

INDIANA GAMING COMMISSION

February 1, 1995

Volume I

Vanderburgh County Auditorium

Locust and N.W. Martin Luther King Jr. Boulevard

Evansville, IN 47708

COMMISSIONERS

Alan I. Klineman, Chairman

John J. Thar, Executive Director

David E. Ross, Jr., M.D.

Donald R. Vowels

Ann Marie Bochnowski

Robert W. Sundwick

Thomas F. Milcarek

Gilmer Gene Hensley

## I N D E X

Speakers for Aztar:

	<u>Vol. I</u>
Mayor MacDonald. . . . .	5
Mr. Rubeli . . . . .	8/50
Mr. Brozowski . . . . .	32
Captain Holt . . . . .	39
Mr. Haddock. . . . .	43
Question and Answer Session. . . . .	54

Speakers for Evansville Landing:

Mr. Montross . . . . .	123/156
Mr. Schaeffer. . . . .	127
Mr. Azark. . . . .	137
Mr. Harrington . . . . .	142
Mr. Simon. . . . .	145
Mr. Pritzker . . . . .	148
Question and Answer Session. . . . .	164

1 MR. CHAIRMAN: We'll declare that  
2 the meeting and hearing of the Indiana Gaming Commission in  
3 Evansville, Indiana will now commence. Let the record show  
4 that all of the commissioners are here and present and  
5 therefore quorum exists. First, on behalf of the  
6 commission, I want to tell you that it is our pleasure to be  
7 here in Evansville.

8 As you all know, we start down a road where  
9 we are not just going to sit in Indianapolis and decide  
10 questions which involve people in the other parts of the  
11 state without regard to their particular situations, but  
12 that we felt that it was important that this Commission get  
13 out and hold it's public hearings in the areas, particularly  
14 as we are considering licensing a particular area.

15 So we are here today to come to hopefully --  
16 the commencement of the final proceedings to issue a license  
17 for Evansville, Indiana, and we are very pleased to be  
18 here. This is a fine fine city, and we certainly, on behalf  
19 of the Commission, wanted to tell you that your hospitality  
20 is grand, and we enjoy coming to Evansville. After we  
21 finish these hearings however as a Commission, we probably  
22 won't come back again because we've got other work to do,  
23 but all that I can say is that our time in Evansville has  
24 been very pleasant, and we want to thank you.

25 And I think I want to take -- to say on

1 behalf of the Commission that you, Mayor MacDonald, have  
2 really made our stay here very enjoyable and have  
3 facilitated our proceedings here to a great degree.

4 I will introduce Mayor Frank MacDonald.

5 MAYOR MACDONALD: Well, thank you,  
6 Mr. Chairman. Let me say good morning to you and all of the  
7 Commission members and Executive Director Thar and staff and  
8 welcome you back to the city of Evansville. There's been a  
9 lot of activity in our community since your last visit on  
10 May 6 of last year, and we are very excited about the work  
11 that you will do here over the next couple of days and the  
12 decision that you will reach, and certainly that will have  
13 major impact on our community for many many years to come so  
14 we're honored that you're back with us today.

15 I must tell you that there is probably no one  
16 happier about you being here than myself. It has been  
17 rather hectic in our community the last couple of weeks.  
18 These three gaming companies have been pulling out all the  
19 stops. I think we've engaged in a lot one upmanship. We've  
20 had, I think on the average of about one new conference per  
21 hour going on in our community, and we've had programs  
22 within facts and we've had programs within fiction and we've  
23 had programs within science fiction put out over the last  
24 week or ten days.

25 And if that wasn't exciting enough, on top of

1 all that we even had programs within barges break loose on  
2 the Ohio river. And the Coast Guard tells me that that  
3 hadn't happened in over ten years, at least no reported  
4 incident. And I know it was just a coincidence; we all know  
5 it was a coincidence that it happened right here before  
6 these hearings.

7 But I must -- I must tell you what is  
8 interesting about that is that these barges, not only did  
9 they break loose, but they moved down the river and they  
10 passed all of the proposed docking sites. They didn't hit  
11 Dress Plaza. They didn't hit River Front Park. Now, much  
12 to the chagrin of Ashland Oil Company, on farther south they  
13 did a little damage to their dock. And I guess I can only  
14 conclude from all that, that the remote control steering  
15 device still needs a little perfection.

16 You know, I came down here this morning and  
17 drove down our river front. The river is up a little bit.  
18 I couldn't go down on the Plaza, but looked over the wall  
19 fully expecting to see three boats out there this morning.  
20 I thought I'd probably see a boat out there that would be  
21 entitled The Spirit of Alan Klineman. I thought I'd  
22 probably see a boat The Spirt of Jack Thar, and I thought  
23 well, they're going to really hit on the local commission  
24 member this week, and I'd probably see a boat, The Spirit of  
25 Don Vowels. Well, I didn't see the boats. And I'm sure

1 when you looked out your hotel room window today you didn't  
2 see them either.

3 But I want you to know that if any one of the  
4 three of you express any incline or desire to see one of  
5 those boats, I almost can assure you that the cellular  
6 phones in this in fact, bring room will begin to buzz, and  
7 they'll be there by the time you break for lunch. I say  
8 that in gist, of course. Today you're going to hear three  
9 companies give presentations who have put forth a lot of  
10 effort and a lot of hard work and have spent a lot of money  
11 in developing those presentations, and as Mayor of this  
12 city, I would have to publicly thank all three of them for  
13 the interest that they've shown in our community. It should  
14 make all of us in Evansville feel very proud and very good  
15 about our city, that there is this kind of interest being  
16 expressed.

17 I look forward to visiting with you tomorrow  
18 morning to discuss in great detail the steps that we've  
19 taken in this in fact, bring community. But today it's the  
20 gaming operators day, and so I will just leave you with once  
21 again saying welcome back to Evansville, and I will say to  
22 you what all of the gaming companies notoriously like to say  
23 to their patrons, may we all have a lucky day. Thank you.

24 MR. CHAIRMAN: Thank you, Mayor.

25 Well under the rules that we try to play by, we have given

1 each one of the applicants one hour and 15 minutes to make  
2 their presentation. I would request for the sake of record  
3 that those who are going to speak state their names so we  
4 can make a record because it's important. And we will try  
5 to hold you to the time limit. If, however, you feel that  
6 you must finish early, we won't fault you for that.

7 So with that, we would ask boat Aztar people  
8 to start their presentation, it being 20 minutes nine, I  
9 guess. I'm still on Indianapolis time; I'm an hour ahead,  
10 but it's 20 minutes of, so if you'll proceed. Thank you.

11 MR. RUBELI: Thank you, Mr.  
12 Chairman. I'm Paul Rubeli, chairman, president and chief  
13 executive of Aztar. Pleased to be here this morning. We  
14 were stunned to see how many supporters for the Rising Sun  
15 came to see our presentation today, and I appreciate their  
16 attendance. I was thinking last night, as I lay awake  
17 thinking about these presentations today, where it all began  
18 a year and a half ago.

19 In the spring and summer of 1993, the gaming  
20 industry was looking at lots of states around the country  
21 for potential expansion of casino gaming. And among other  
22 jurisdictions there was a lot of interest in Mississippi and  
23 in Louisiana. We faced the decision of where to commit our  
24 resources and where to concentrate our development efforts,  
25 and we chose back then, for a variety of reasons, not to go

1 to Mississippi and not to go to Louisiana, but instead we  
2 concentrated our efforts on Missouri and Indiana. And I'm  
3 pleased today we did concentrate our efforts on Missouri and  
4 Indiana, considering the events that have unfolded since  
5 then in both Mississippi and Louisiana.

6           Within Indiana, I think in the summer of  
7 1993, our people visited almost every city that in any way  
8 shape or form was going to contemplate casino gaming. We  
9 were in New Albany, we were in Jeffersonville, we were at  
10 the Rising Sun, we were at Gary, Michigan City. In fact, we  
11 made the selection committee's short list in Rising Sun, and  
12 we also made it to the last so called magnificent seven in  
13 Gary. We became the sixth because we choose to back out.

14           And the reason is because by then we had  
15 decided to concentrate our efforts and make our commitment  
16 to the city of Evansville in this in fact, bring market. So  
17 in February of 1995, I had a chance to reflect back over  
18 this year and a half and say, did we make the right decision  
19 or not? And my view is unchanged. The choice of Indiana  
20 was the right decision because you have have have have have  
21 have have have a good gaming law and because you have have  
22 have have have have have have have a good regulatory tone.  
23 And I think the city of Evansville was the right decision  
24 because it's a great market and it's also a great  
25 community.

1                   So today we're going to try to convince you  
2 why Aztar would be a great choice for you and for Indiana.  
3 We've assembled a project team that has worked diligently  
4 over this last year and a half and they've worked hard as  
5 you'll see some evidence of today. And they're all here in  
6 the front row. I think that's our row for Aztar, and I'd  
7 like them all to stand up for a moment if you would.  
8 They're available for questions later if the need should  
9 arise. The actual presentation itself will be made by four  
10 of us seated here at this table.

