of
7 questioning.
8 MR. SUNDWICK: I just have one, there is a
9 $20 million to start?
10 MR. DUELLMAN: Yes.
11 MR. SUNDWICK: Could you tell us what that
12 is.
13 MR. DUELLMAN; The $20 million equity
14 includes $8 million coming from our local
15 investors. And HP of Indiana will acquire the
16 Silver Eagle and all of the gaming equipment,
17 surveillance equipment and computer equipment on
18 Silver Eagle and contribute that to Indiana Blue
19 Chip.
20 MR. SUNDWICK: Who are you going to acquire
21 the boat from?
22 MR. DUELLMAN: HP, Inc.In Elgin.
23 MR. SUNDWICK: So you are going to transfer
24 the boat over?
25 MR. DUELLMAN: They are two different legal

organizations so --

MR. SUNDWICK: In fact, that's what is going to happen?

MR. DUELLMAN: Yes.

MR. SUNDWICK: The $12 million to Indiana is going to come from the Silver Eagle boat, right?

MR. DUELLMAN: Correct, that's what we are going to contribute.

MR. SUNDWICK: Thank you.

MR. MILCAREK: Yes. I would like to know a time frame for the opening of the temporary boat, whether it would be at the harbor site or at the creek site. Where would you plan on opening your temporary, where is your preference, in harbor?

MR. DUELLMAN: Our primary focus has been on the Trail Creek site.

MR. MILCAREK: For a temporary boat also?

MR. DUELLMAN: Yes.

MR. MILCAREK: What will be the time frame to start gambling on that point?

MR. LENCIONI: July, I think.

MR. DUELLMAN: We anticipate being able to open in July.

MR. MILCAREK: Would you have to do any dredging to get boat in area?

MR. DUELLMAN: Yes. We have to do some dredging and work on the railroad bridge. Beyond that we may have to do some dredging at the actual site at the temporary and interim facilities but the cruise path area would not require that dredge.

MR. MILCAREK: And would not require a corp permit for that dredging?

MR. LENCIONI: Jim Lencioni. As Mr. Thar indicated earlier, the Army Corp of Engineers has a permit that they would consider amending for this particular dredging requirement. The permit says that dredging can occur between June 15th and July 15th. And in speaking with our contractors, they feel that there is no problem during that time period to do the limited amount of dredging and improvements that we would need for this interim facility, again it's up to the Army Corps but it's very possible.

MR. MILCAREK: That could be delayed then. If they do not accept the previous permit, that could delay that process is what you are saying?

MR. LENCIONI: It's very possible. Prior

indications would say we would be able to amend the permit.

MR. THAR: I would like to follow up on both what Mr. Sundwick and Mr. Milcarek said with regard to the Army Corp permit. You need the Army Corp permit to widen channel to bring boat in, wouldn't you, that's not part of the present application?

MR. LENCIONI: That's correct. That's correct. It's a little upstream from where we are talking about. The -- it's primarily --

MR. THAR: You would need to get Army Corp of Engineer's approval to widen it enough under railroad bridge to get the boat through?

MR. LENCIONI: That's correct.

MR. THAR: So July is pretty optimistic?

MR. LENCIONI: Yes.

MR. THAR: July of '96 is very optimistic?

MR. LENCIONI: Well, we'll primarily doing other work but you are right, that would be an Army Corp permit required for that work.

MR. THAR: To follow up on Commissioner Sundwick's area with regard to the boat, as being an equity contribution that means there would be no cost associated with respect to the

operation of that boat to Indiana Blue Chip?

MR. DUELLMAN: This is Joe Duellman again. Not to Indiana Blue Chip, it would come in as an equity contribution.

MR. THAR: Okay. The one area that I would like to go back to, I believe you indicated there is 12 million people within 150 miles of Michigan City; is that correct?

MR. McQUAID: Yes, sir, Mr. Thar, there is approximately 12 and a half million people within that 150 mile ring.

MR. THAR: Of that 12 and a half million how many people are in the Chicago market?

MR. McQUAID: Approximately three and a half million.

MR. THAR: So you are saying there is 9 million outside the Chicago market.

MR. McQUAID: Yes.

MR. THAR: Where?

MR. McQUAID: If you are talking about Chicago, sir, we have by county listed here --

MR. THAR: What I want to get to quickly is, let's forget Chicago market, how many people do you see then as being the Michigan City market if you forget Chicago?