11                   As I said earlier, I'm Paul Rubeli, chairman  
12 and chief executive of the company. A little bit of  
13 personal background for you. I've been with Aztar for 15  
14 years. I have an undergraduate degree in engineering  
15 science from the University of Notre Dame in South Bend, so  
16 I've had four years of Indiana life as part of my life, at  
17 least back in the college years. I went on and got a  
18 master's degree in business administration from Columbia  
19 Business School in New York. I'm married to a wife of 28  
20 years and have three children. We live in the Phoenix,  
21 Arizona area where Aztar is headquartered.

22                   Today, I'm going to cover the points that are  
23 listed on this slide, and I'll be followed by Lestor  
24 Brzozowski, our senior vice president of riverboat  
25 operations who will cover our operating plan, followed by

1 Captain William Holt, U.S. Coast Guard retiree, who will  
2 describe to you a marine risk assessment study they have  
3 performed on our behalf. And then finally will be Bob  
4 Haddock, our executive vice president, chief financial  
5 officer, and also a member of our board of directors who  
6 will describe to you our project financing as well as our  
7 economic impact anticipated for Indiana.

8           So with this by way of background, I'd like  
9 to turn to the first item on this slide, and that is a brief  
10 overview of Aztar Corporation. We are a New York stock  
11 exchange company. We've been in the gaming business for 15  
12 years. We do over 500 million dollars annually in revenue.  
13 We do over a hundred million dollars annually of cash flow.  
14 We operate three hotels in the major gaming markets. Trop  
15 World in Atlantic City, New Jersey, Tropicana in Las Vegas,  
16 Nevada, and Ramada Express in Laughlin, Nevada.

17           We are also opening a riverboat casino in  
18 Caruthersville, Missouri expected to be open in April of  
19 this year. We are licensed in New Jersey; we are licensed  
20 in Nevada. We have a license pending in Missouri. We have  
21 an excellent reputation among the regulators for business  
22 and financial integrity. I'd like to show briefly programs  
23 within shots of our properties and describe to you what kind  
24 of facilities Aztar owns and manages.

25           This is Trop World in Atlantic City, one of

1 the largest of the casinos in one of the world's most  
2 competitive casino markets. We have over a thousand hotel  
3 rooms and are currently building over 600 more, which will  
4 give us a total of 1,650 rooms, which will make us the  
5 largest hotel in Atlantic City, larger even than Trump's Taj  
6 Mahal, in fact will make us boat largest hotel in the state  
7 of New Jersey.

8 We have a 92,000 square foot casino. That's  
9 the third largest casino in Atlantic City. We have over  
10 80,000 square feet of convention and meeting space. We have  
11 a 1,700 seat show room; the largest headliner entertainment  
12 showroom in Atlantic City. And we have a two acre indoor  
13 family oriented amusement park and theme center that we call  
14 Tibbaly Pier, a very unique attraction in the gaming  
15 business.

16 This is the Tropicana in Las Vegas. It's on  
17 the famous Las Vegas strip, also one of the most competitive  
18 casino markets in the world. We have over 1,900 hotel rooms  
19 and over 100,000 square feet of convention and meeting  
20 facilities. We have a 45,000 square foot casino and a 1,200  
21 seat production showroom. The Tropicana is a destination  
22 resort and it features a tropical island theme with a five  
23 acre water park complete with tropical fish, tropical birds,  
24 lagoons, water falls, and the largest indoor/outdoor  
25 swimming pool in Las Vegas.

1                   And finally, this is Ramada Express in  
2 Laughlin, Nevada. Laughlin is located on the intersection  
3 of the borders of Nevada, California and Arizona. There are  
4 ten casinos lined up in a row in Laughlin, so it also is one  
5 of the most competitive casino markets in the world. We  
6 recently expanded the Ramada Express and now have 1,500  
7 hotel rooms and a 45,000 -- excuse me, a 50,000 square foot  
8 casino. It has a highly themed motif to it, and in this in  
9 fact, bring case, the theming is the Victorian Era of the  
10 Railroads. It's a fun and fanciful and exciting kind of  
11 theme that we've highly developed in this in fact, bring  
12 particular market.

13                   This is the overview of the physical property  
14 we have. All told, we have 8,000 employees at these  
15 properties, 4,400 hotel rooms, 185,000 square feet of casino  
16 space, 180,000 square feet of convention space, 40  
17 restaurants and lounges, and as I said earlier, a 1,700 seat  
18 showroom, the largest in Atlantic City, a 1,200 seat  
19 showroom in Las Vegas, five acre water park, two acre indoor  
20 family amusement park, and some of the finest headliner  
21 entertainment and review shows in the casino industry. All  
22 of this are boat physical things that make up Aztar  
23 Corporation.

24                   I'd like to back up to the 8,000 employees  
25 that are listed at the top of this list. Our employees are

1 our most important asset. We believe strongly in  
2 friendliness and courtesy, and we try to attract the people  
3 that provide friendly and courteous service. We're also  
4 committed to affirmative action and EEOC programs. Our  
5 record on the hiring of minorities is simply outstanding.  
6 I'd like to share this data with the commission. Trop World  
7 currently has 46 percent of it's employees minorities.  
8 Tropicana, 41 percent of it's employees are minorities, and  
9 Ramada Express, 23 percent are minorities, about twice the  
10 ratio of minorities that live in the local community.

11 Now, in recent weeks, I've seen a number of  
12 news accounts and press releases and programs within news  
13 conferences met to compare in like comparisons between our  
14 promises for Evansville and the hiring of minorities and the  
15 promises of programs within other applicants. Well, we  
16 invite that comparison to our plans and promises for  
17 Evansville, but hid by comparisons to the actual results of  
18 their operations in terms of minority hiring and what is  
19 their record. This is our record, and we're very proud of  
20 it.

21 We are convinced that we will fulfill our  
22 promises to the hiring of minorities in the Evansville area,  
23 particularly those individuals from the fourth and sixth  
24 wards of Evansville. We're also in this in fact, bring  
25 company committed to the hiring of women. We have currently

1 at Trop World, 46 percent of our employees are female, 49  
2 percent at Tropicana are female, and 48 percent at the  
3 Ramada Express are female. I think in the casino industry  
4 that this record on hiring of minorities and the hiring of  
5 women is simply unmatched and unparalleled, and we are proud  
6 of the results that we've produced in this in fact, bring  
7 company in terms of our commitment to these efforts.

8 We are also committed to the proposition of  
9 purchasing goods and services from women- and minority-owned  
10 business enterprises. In 1993, during our license renewal  
11 hearings in New Jersey, the then chairman of the New Jersey  
12 Casino Control Commission took the unhighly unusual step of  
13 singling us out and commending us for our committment to MBE  
14 and WBE programs. Partially quoted in effect, we take the  
15 obligation very seriously in having exceeded the  
16 commission's requirements in this in fact, bring area.

17 And later the record goes on to show we were  
18 complimented for these efforts. In 1994, our actual results  
19 of purchasing from WBD, MBE enterprises was 21 percent, far  
20 in excess of the New Jersey state goal of 15 percent for  
21 minority and women combined. Now, Indiana has a goal of 5  
22 percent purchasing from women and ten percent for  
23 minorities, and I assure you that we are committed to not  
24 only achieving these goals, but in fact, exceeding these  
25 goals.

1                   With this overview Aztar's background, I'd  
2 like to turn to our capabilities for the creation of the  
3 greatest economic impact for Indiana. Beyond the economic  
4 impacts addressed by the IUPUI and it's studies, we think  
5 Aztar has unique capabilities that will permit us to make  
6 the greatest economic impact in the state of Indiana. I'd  
7 like to discuss these capabilities and I would ask that  
8 perhaps you give them programs within consideration in your  
9 evaluation as to which applicants will make the greatest  
10 impact for Indiana.

11                   We have a track record of continuing  
12 investments in the communities in which we operate. This  
13 has been developed over 15 years of activities in these  
14 communities. In each case, in each community we have more  
15 than doubled our original investment in those communities.  
16 From over 400 million to almost 1 billion in total over the  
17 years. We ask that you consider this track record in  
18 evaluating our potential impact for Indiana, because it's  
19 not only the initial investment that creates economic  
20 impact, but of course it's additional investments that will  
21 create economic impact in the future. And this is not  
22 necessarily considered in the IUPUI work and their motto.

23                   Management experience and stability is a key  
24 to economic success. We have experienced senior managers.  
25 They are a stable group of individuals. They are also well

1 respected in the casino industry. For example, our peers in  
2 the casino industry in Las Vegas recently elected our  
3 president and general manager of the Tropicana to head up  
4 for the next year the Nevada Resort Association, the major  
5 industry trade association in Nevada.

6 In the riverboat gaming industry, one of the  
7 keys we think to long term success will be the ability to  
8 develop more than a riverboat. We believe that our  
9 substantial experience as a company in land-based casino  
10 resorts will be utilized to develop more than a riverboat  
11 here in Evansville. The experiences in Mississippi are  
12 showing that operators, unless they have a monopoly, who are  
13 operating floating casinos only, are failing when matched  
14 against operators with land-based hotels and resort type  
15 facilities as well.

16 We also as a company have very important  
17 context and experience in the tourist, tour and travel  
18 industry. Particularly resulting from our activities of the  
19 Tropicana in Las Vegas. In 1994, the Tropicana sold over  
20 75,000 room nights to the tour and travel segments of this  
21 industry. These tour and travel networks will be a  
22 capability called upon when selling Evansville. We are a  
23 very strong casino convention and meeting company,  
24 particularly a casino convention and meeting company. In  
25 1993, in total at the bottom of this slide, you can see that

1 we did almost 1,300 meetings and sold over 130,000 room  
2 nights to the convention market. This convention and  
3 meeting capability will be an important factor in creating  
4 economic impact, not only for Evansville, but also  
5 potentially for Indianapolis and other cities in Indiana as  
6 well.

7 Entertainment will be a key part of our  
8 marketing plan, and we have substantial experience and  
9 context to call upon as a result of running the largest  
10 headliner showroom in Atlantic City. This is a list of  
11 stars who have appeared at our showroom at Trop World in  
12 Atlantic City. We have done business with over 90  
13 headliners, almost all the famous names in show business.

14 We have sales offices at a marketing presence  
15 in both the east coast and at the west coast markets.  
16 That's unique among the applicants. These offices and this  
17 capability will be important in rapidly extending the reach  
18 of the Evansville marketing effort the casino markets that  
19 already exist in the east and the western parts of this  
20 country.

21 We have capabilities and extensive experience  
22 in operating large 800 number reservation systems and will  
23 incorporate this experience in the marketing of the  
24 Evansville hotel. We have very extensive customer databases  
25 developed over 15 years of presence in the major gaming

1 markets. For example, our casino in Atlantic City last year  
2 did over \$300 million in casino revenue coming from several  
3 million customers who visited us. Through customer database  
4 systems, we were able to identify 81 percent of that revenue  
5 direct to individual customers for whom we have names,  
6 addresses, telephone numbers and gaming preferences.

7 The key to success in marketing is know your  
8 customers. This company knows its customers. We will use  
9 our database capability in Evansville. One of the most  
10 important capabilities of all we think is the ability to  
11 compete in highly competitive markets. It's easy to be  
12 successful in a monopoly and the riverboat markets are often  
13 monopolies initially, but as competition develops, the  
14 ability to compete becomes critical.

15 We now successfully compete in the most  
16 competitive casino markets in the world. For example, last  
17 year, which was a very tough year competitively in this  
18 casino industry, we succeeded in increasing our operating  
19 cash flow at each of our properties in all three of the  
20 major markets. One of few companies in this in fact, bring  
21 industry to do so.

22 Having discussed all of these capabilities  
23 and ending with the notion of a highly competitive market, I  
24 would now like to turn to the Evansville market and our  
25 specific project proposed here. Evansville has 650,000

1 people living within 50 miles. Two and a half million  
2 people live within a hundred miles. It's a regional market  
3 focused primarily on Illinois, Kentucky, Tennessee, and of  
4 course Indiana. It's also a regional and national  
5 convention market potentially, and it's a tourist and tour  
6 and travel market. It also will be a highly competitive  
7 market in the longer term, not initially perhaps, but in the  
8 longer term, sure enough and inevitably, a highly  
9 competitive market will evolve in Southern Indiana.

10 On this map, which is a map of the greater  
11 trading area showing Indiana in the upper right, Illinois in  
12 the upper left, Kentucky in the bottom portion, and right in  
13 the center is Evansville, the large dot shows casino  
14 locations, boat existing locations, particularly the  
15 Illinois locations, and programs within potential locations  
16 over the next few years.

17 This map shows how competitive this market is  
18 going to be in longer term. Particularly after casinos open  
19 up closer to the Louisville metropolitan area, markets shown  
20 on the right edge of the outer circle; however, in the  
21 meantime, Evansville will have a window of opportunity to  
22 solidify it's market position before casinos serving the  
23 Louisville metropolitan market open up. This slide depicts  
24 that situation. Before the other casinos open up, our  
25 closest competition will be the Metropolis, Illinois casino

1 on the lower left corner of the circle. Metropolis  
2 currently is in a monopoly position, taking customers from  
3 Indiana, Kentucky and Southern Illinois.

4 Our goal will be to take customers away from  
5 them for Evansville. This map also shows the marketing  
6 opportunity to capitalize on the very large Louisville  
7 metropolitan area on the far right side of this circle  
8 before other casinos open up. Detaching this market, we  
9 have designed a large project I would like to tell you about  
10 now.

11 Our projects will be a \$99.8 million  
12 investment, excluding city incentives. It will consist of a  
13 large riverboat and casino, a hotel, a 1,668 car parking  
14 garage, a ticketing and entertainment pavilion, a docking  
15 facility, and overall, we are trying to design it to have  
16 the look and boat feel of an integrated land-based facility  
17 with a floating casino. If you could pull that off, I think  
18 that's the ideal model and combination for future riverboat  
19 casino developments.

20 This is a rendering of the project. It will  
21 be located in downtown Evansville, and not in a remote  
22 location. This will be in downtown Evansville at the  
23 intersection of Riverside Drive and Court Street at the  
24 entrance of Dress Plaza. Boat site we have under option is  
25 3.6 acres, which together with the 4.4 acres of riverfront

1 park, will give us an 8 acre resort complex. Between the  
2 land we have under option and the the city controls, we have  
3 our site completely under control.

4 As you can tell from this rendering I hope,  
5 it has the look and feel of an integrated land-based resort  
6 with the hotel adjoining and integrated with the floating  
7 riverboat casino linked with a ticketing and entertainment  
8 pavilion, a parking -- a parking garage and a connecting  
9 skywalk. Did we lose the sound on this? Okay. For long  
10 term customer satisfaction and higher and repeat business,  
11 we think it is particularly important that the hotel is  
12 adjacent to and connected with the riverboat facility, and  
13 this project does that. Our architects Edmond Hafer of  
14 Architects, Inc., and Urban Design Group, Inc., and other  
15 professionals involved in this in fact, bring project are  
16 here today and available for any questions.

17 Let me show the site plan of this project and  
18 walk you through some of the project renderings to give a  
19 better feel for what it is we're trying to achieve in terms  
20 of creating this integrated land-based field, but coupled  
21 with the casino it will float and it will cruise. Let's  
22 pretend and assume -- do we have programs within sound  
23 again? Well, okay. We'll try it again.

24 This is an area rendering of the site and how  
25 the various components relate to each other. If we're a

1 customer arriving from the west down Riverfront Drive or  
2 from the east, we'll go into the hotel here. Here's the  
3 parking garage, park the car. If you're a hotel guest,  
4 you'll come into the hotel, register, check in, get a room,  
5 get freshened up, and now you want to go to the casino. So  
6 into the hotel, back out, here's the crosswalk that comes  
7 across through our ticketing and entertainment pavilion down  
8 the walkway, here's our boat.

9 You will note that the entire birthing slip  
10 is recessed into the shoreline completely out of the flow of  
11 the channel during normal pool conditions. This facility is  
12 intended to be part of a broader area of Evansville, which  
13 is the Dress Plaza, Riverfront Park esplanade area. And you  
14 can see there's a lot of consideration given to people  
15 places and taking advantage of the frontage that we have on  
16 the river there decree, a resort type environment with  
17 things to do besides just be in the casino.

18 This is a view entering the city from the  
19 west that would show the statement this project will make in  
20 terms of a greeting with a hotel tower on boat left, our  
21 ticketing entertainment pavilion on the right, here is the  
22 river and a park area and the look and feel of esplanade  
23 already being established as what is, at this end, the  
24 entrance to Dress Plaza. Approaching this property from the  
25 east, you will see this anchoring the downtown area as a new

1 and major architectural statement, and we think quite an  
2 attractive one.

3           This hotel tower, we use a lot of the same  
4 brick type architectural features that characterize the  
5 Evansville downtown area and give it that particularly  
6 unique and charming and creative look. Events Plaza will be  
7 the drop off point. Here's a trolley that I think you  
8 experienced on the way this morning, on the way over to this  
9 auditorium that will have an opportunity to drop people off  
10 at our Events Plaza area right adjacent to the ticketing and  
11 entertainment pavilion. And then this is another shot that  
12 shows how this integrates with the river, the bank, the  
13 esplanade area, the Events Plaza area and drop off that I  
14 mentioned, and here's our ticketing pavilion and  
15 entertainment pavilion, and here's our hotel complex and  
16 garage in the back.

17           Let me take you inside this pavilion to show  
18 you the feel of it. This is going to be turn of the century  
19 stuff. This is a similar feel of one of the pavilions that  
20 was at the 1930 World Trade Fair in -- World Fair in New  
21 York that gives that feeling of a high vaulted ceiling and  
22 lots of colorful banners, lots of public space as you can  
23 see for both ticketing as well as entertainment functions  
24 such as food and beverage and lounge entertainment, retail  
25 shops, and various other activities that will characterize

1 this great hall and this center of the ticketing area and  
2 gaming pavilion.

3           The other major building is the hotel. This  
4 is a lot better than even a lobby hotel. This is going to  
5 be an up scale hotel. This is not a quick and dirty. This  
6 is built to last, built to be successful and built to  
7 attract more and more business. Hopefully, to be successful  
8 enough that programs within day we can expand it. Overall,  
9 as I mentioned earlier, this project is going to cost 99.8  
10 million dollars. About two-thirds of that money will be  
11 spent on land-based facilities. We are committed here for  
12 the long term. These are not facilities that can pick up  
13 and float away if the market conditions change in the  
14 future.