1 MR. McQUAID: Well, again if you are
2 talking about Chicago City limits or are you
3 talking about the Chicago --
4 MR. THAR: I'm talking about the Chicago
5 gaming market, which will be probably by the
6 end of this year be serviced by eight different
7 riverboat companies. I want to look at Michigan
8 City without looking at the Chicago gaming
9 market, I want to see what your market
10 projections are then.
11 MR. McQUAID: The market projections, as
12 we have it within -- let's go back to the
13 smaller concentric circles. There is
14 approximately 4.7 million people over the age of
15 21 within 50 miles of Michigan City.
16 MR. THAR: What area does that encompass
17 on your projections, Southwest Michigan?
18 MR. McQUAID: Southwest Michigan, Northern
19 Indiana.
20 MR. THAR: Does that include Lake County
21 in northern Indiana?
22 MR. McQUAID: Yes, it does.
23 MR. THAR: Now, there is going to be four
24 riverboats in Lake County, Indiana, so one would
25 have to assume your market draw from there will

be a smaller scale. How much are you projecting east of Michigan City, let's say Fort Wayne, Indiana, how far east do you go?

MR. McQUAID; First of all, I'm not comfortable conceding that we are going to lose that market share. I think that Michigan City --

MR. THAR: I'm not saying you are going to lose market share but it's going to be smaller with the four in Lake County.

MR. McQUAID: Again I'm not comfortable conceeding that point. I think Michigan City offers certain amenities the other locales may not. Michigan City on its own draws well over two and a half million people here for Light House Place and the Dunes as it is.

MR. THAR: That's right. So we can say you have got a market share of at least two and a half million people established already?

MR. McQUAID: For the amenities that are here already and a riverboat will just add another amenity to the list.

MR. THAR: If I can get to the point real quickly, I'm uncomfortable with the idea that there is 12 million people, that there is a

1 market share of 12 million people within 150
2 miles of Michigan City to which you would have
3 an exclusive draw. There is really eight other
4 companies buying for that plus the potential at
5 least for one, if not more, land-based casinos.
6 So I would like to whittle down to a more
7 market share approach of how many people will
8 actually be looking at Michigan City conceeding
9 that whatever comes to Light House Mall now,
10 which is around two to two and a half million
11 people, plus what you might draw from
12 Southwestern Michigan and places east of here,
13 from there I want to see how you judge your
14 competitive base in relationship to land-based
15 casinos because as the commission has seen it
16 today, if you just block off everything west of
17 Lake County, Indiana, you we are really looking
18 at everything east of that as the draw in
19 contention and competition with a potential of
20 one or more land-based casinos. And I want to
21 see how your figures jive, how your financing
22 jives, when you start taking the marketplace and
23 eliminating the Chicago market.
24 MR. McQUAID: Well, there are two
25 variables that you brought up, one, you want to

1 diminish market but you also want to continue on
2 with the competition. If we excluded both from
3 the scenario, if we talked only about Michigan
4 City and we looked at a market absent of
5 competition other than what will happened in
6 Southwestern Michigan, we are so very confident
7 that three and a half to four million people
8 will eventually come here for Light House Place,
9 the Dunes and casino gambling. If you exclude
10 the market that you speak of but continue on
11 with the competition that you speak of, it's
12 very difficult to address that.
13 MR. THAR: I'm sure I'm going to hear it
14 from some of your competitors, I want to give
15 you your opportunity to make your statement
16 also. Do you believe you are going to draw from
17 the Chicago market place, is that your --
18 MR. McQUAID: We believe that we will have
19 a niche in that Chicago marketplace, yes, sir.
20 MR. THAR: So, therefore, you believe the
21 market that you will draw is legitimately 12
22 million people within 150 miles?
23 MR. McQUAID: I think those are
24 potentially patrons of Michigan City's riverboat
25 casino. And I think if you have that pool of

1 possible patrons, we will draw a large portion
2 of that to the amenities that Michigan City will
3 offer and that our destination resort will
4 offer.
5 MR. DUELLMAN: If I can expand -- this is
6 Joe Duellman again -- if I can expand on that
7 just a slight bit, we identify market share
8 areas and then within those market share areas,
9 we determine what is the propensity of those
10 people to gain and how many visits can we
11 realistically expect those people to experience.
12 The farther and more competitive -- once that's
13 determined, the farther out you are from the
14 site, the less the propensity is and less -- the
15 fewer number of visits each one of those
16 potential market components will actually come
17 to the site.
18 MR. THAR: I would like to move from one
19 other area and quit. How many land based
20 casinos from Indian competition are you
21 anticipating being in the four counties in
22 Southwest Michigan and Northwestern Indiana, as
23 a competitive factor, how many land based
24 casinos from Indian Gaming?
25 MR. DUELLMAN: We anticipated one.