15           I'd like to further describe programs within  
16 of the projects key components in terms of what the modular  
17 aspects of it are. The riverboat itself is \$17 million of  
18 our project budget. It is a big boat. The original boat  
19 that we contemplated at the beginning of the project in 1993  
20 was smaller, but with the failure of the referendum in  
21 employed in Clark Counties in November of 1993, we increased  
22 the size to accommodate a larger market expected from the  
23 Louisville metropolitan area during that window of  
24 opportunity I spoke about earlier.

25           An important point to make here is that a

1 large boat and a spacious casino is important for two  
2 reasons. First, to create a positive customer experience to  
3 solidify Evansville initial market position, and secondly,  
4 to accommodate the larger demand expected during the initial  
5 periods. If the boat is too small, Indiana will lose  
6 potential economic impact and we would lose a profit  
7 opportunity. This boat, 310 feet long by 70 feet wide is  
8 longer than a football field. It will carry 2,500  
9 passengers and 300 crew. It will have a spacious 37,000  
10 square foot casino. Over 1,800 gaming positions of which  
11 1,250 will be slots and 70 will be table games.

12 The riverboat is being built in Indiana by  
13 Jeff Boat in Jeffersonville. And some time ago there were  
14 programs within pictures taken rather the map. This looks  
15 like the landing of the boats that the Mayor described  
16 earlier, but seriously, this work has been in progress since  
17 March of last year when we placed an order with Jeff Boat to  
18 build this boat for us. It is providing jobs and  
19 opportunity right now to the Hoosiers of Indiana that live  
20 in the Jeffersonville area. 78 percent of the workers on  
21 this job are from Indiana. We also at this same ship yard  
22 in fact are in the midst of completing a rehabilitation and  
23 refurbishment of the boat that we intend to use in  
24 Caruthersville, Missouri on that project that I mentioned  
25 earlier that will open in April of this year. Major

1 commitment already to this area.

2 Our hotel has 250 rooms. Includes ten  
3 suites, 24,000 square feet of meeting space, the restaurant  
4 and the lounge, in a very up scale quality too. We will  
5 create about 1,800 jobs from both direct and indirect  
6 construction impacts. Programs within of which, as I  
7 mentioned, have already been created in Jeffersonville. Our  
8 contractor will be Industrial Contractors Inc. of  
9 Evansville. It is a union contractor and this will be be a  
10 union job. The owner of Industrial Contractors Inc. is here  
11 today and is available for questions.

12 Whether or not we are awarded this gaming  
13 license, our \$17 million boat currently in construction in  
14 Jeffersonville will result from over \$30 million of direct  
15 and indirect economic impact in Indiana. No other gaming  
16 applicant has made this level of up front commitment to  
17 Indiana. I would now like to turn to our marketing plan.  
18 In order to make this project a success, we have prepared a  
19 very detailed marketing plan submitted with our  
20 application. Our plan features an overall marketing  
21 strategy, details on casino, hotel and statewide marketing  
22 programs, and a plan to spend \$12.7 million on marketing in  
23 the first year, the highest of any applicant. I'd like to  
24 highlight the key components of the plan outlined on this  
25 slide, the details of which are in our submission.

1                   First of all, our overall marketing strategy  
2 will be to focus on regional and out of state tourists,  
3 meetings and conventions, multimedia advertising, and  
4 entertainment headliners and special effects. Special  
5 emphasis will be placed on city and downtown merchant tie-in  
6 programs. A special marketing plan has been written  
7 specifically to promote the goods and services of Evansville  
8 downtown merchants, and a marketing person will be hired  
9 specifically to manage and implement that plan.

10                   Our casino marketing plan will take advantage  
11 of Aztar's unique multi-property capabilities. We will  
12 utilize our proprietary databases, timings with our other  
13 properties, special events and parties, and will develop a  
14 casino player club similar to those which we have in our  
15 other properties to focus on frequent, repeat customers and  
16 develop our own customers database here in Evansville.

17                   Our hotel marketing plan will utilize an 800  
18 number reservation system and focus on developing tour and  
19 travel networks from out of state source markets. Our plan  
20 will concentrate on developing convention and meeting  
21 businesses in conjunction with the Evansville Convention and  
22 Visitors Bureau and other Evansville hotels about utilizing  
23 our existing east coast and west coast sales offices in  
24 addition to setting up a central sales office here in  
25 Evansville. Our focus will be on both national and regional

1 trade shows and groups, because the gaming market's going to  
2 attract those kinds of groups.

3 We will be a success in marketing hotel  
4 rooms, not only for ourselves, but for other hotels in  
5 Evansville as well, as I would like to show you at this  
6 point. Right now Evansville has 2,500 hotel rooms. We will  
7 add 250 rooms to that supply or about ten percent. Aztar  
8 marketing on the other hand will generate over 200,000 room  
9 nights in the first year of operation, of which our hotel  
10 will absorbing about 78,000 room nights. That means that  
11 other Evansville hotels will increase business by 122,000  
12 room nights in the first year alone. That impact would  
13 create an increase in the city-wide occupancy 13 points.

14 We know how to market and fill hotel rooms in  
15 casino markets because we have 4,400 hotel rooms right now  
16 in three highly competitive markets. Last year we ran all  
17 of them at an average of 87 percent occupancy. In Atlantic  
18 City alone often known only as a day-trip market, we ran our  
19 thousand room hotel at a 92 percent occupancy rate. We will  
20 be a positive impact on city-wide hotel business Evansville,  
21 and other Evansville hotels will benefit from our being here  
22 as well as a state-wide spillover.

23 Our marketing plan will be a state-wide  
24 component and impact as we intend to help the Indianapolis  
25 convention market by promoting to Indianapolis groups what

1 we call before and after the convention tie-in side trips to  
2 the casino jurisdictions, and in this in fact, bring case,  
3 the jurisdictions of Evansville. By inserting offers and  
4 state-wide tour and travel packages, by featuring top name  
5 headliner entertainment that will bring media attention to  
6 Evansville as well as to all the Indiana, by targeting  
7 census for business travelers to stop in Indiana for a  
8 gaming experience and by especially promoting our land-based  
9 resort facility as a unique attraction that all of Indiana  
10 will be proud of. The result of our project design and our  
11 marketing efforts and our years of experience will be the  
12 generation of visitations to Evansville, reckonings in our  
13 casino, and positive economic impact for Indiana.

14 I would now like to cover with you our  
15 visitation and casino revenue projections. I'd like to  
16 start with our methodology, identify our projections, and  
17 end up with a comparison to other projections made by  
18 professionals in the business. Our overall project size  
19 coupled with our marketing plan and our years of experience  
20 will result in higher visitor casino revenue projections  
21 than either of the other applicants, resulting in higher  
22 economic impact for Evansville and for Indiana.

23 Our methodology of projection is very  
24 detailed and starts with an analysis of every county within  
25 a hundred miles of Evansville. We look at distance to and

1 access to Aztar's casino. We look at it on a  
2 county-by-county basis, the distance to and access to the  
3 casino. From this we quantify a propensity to gamble on the  
4 part of residents of that county. We quantify frequency of  
5 visitation expectations. We develop a win per trip  
6 assumption, and then we combine it all on a county-by-county  
7 basis with visitors trying to link their per trip  
8 calculation that will yield the expected casino revenue to  
9 be derived from each and every one of those counties.

10 We sum it all up, crank it into a computer  
11 and develop the strategies that create total visitor and  
12 casino revenue expectation for our first year of operation.  
13 And what that says is that in year one, before any  
14 competition sets in for the Louisville market, we are  
15 projecting 2.3 million visitors to Evansville who will  
16 generate \$130 million of casino revenue.

17 We compared our projections to independent  
18 projections done by Economic Research Associates, a company  
19 we hired to give us an independent look at the market as  
20 well as to projections done by Smith Barney and by Solomon  
21 Brothers. Investment bankers are very familiar with the  
22 riverboat casino industry. What the comparisons show is  
23 that the other independent analysts are projecting visitor  
24 numbers even higher than ours.

25 If they are right, we will have casino

1 revenues even higher than we projected in our application to  
2 you. In fact, casino revenue could be significantly higher  
3 than the \$138 million we have projected, reaching as high as  
4 \$192 million according to Solomon Brothers. The important  
5 point is this. If the demand is in fact higher, our project  
6 and our large boat will have the capacity to handle it,  
7 whereas a smaller project and boat would not. In other  
8 words, the potential maximum economic impact for Indiana  
9 depends on the projects and the boat's ability to handle the  
10 increased demand, and Aztar's project and boat is in the  
11 best position to do so. If the increased demand is not  
12 there, and the boat is too large, then our customers will  
13 have a gracious and spacious experience, and Aztar will have  
14 overinvested in Indiana.

15 On the other hand, if the increase demand is  
16 there and an operators boat is too small, then Indiana will  
17 have missed an opportunity to increase the overall economic  
18 impact from the Evansville casino. We think the demand will  
19 be there, and we are prepared to deliver the results for  
20 ourselves and for Indiana. I will now turn the podium over  
21 to Lestor Brzozowski who will describe our operating plan  
22 and our safety and security program.

23 MR. BROZOZWSKI: I'm Lester  
24 Brzozowski. I will be responsible for the operation of  
25 Aztar's project in Evansville, but first I'd like to give

1 you a little personal background on myself. I was born in  
2 Brooklyn, New York near Laflish Avenue, which explains my  
3 accent. I have BS in accounting and a MB from Ruckford  
4 University. I've been with Aztar 12 years and I hope to be  
5 with Aztar another twelve years. I spent 11 years in  
6 Atlantic City in various positions.

7 I'd like to start by telling you about our  
8 operating plans. Based on our experience with similar large  
9 casino properties, our projections indicate the need for  
10 1,400 hundred full-time equivalent positions. When  
11 part-time position are factored in, that translates it to  
12 1,750 jobs. In our business, the interpersonal contacts  
13 that our patrons have with our staff are very, very  
14 important. The quality of contacts between patron and --  
15 patrons and employees can make the difference between  
16 someone having a wonderful fun visit and one that is just  
17 so-so.

18 Aztar's Evansville casino will employ  
19 individuals who possess the Aztar five star employee  
20 qualities that we believe are essential to the success of  
21 the casino. A bright smile, a friendly greeting, an  
22 outgoing personality, a team commitment, and a dedication to  
23 customer service. Aztar's hiring and training processes  
24 have been careful developed to identify these qualities to  
25 potential employees, and to develop these qualities after

1 they are hired.

2 Aztar will offer competitive wage eventative  
3 packages to its Evansville employees. Benefits will include  
4 participation in the Aztar employees stock openership and  
5 401 K Savings plans. Promotion from the bend is an  
6 operating principal at Aztar. We will work closely with  
7 local education and training institutions to ensure that  
8 training is directed towards new employees and employees  
9 seeking skills required for management positions. Aztar is  
10 committed to providing a safe environment for its guests and  
11 its employees. The issue of employee safety in the  
12 workplace will be handled by a safety committee, the  
13 function of which will be to raise safety consciousness,  
14 provide safe training and education, and provide guidance of  
15 accident prevention policy.

16 We have set an intent to exceed aggressive  
17 goals while hiring Indiana residents as well as minorities  
18 and women. Every effort will be made to hire and retain  
19 Hoosiers at every level in the casino. Hotel and food and  
20 beverage department positions will be staffed by Indiana  
21 residents. Aztar's initial staffing in the casino will of  
22 necessity include skilled casino supervisors and specialists  
23 from outside the state, but we expect that in a very short  
24 time, a great majority of casino personnel will be Indiana  
25 residents.

1                   We are committed to having 90 percent of our  
2                   Evansville employees be residents of Vanderburgh county in  
3                   the first year of operations, with ten percent of all  
4                   employees being minorities and approximately half being  
5                   female. We have set further goals of achieving at adequate  
6                   representation of minorities and females in our management  
7                   ranks as the property develops and matures, very similar to  
8                   all of our other operations. Our commitment to employee  
9                   equity was evidenced in this in fact, bring statement from  
10                  Mayor Rick Davis of Caruthersville, Missouri where we are  
11                  developing a casino riverboat property.

12                  Aztar has established a respective employee  
13                  training program with preference to local citizens. They  
14                  have followed through the determined effort to hire local  
15                  residents minorities and female employees. This corporation  
16                  has proven to be a very community orientated group. The  
17                  city of Caruthersville is totally satisfied with Aztar  
18                  Corporations operation and its presence in our community.  
19                  We keep our promises. Aztar Evansville Purchasing  
20                  Department will establish policies and goals relating to the  
21                  use of Indiana vendors. Our goal will be to award at least  
22                  15 percent of contracts for materials and services to  
23                  qualified businesses owned by women and/or minorities. We  
24                  will work with these organizations to help them qualify to  
25                  be vendors. In fact we currently have over 280 responses

1 for vendors throughout the state that are currently  
2 interested in supplying their goods and services to our  
3 casino in Evansville.

4 Aztar has always been concerned about boat  
5 issue of problem gambling. In Evansville, we will support  
6 programs aimed at prevented gambling abuse. In-house  
7 telephone assistant numbers will be advertised throughout  
8 the property. External adversemments will feature a gambling  
9 assistant's telephone number. The names of customers with  
10 gambling addiction problems will be deleted from mailing and  
11 marketing lists. Information packets about gambling  
12 addiction and treatment programs will be made available  
13 throughout the facilities. Aztar will actively enforce  
14 underage gambling and drinking prevention programs,  
15 patterning the program after Aztar's Project 21 program in  
16 Atlantic City.

17 Training will be conducted to ensure that all  
18 employees are aware of their responsibilities in preventing  
19 and prohibiting minors from gambling and drinking. Casino  
20 employees will work with education officials as they do in  
21 Project 21 in Atlantic City. Underage violators will be  
22 reported to local officials for remedial action. In  
23 Evansville, as in our other properties, Aztar will quickly  
24 become a citizen of the community. Senior managers will be  
25 encouraged to join boards of local civic service and

1 cultural organizations.

2           The civic and charitable volunteer activities  
3 of ranking file employees will also be supported by  
4 management. Aztar will be diligent about the security and  
5 safety of guests and employees. Sophisticated camera  
6 equipment will monitor the exterior and interior of the  
7 Aztar facilities. We will have staff security and  
8 surveillance departments in Evansville. Our management in  
9 Evansville will work in full cooperation with local law  
10 enforcement agencies to ensure a safe and secure experience  
11 for the tourists and residents.

12           Lastly, let me turn to the issue of marine  
13 safety. We are unequivocally committed to the making -- to  
14 making the operation of the gaming vessel as safe as it can  
15 possibly be. In that regard, we reviewed our docking plans  
16 with the Ohio river Ice Committee. The Ice Committee  
17 consists of representatives of the marina owners on the  
18 river. We have met with the Ice Committee on several  
19 occasions and have significantly modified our docking plans  
20 in accordance with their suggestions. We have received this  
21 letter indicating that the Ice Committee is satisfied with  
22 our current docking plans.

23           I, and other members of the Ohio river Ice  
24 Committee have reviewed the latest site plan for running of  
25 the Evansville bend site. The latest drawing of the site

1 meets the criteria upon which the Ice Committee agreed.  
2 Based on the latest drawing and the conditions set forth in  
3 Mr. Edward Reeses' letter on November 21, 1994, the Ice  
4 Committee has no further objections to your plan. This  
5 letter is signed by David E. Dewey, chairman of the Ohio  
6 river Ice Committee.

7 We've also retained three marine consultants  
8 to ensure the safety of our operations. American Commercial  
9 Barge Line will provide data and expertise with regard to  
10 barge operations on the Ohio river. American Commercial  
11 Barge Line is the largest operator of inland waterway  
12 vessels in the United States with 84 years operating  
13 experience. Horn Blower Marine Service will assist us in  
14 the actual operation of the vessel. Horn Blower will help  
15 us in the screening and training of the crew with  
16 development and implementation of the safety plan in  
17 compliance with the regulations of all agencies, including  
18 the Coast Guard and the Corp of Engineers. Horn Blower will  
19 also be conducting ongoing reviews of our marine  
20 operations. Horn Blower currently operates 22 vessels and  
21 employs 600 people. And we have retained Mercer Management  
22 Consults to make a marine risk assessment. Mercer is one of  
23 the country's preeminent firms performing maritime risk  
24 analysis. In a moment, I would like to have Captain Biff  
25 Holt from Mercer talk to you about the result of their

1 assessment.

2 Let me say in closing that we will operate  
3 the Evansville casino riverboat facilities with the highest  
4 standards of employment equity and fairness in purchasing.  
5 We have a strong commitment to being Hoosier all the way as  
6 soon as possible in our employment. And we promise to make  
7 our facilities and our operations as safe and secure as we  
8 can from the parking lot to the boat. Now, I would like to  
9 ask Captain Holt of Mercer Management Consultants to come  
10 forward.

11 CAPTAIN HOLT: Thank you. I am  
12 William Holt. I am a retired captain of the Coast Guard and  
13 I am currently a partner in the management consulting firm  
14 of Mercer Management Consulting. We were commissioned by  
15 Aztar to conduct a safety analysis and risk assessment of  
16 their plan riverboat mooring site in both operations. The  
17 picture that you see here on the slide is a schematic  
18 drawing of the Aztar mooring site for the riverboat. Mr.  
19 Rubeli has already talked about the recessed nature of that  
20 site, and I will refer back to that again a little bit later  
21 on.

22 To tell you a bit about Mercer, we're one of  
23 the largest management consulting firms in the country with  
24 a world renowned on transportation industry component and a  
25 specialized practice in marine safety and environmental

1 protection. I head that marine safety and environmental  
2 protection practice at Mercer, and I manage this project.

3 My personal background includes a 24-year  
4 career in the Coast Guard. One of my last assignments was,  
5 as the head of the Coast Guard in this marine environmental  
6 protection program. Previously, I also had the pleasure of  
7 serving on the Ohio river as the captain of the Emporium in  
8 Huntington, West Virginia. My entire professional career  
9 has revolved around marine safety and environmental  
10 protection and all the facets of those two important  
11 disciplines.