1 MR. THAR: If there is two or three, what
2 do you consider the significance of additional
3 land-based casinos on the impact to your
4 figures?
5 MR. DUELLMAN: I think that it will
6 impact -- it will our market share as it would
7 impact Chicago. The more gaming entities that
8 are out there -- Smith Barney (phonetic) in 1994
9 evaluated the greater Chicago metropolitan
10 market and it was worth $2.80 billion. Every
11 company that has a license that market area has
12 an expectation in a certain market share.
13 If you were the only riverboat casino or
14 the only casino in that area, realistically your
15 potential would be $2.8 billion. Depending on
16 the location and the access the market share
17 will vary. One thing that Michigan City does
18 have is excellent access through the toll way
19 and freeway system, it has proximity to Chicago
20 and the greater centers of population in
21 northwestern Indiana, it has the availability of
22 becoming more of a tourism and destination site
23 given the amenities of the harbor and Light
24 House Place.
25 MR. THAR: How drastically are you

affected if there is to be gaming in New Buffalo, Michigan, and Niles, Michigan? What does that do to your competitive situation?

MR. DUELLMAN; We think it would certainly affect it seriously.

MR. THAR: Would you be a viable operation?

MR. DUELLMAN: Yes, we would.

MR. THAR: You don't think you would have a repeat of Silver Eagle?

MR. DUELLMAN: I think it would be different.

MR. THAR: Bonding, this commission has statutory requirement to require bonds for certain things. And I anticipate your answers have been with regard to performance bonds or other types of bonds, you understand we have the ability of be imposing those if you were selected.

MR. DUELLMAN: Yes.

MS. BOCHNOWSKI: Okay. Before I close this I want to make sure everybody has completed all of their questioning.

MR. SUNDWICK: Can you explain to me what the Michigan City endowment is. It was briefly

1 mentioned and it's a profit, nonprofit, how is
2 it organized, what's it for?
3 MR. DUELLMAN: The actual organization is
4 yet to be document. The idea was that we would
5 participate in a program that we would fund out
6 of a share of revenue that would be administered
7 by a board of directors, predominantly local
8 officials, whether it's city and county, to fund
9 new development projects. It would not be in
10 our control, although we would like to
11 participate, the exact structure has not been
12 documented.
13 MR. SUNDWICK: You would see it as a
14 nonprofit organization?
15 MR. DUELLMAN; Yes, not for profit.
16 MS. BOCHNOWSKI: That's it. Go ahead.
17 I'm not trying to cut people off.
18 MR. MILCAREK: I have got one more, in our
19 investigative issues it was determined that the
20 temporary boat is too small. And Mr. McQuaid
21 states length of cruise times could be changed
22 to meet demands of patrons. Could you elaborate
23 on the how you would accommodate more people.
24 Would you have more cruises?
25 MR. DUELLMAN: Well, the cruise protocols

can vary, and The Gaming Board, The Gaming Commission will set certain standards, obviously we would adhere to those standards. We anticipate some cruises may be longer than others. By using the shortest potential cruise time available to us, we provide more access to the vessel.

MR. MILCAREK: More cruises per day?

MR. DUELLMAN: More cruises per day. What we anticipate doing now is that in Michigan City we will also be required to cruise, and we will have access to the vessel -- if you are on a three hour cruise schedule, then you only have access to the vessel once every three hours. By shortening that cruise schedule, consistent with the approval by the Indiana Gaming Commission, you could provide more access to that vessel and possibly shorten cruise times.

MS. BOCHNOWSKI: Anybody else. Okay. Now, we are running behind schedule but we will take a -- what do you think -- still 15 minute break.

(Proceeding concluded at or about 11:00 a.m.)

1 STATE OF INDIANA)
2) SS:
3 COUNTY OF LAPORTE)
4 COURT REPORTER'S CERTIFICATE
5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 13th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 8:30 a.m., I then and there reported the
10 proceedings had before the Indiana Gaming Commission;
11 I further certify that I reported said proceedings by
12 the means of machine shorthand and that I have transcribed
13 my original shorthand notes through the use of
14 computer-aided transcription into the typewritten form and
15 that the foregoing and attached pages or parts of pages
16 number inclusively one hundred forty-eight through two
17 hundred sixty-six comprise a true, correct, complete and
18 accurate transcript of said proceedings;
19 IN WITNESS WHEREOF, I have hereunto set my hand and
20 official seal this 29th day of February, 1996.
21 Natalie Bearickx
Notary Public, State of Indiana
22 Laporte County
My Commission Expires 08/20/99
Natalie Bearickx
23
24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
HEREOF AND DOES NOT APPLY TO ANY XEROX COPIES MADE OF THIS
25 TRANSCRIPT.