12 In this risk assessment, we evaluated Aztar's  
13 proposed site from the prospective of protection of the  
14 riverboat from passing tows, as well the potential impact of  
15 the mooring site on tows that will be operating through  
16 Evansville area. We also evaluated Aztar's proposed  
17 riverboat operations to determine the risk of those  
18 operations. Now, this slide doesn't show it very clearly,  
19 but this is a chart of the Ohio river in Evansville, and I'm  
20 not sure I'll be able to point it out because it probably is  
21 to far away. But that's about the proposed site. That's at  
22 mile 793, which will bear on my presentation in a moment,  
23 and then mile 792 is right about there.

24 So the area around the bend is the area that  
25 I'm principally going to be talking about. We conducted a

1 risk assessment of operating in the gaming boat in  
2 Evansville using both quantitative and qualitative  
3 elements. We analyzed the Coast Guard and the Corp of  
4 Engineers' data, and we interviewed a variety of river users  
5 to capture information on the entire array of potential  
6 issues and concerns.

7           One of the things that we wanted to do was to  
8 look beyond boat antidotal to the factual. Our assessment  
9 concluded that three factors in Aztar's proposed act to  
10 ensure a safe operating environment for the riverboat. The  
11 design of the mooring site, the Gaming Commission proposed  
12 rules on boat operations, and it well conceived the  
13 riverboat operating plan. Regarding the mooring site, as  
14 was mentioned previously, it is designed so that it is  
15 recessed into the river bank optimizations. In other words,  
16 the design is such that the boat is protected and well clear  
17 of the path of towboats operating through Evansville.

18           Second, we found that the Gaming Commission  
19 proposed rule authorizing the master to determine when to  
20 get underway without sacrificing casino operations is an  
21 important element in ensuring an appropriate margin of  
22 safety for riverboat operations in Evansville. Third, a  
23 carefully conceived operating plan for the both will  
24 increase safety. As a result of our study, Aztar will  
25 implement programs within specific operating principals to

1 ensure safety for the boat. The master will monitor the  
2 radio dockside while passengers are aboard. Corp of  
3 Engineers locks both up river and down river of Evansville  
4 will be called to determine the location of any tows that  
5 are making their way for Evansville. The master will keep  
6 in contact with these tow boats so we can determine their  
7 location and their speed of advance. And finally, the  
8 master will plot the locations of these tows regularly  
9 before getting underway to know where they're at.

10 During our study, we found that the area  
11 between mile 792 and 793 was of particular concern to  
12 towboat operators. And to put that in prospective, it's  
13 about a quarter mile downstream to about three quarters of a  
14 mile upstream of Aztar's site. The concern principally is  
15 the risk of having a towboat with barges maneuvering around  
16 the Evansville bend with a riverboat operating in the same  
17 area at the same time.

18 Again, we recommended, and Aztar has agreed  
19 to implement the operating constraints that we believe will  
20 eliminate that risk. First, the riverboat will not get  
21 underway if the tow will be between mile 792 and 793 during  
22 unmooring until the tow has safely passed. Second, the  
23 master will adjust the speed of the boat to avoid meeting,  
24 passing, or overtaking a tow between these two mile posts.  
25 And third, the boat will not attempt to dock if a tow will

1 be in that area, again until the tow has safely passed.

2 Now, we are currently finalizing our report  
3 that resulted from this risk assessment, and it will be made  
4 available to the Gaming Commission as well as to other  
5 regulatory agencies, such as the Corp of Engineers and the  
6 Coast Guard. But to summarize, we believe that recessing  
7 and protecting the mooring sight, implementing the proposed  
8 Gaming Commission rules and establishing the operating  
9 procedures that we have proposed, work together to optimize  
10 a safe operation of Aztar's riverboat. Thank you.

11 MR. HADDOCK: Good morning, ladies  
12 and gentlemen. My name's Robert Haddock, and I'm the  
13 executive vice president and chief financial officer of  
14 Aztar. By way of personal background, I was raised in  
15 Strafford, Pennsylvania. I went to college in New York City  
16 Ford University where I obtained by bachelor's degree in  
17 English. I also have degrees of the law in JD, and have a  
18 master in business administration from Stanford University.  
19 I'm married. I have three children, youngest of which is  
20 six years old. I've lived in Arizona for 16 years where  
21 Aztar is headquartered, and I have been with Aztar for 14  
22 years.

23 My presentation this morning will cover the  
24 following. As programs within of Aztar's financial  
25 highlights, the status of the financing for Aztar's

1 Evansville project, programs within brief comments on the  
2 endorsement of Aztar by boat city of Evansville, and then  
3 lastly of economic impact of the Aztar project. Aztar is a  
4 significant company with assets of \$883 million. Almost 750  
5 million of that amount are fixed assets, property, plant  
6 equipment, and land. The nature and the size of those  
7 assets give Aztar stability and staying power. During the  
8 last fiscal 12 months, the company had revenues in excess of  
9 a half a billion dollars, operated cash flow was \$112  
10 million, and that cash generated was seven million.

11 This depicts the company's operating cash  
12 flow over the last five years. As you can see, there has  
13 been a consistent trend of substantially increasing cash  
14 flow, and this financial performance has given Aztar  
15 excellent access to capital. This illustrates the company's  
16 history of financing since 1989. We have been able to  
17 obtain infusions of capital when we have needed it and good  
18 markets and in bad. I might add that these amounts are not  
19 additive to our certain of these financings that were known  
20 to replace existing financings, but this is indicative of  
21 our ability to access capital in the markets.

22 I would like to draw your attention to the  
23 last financing in particular, the \$280 million revolving  
24 credit facility. This credit facility provides the source  
25 of funds for boat construction of Aztar's Evansville

1 project. The \$280 million credit facility was provided for  
2 Aztar by Bank of America, Bankers Trust, and other major  
3 banks in the United States. Aztar can draw on this credit  
4 facility when needed. \$115 million of the credit facility  
5 has specifically been pre-approved for the Evansville  
6 project. In other words, Aztar can draw a hundred and  
7 fifteen million for Evansville without any further approvals  
8 from the bank. Aztar's financing for this project is done.  
9 If we had our license tomorrow, we could begin to draw  
10 against this facility and build this project.

11 At the request of the city of Evansville, we  
12 have also arranged an additional \$13.4 million letter of  
13 credit to secure Aztar's obligations to make certain  
14 charitable and civic contributions. This letter of credit  
15 was issued by National City Bank of Evansville. Boat  
16 representatives of National City Bank, Bank of America, both  
17 are here to -- in the audience to answer any questions that  
18 you may have. Also present are representatives of Solomon  
19 Brothers, Aztar's leading investment bank, and Cooper's of  
20 Widebran, which has for many years been Aztar's independent  
21 accountants.

22 Aztar and its proposed project have been  
23 endorsed by the city of Evansville. Let me say briefly from  
24 an applicant's point of view, that the evaluation conducted  
25 by the city was tough. Boat process started in September

1 1993, with a response to a request for proposals. In  
2 October, each applicant briefly presented his proposal to  
3 the public at a press conference. In February 1994, each  
4 applicant made a day long presentation to a 21 person  
5 evaluation committee.

6 In March, the Committee issued a request for  
7 enhancement to the original proposals, and once again, all  
8 operators presented to the Evaluation Committee, a half day  
9 each this time. In April, the Evaluation Committee voted to  
10 select the top three applicants for additional  
11 negotiations. Aztar was ranked number one, Player's, number  
12 three, and Goldstrike/Evansville, number six. Over 75  
13 percent of the Evaluation Committee ranked Aztar number one  
14 or number two.

15 The city then commenced negotiations with the  
16 top three applicants. There were two rounds of formal  
17 negotiations, after which Aztar was asked to negotiate a  
18 project agreement with the city, which we did in June 1994.  
19 Representatives of the city will describe our meeting with  
20 them in detail tomorrow, I believe. But let me briefly  
21 touch upon some of the main points. We'll be making civic  
22 and charitable contributions in the minimum amount of \$13.4  
23 million. We will also be making lease payments to the  
24 city. During the first five years we estimate these  
25 payments to be almost \$15 million, and they will increase

1 over time. We have agreed to make significant penalty  
2 payments to the city if our project is delayed. And we have  
3 agreed not to compete with our own project here in  
4 Evansville within a hundred mile radius. This provision  
5 assured that a competing project possibly in another state  
6 will not siphon off taxes or economic impact from the state  
7 of Indiana.

8 Now, I'd like to talk about economic impact.  
9 Aztar commissioned a study by the Economics Research  
10 Associates, which has been a consultant to gaming related  
11 plans since 1966. ERA has excellent credentials. They've  
12 recently completed a gaming impact study for the state of  
13 West Virginia. The ERA's study of Aztar's Evansville  
14 project indicates that there will be a direct annual  
15 economic impact of \$140 million.

16 The ERA also found that there would be an  
17 additional indirect impact of \$44 million. Indirect impact  
18 occurs when those who benefit from gaming operations, such  
19 as employees spending money in the committee, which in turn  
20 generates additional compounds for good services and jobs.  
21 Adding the indirect and the direct impacts together. ERA  
22 found that there will be an annual economic impact of \$185  
23 million of Aztar's project. The ERA also found that Aztar's  
24 project will have positive impact on the hotel market in  
25 Evansville, generating significant new room night demands

1 for Evansville's existing hotels. A recent study by the  
2 Cooper's and Widebran hospitality consulting group came to a  
3 similar conclusion. These two independent studies validate  
4 our own view that the Aztar project will be very good for  
5 the future of the Evansville hotel market. The people from  
6 ERA and from the Cooper's and Widebran hospitality group are  
7 here to answer questions you may have about their  
8 financing.

9 Do know there are a lot of theories and  
10 formulas involved in making projections of economic impact,  
11 and speaking for myself, I -- frankly, I don't always  
12 understand what they're about. But putting the consultants  
13 and their formulas aside, it seems to me that common sense  
14 should be able to lead one to understand which project will  
15 have the greatest economic impact. I believe it comes down  
16 this these five points. First, size of the initial capital  
17 investment of the project. I think it is clear that Aztar's  
18 project has the highest level of initial investment.

19 Second, the level of casino revenue and  
20 taxes. It seems that Aztar's is number one in this category  
21 as well, which makes sense given the the size of our  
22 project, the existed presence of the new hotel in the  
23 project, and the overall quality of the project. Number of  
24 jobs created. We're tops at that category as well. It's  
25 the most important factor obviously.

1                   Future investment. This is a factor that  
2 cannot be captured by anybody's economic studies. What we  
3 can say here is that Aztar has a proven track record of  
4 expanding each and every property it operates, and those  
5 expansions provide additional revenues, additional taxes,  
6 and additional jobs.

7                   Lastly, project timing is obviously a factor,  
8 although it only comes into play in the short term. The  
9 construction schedule for Aztar's permanent project is  
10 approximately 12 months. That is when everything will be up  
11 and operating, including the hotel, the permanent docking  
12 and the ticketing and entertainment pavilion. But we think  
13 it is very important to commence gaming operations as soon  
14 as possible. Every day delay means lost economic impact for  
15 the state of Indiana, and a loss of cash flow for us. So we  
16 have plans to get into casino operations as quickly as  
17 possible at a temporary site.

18                   Aztar's riverboat fully loaded with gaming  
19 equipment can be in Evansville on June 22 of this year  
20 according to the latest schedule we have received from Jeff  
21 Boat. We would like to start gaming as soon thereafter as  
22 possible. We have entered into a contract with American  
23 Commercial Marine Service Company to lease their current  
24 facility in Evansville for our temporary docking. Their  
25 site is near the mouth of Pigeon Creek, which is slightly

1 down river from our permanent site. We have also entered --  
2 entered into agreements with nearby property owners to lease  
3 land for temporary parking. These agreements give us the  
4 ability to park a thousand cars. And we have plans for  
5 temporary patron facilities of approximately 11,000 square  
6 feet capable of handling 1,500 people at a time.

7 We will diligently pursue a Corp of  
8 Engineering permit that will let us use these temporary  
9 facilities. We are hopeful that the approval process with  
10 the Corp will be expedited by the fact that American  
11 Commercial Marine Services already has a fleeting permit  
12 from the Corp for the site.

13 In closing, let me assure you that we will be  
14 working very, very hard to get this project up and running  
15 at the earliest possible date. And we believe we have the  
16 confidence and capability to do that. Now, Paul Rubeli  
17 would like to make programs within final comments. Thank  
18 you very much.

19 MR. RUBELI: I wanted to try to  
20 draw programs within summary conclusion as to why Aztar for  
21 Evansville. We have the largest boat, therefore the largest  
22 revenue potential for the city. We are making the largest  
23 total investment initially. We have a terrific track record  
24 of continuing investments in the communities that we operate  
25 in. Our project is financed. We're very experienced in the

1 competitive major casino market in this in fact, bring  
2 country. We have resources for marketing to tourists at the  
3 conventions. We have an outstanding record of women and  
4 minority hiring and purchasing, a strong community and  
5 investment track record, an excellent reputation for  
6 business and financial integrity.

7 We have the capability for the greatest  
8 economic impact in more ways than those that are covered by  
9 the IUPUI study and we hope we shared some of those thoughts  
10 with you today. And last, and I do think perhaps the most  
11 important of all, I assure you that you have the commitment  
12 of the top management of this company. We have worked very  
13 hard on this project because this project is very, very  
14 important to this company. There is no single other project  
15 of the magnitude or the significance of this company as this  
16 project has been to us that has happened over the past five  
17 years.

18 As a consequence, this management is  
19 committed. And I stand before you as the chairman and CEO  
20 of this company to make that representation to you. I  
21 participated in this in fact, bring presentation to be able  
22 to stress to you how important this project is to us, to  
23 assure you of how seriously we take your role in your  
24 evaluation of the prospective applicants before you, and to  
25 tell you how much we want to do this project. There are

1 inevitably issues that will come up. There are inevitably  
2 problems that will arise. There are always things that go  
3 wrong, and we've seen that already in the year and a half  
4 we've been working on this.

5 We have the capability, we have the  
6 resources, and most importantly, I will tell you we have a  
7 commitment to do whatever has to be done to make this  
8 project successful. We are ready to go on this project. We  
9 have worked hard for a year and a half, and we've already  
10 accomplished a lot. We have a site. We have a site under  
11 our control. We have a project that's financed. We have a  
12 boat that's almost ready. We have zoning approvals that  
13 have already been obtained. We have environmental  
14 assessment studies that have already been conducted.

15 We have a marine risk assessment studies that  
16 have already been conducted. We have traffic impact studies  
17 that have already been conducted. We have an organization  
18 that is raring to take off and make this project happen for  
19 Evansville and for Indiana. I said at the outset that I  
20 believe in Indiana because it has a good gaming law, and  
21 because it had an outstanding regulatory tone. I also said  
22 at the outset that we like Evansville because it has a great  
23 market and we think it's a great community.

24 I will also tell you I believe in Aztar and  
25 our ability to get this job done for you, and hopefully,

1 with your support, with your selection, and ultimately with  
2 your choice to license us as the applicants that stand  
3 before you, we will have the privilege of proving that to  
4 you. I thank you for your consideration, and we appreciate  
5 this opportunity to have been able to come before the seven  
6 of you. Thank you very much.

7 MR. CHAIRMAN: Well, thank you for  
8 your presentation. This is just the start of making our job  
9 much more difficult, but we certainly appreciate it. It was  
10 most informative. And now we're scheduled to take a 15  
11 minute break and we will come back then and maybe propose a  
12 few questions of the Aztar people.

13 (Thereupon, a break was taken;  
14 after which, the proceedings  
15 continued as follows:)

16 MR. CHAIRMAN: All right. Ladies  
17 and gentlemen, can we come back to order, please. As I've  
18 said before, the Commission will now be posing programs  
19 within questions, and for the sake of the record we ask if  
20 the Aztar people can just briefly state their name if  
21 they're responding to the questions, and whoever wants  
22 respond can respond as long as we keep the record clear.  
23 The questions probably won't be posed in to particular  
24 person. All we want is the information. I've got a couple  
25 of brain questions just to start off.

## QUESTION AND ANSWER SESSION

1  
2  
3  
4 THE CHAIRMAN: The gentleman from  
5 the Coast Guard I guess, you say between the mile marker 792  
6 and 793, and your proposed plan to both would not start it  
7 up nor would it be turned while the barge traffic is in that  
8 area. How long does it take to reverse ordinarily that  
9 span?

10 CAPTAIN HOLT: Of course, so much  
11 depends on the speed that the tow might be making, but  
12 generally about ten to 12 minutes.

13 MR. CHAIRMAN: Oh, okay. Because  
14 it occurred to me that it was a long period of time. We  
15 really would have a problem about the boat leaving and also  
16 returning. I mean is -- is -- there is really no control of  
17 the barge traffic on the Ohio river at this point. I mean,  
18 there's nobody who is stopping and going the traffic. It  
19 just depends upon how they come out the locks at either  
20 end.

21 CAPTAIN HOLT: Yes, sir. That's  
22 generally correct. There's no external controls on the  
23 traffic, but the riverboat pilots communicate with each  
24 other and know the location of each other and will try to  
25 control the speed of the tow to the extent that they can to

1 ensure that there is no passing situation in a place where  
2 it might be dangerous.

3 MR. CHAIRMAN: And after the boat  
4 would get out of the -- or would not be in the 792, 793  
5 area, usually the river is at that point large enough and  
6 capable of having them both cruise without really  
7 interfering with traffic.

8 CAPTAIN HOLT: Okay. One of the  
9 most important elements of the area just beyond that is that  
10 there are places where the boat dock in very quickly if it  
11 were to encounter tow, but our research showed that there  
12 are ample situations where tows meet and pass outside those  
13 areas, and this boat is smaller than another tow.

14 MR. CHAIRMAN: Do you envision --  
15 and these are all hypothetical, obviously -- that the boat  
16 might get out there and get caught in traffic to the extent  
17 that it couldn't get back for a considerable period of time?

18 CAPTAIN HOLT: It's very difficult  
19 to engage in hypotheticals. I cannot see that happening.

20 MR. CHAIRMAN: You are familiar  
21 with the quantity of traffic in this in fact, bring  
22 particular area.

23 CAPTAIN HOLT: Yes, sir.

24 MR. CHAIRMAN: Okay. Then to  
25 dramatically change the subject, how much space do you have

1 on your boat for dining or for other activities other than  
2 active gambling? Do you have any idea? I saw a small  
3 snackbar area on deck, but -- and I wondered, are there open  
4 areas? It didn't look like there was much open area on your  
5 boat.

6 MR. RUBELI: We have 37,000 square  
7 feet of casino as we mentioned. The dining consist of 3,100  
8 square feet, and the rhetoric would be 1,400 hundred square  
9 feet. So all totaled, almost 4,500 hundred square feet on  
10 the vessel for dining, and of course our entertainment  
11 pavilion itself has large food and beverage operation all  
12 through it.

13 MR. CHAIRMAN: Well, I'm  
14 particularly interested in seeing that there are areas that  
15 people who wish to gamble for a while but then quit for a  
16 while or their luck turns and comes back, or whatever they  
17 hope to have happen have an area to go and just sort of  
18 relax and contemplate their next move.

19 MR. RUBELI: On the third deck  
20 there actually is a space set aside, a large open space,  
21 that we envision to be very useful for that purpose, and it  
22 may take on the maintains of break room in the afternoon,  
23 and it may be a place where magazines might be. We  
24 certainly envision that to be a place where receptions and  
25 hoer'derves might be held for convention groups that are

1 staying in town. So we set aside, actually adjacent to the  
2 casino space up on the third deck, a fairly large square  
3 footage that is, at this point, a very flexible and  
4 undesignated space.

5 MR. CHAIRMAN: Does anybody want  
6 to --

7 COMMISSIONER: The gentlemen  
8 formerly with the Coast. Sir, you are with Mercer  
9 Consultants; is that correct.

10 CAPTAIN HOLT: Yes. Mercer  
11 Management and consulting, and I'm retired.

12 COMMISSIONER: The reason -- I  
13 guess that incident that occurred the river where the barges  
14 had broken loose. Are you familiar with that.

15 CAPTAIN HOLT: Yes, sir, I am.

16 COMMISSIONER: And do you -- do  
17 know at what mile marker that those barges collided with the  
18 docking of the riverbank?

19 CAPTAIN HOLT: It was -- I don't  
20 know precisely the mile point of that, but it was  
21 significantly downstream from the mile 793.

22 COMMISSIONER: All right. The -- I  
23 believe the -- you're earlier statements were that boat  
24 danger site was between mile marker 792 and 793; is that  
25 correct?

1 CAPTAIN HOLT: Yes, sir.

2 COMMISSIONER: I'm looking at a map  
3 that shows that the Pigeon Creek mouth is approximately at  
4 mile marker 793. My question is from what we heard a little  
5 while ago, that the temporary docking would be somewhere  
6 near the mouth of -- at Pigeon Creek. Now, can you tell me  
7 -- doesn't that conflict with what you said earlier about  
8 that being the danger zone? Isn't that where the temporary  
9 docking would be?

10 CAPTAIN HOLT: My understanding of  
11 the temporary site, sir, is that it is in an existing area  
12 of barge activity, so there is a significant amount of local  
13 activity that takes place there already that passing tows  
14 have to avoid. Additionally, just up river from that site  
15 is an existing fleeting area that actually acts as a --  
16 somewhat of a buffer. It would protect the boat from  
17 passing tows.

18 MR. RUBELI: If I could follow-up  
19 on that answer, too, Mr. Vowels, marker 793 is up river from  
20 the Pigeon Creek mouth as it enters in the Ohio. The  
21 proposed site is down river from the mouth, so it's several  
22 hundreds of yards downstream from 793, and therefore,  
23 outside that zone that has been much talked about so far.

24 COMMISSIONER: Well, the temporary  
25 docking site would be Pigeon Creek's mouth. How close is it

1 to that area?

2 MR. RUBELI: It is downstream from  
3 that, maybe a few hundred yards? Bob, do you or Lester have  
4 a -- 200 feet, I'm sorry. Downstream from that mouth of  
5 Pigeon Creek. 200 hundred feet is what the property line is  
6 and that's where the existing fleeting activities are going  
7 on.

8 COMMISSIONER: And sir, again, it  
9 was your opinion that that's -- that's a safe haven as far  
10 as temporary docking from barges?

11 CAPTAIN HOLT: Yes, sir, with the  
12 addition of some pilings that will be put in, I understand,  
13 to protect the outside side of the boat.

14 COMMISSIONER: What was your name  
15 again.

16 CAPTAIN HOLT: William Holt.

17 COMMISSIONER: Holt, yes. Mr.  
18 Holt, let me ask you about this, about your consulting for  
19 Aztar. Did Aztar ask you to evaluate the proposed docking  
20 site regarding the safety, or did you evaluate all the sites  
21 and recommend that site as the best?

22 CAPTAIN HOLT: No. They asked us  
23 to evaluate their site.

24 COMMISSIONER: How quickly could a  
25 reaction occur, as far as loose barges traveling down river,

1 for the boat to be out of danger?

2 CAPTAIN HOLT: Well, the nearest  
3 fleeting area is about mile 788 I believe, which is about  
4 five or six miles up river from Evansville from the location  
5 of the mooring site.

6 COMMISSIONER: When you say  
7 fleeting area what do you mean.

8 CAPTAIN HOLT: That -- that's an  
9 area where barges are held, temporarily waiting to be picked  
10 up by other tows, or put their while they're being loaded.  
11 They are permitted by the Army Corp of Engineers to allow a  
12 large number, a fixed number of barges to be temporarily  
13 moored there. The -- when a breakaway occurs, of course the  
14 -- the speed of advance of the barge would be dependent on  
15 the current, so at low water conditions, the barges would  
16 move very, very slow indeed. At a high water condition, the  
17 barges would move as the current moves. So again, it's  
18 difficult to say how quickly it would move, but depending on  
19 the conditions, it's about a five mile stretch that they  
20 will have to travel.

21 COMMISSIONER: I just want to ask  
22 you one last question. As a consultant you were paid for by  
23 Aztar, for your opinion; is that correct?

24 CAPTAIN HOLT: That is correct.

25 COMMISSIONER: I don't have any

1 other questions.

2 MR. CHAIRMAN: All right, next.

3 COMMISSIONER: I have a few  
4 questions. If -- if I got it correctly, you said that there  
5 are 2.5 million people within a hundred mile radius of  
6 Evansville.

7 MR. RUBELI: Yes.

8 COMMISSIONER: There's quite a  
9 disparity between your figures, your attendance projection  
10 and those of the other applicants. In the first year, you  
11 predict about 2.2, 2.3 million people coming to the boat,  
12 and I assume there's programs within duplication of people  
13 in there.

14 MR. RUBELI: Yes, that's  
15 visitations.

16 COMMISSIONER: Okay. That would be  
17 visitations. But that's -- that's at the high end, the  
18 average for all Evansville applicants we have for annual  
19 attendance is 1.5 million people. Could you operate  
20 successfully and profitably if you would only get, let's say  
21 1.5 million people to come if your projections are not  
22 correct, since they are so far above everybody else's?

23 MR. RUBELI: The answer to your  
24 question is, yes, we -- we -- we can. In fact, an important  
25 point you should know is our projections are over a five

1 year period. We're speaking about the larger numbers  
2 occurring not only in the first year or two when Evansville  
3 will have a monopoly from Southern Indiana, and therefore  
4 has access to that very large Louisville metropolitan area.  
5 Our own projections anticipate that our presentations will  
6 fall back to around a million six in the year three, which  
7 means that we're obviously prepared to run our operation  
8 successfully in a million six as well.

9 COMMISSIONER: If you get those  
10 lower numbers, would the boat then appear empty? I -- you  
11 talk about being comfortable, but perhaps it would be too  
12 comfortable.

13 MR. RUBELI: Well, and there --  
14 therein lies the wonderful flexibility of a boat like this  
15 that you would then designate just decks one and two to be  
16 your casino. And the very deck that we were speaking about  
17 that I mentioned earlier, for no other than the gaming  
18 purposes.

19 COMMISSIONER: Okay. And how many  
20 rooms -- could you remind me would your hotel have.

21 MR. RUBELI: 250.

22 COMMISSIONER: And you would feel  
23 that -- what kind of occupancy would you feel you would be  
24 able to have in that over an extended period of time?

25 MR. RUBELI: We're projecting 85

1 percent in year one.

2 COMMISSIONER: And what about year  
3 five?

4 MR. RUBELI: It runs in that same  
5 range. It stays from 85 to -- I think it was 85 to 87,  
6 something in that range.

7 COMMISSIONER: Okay.

8 MR. RUBELI: As I said in my  
9 presentation we -- we manage 4,400 rooms, and last year we  
10 ran them all on an average of 87 percent occupancy.

11 COMMISSIONER: I assume, given  
12 these large numbers that you really are projecting to  
13 attract people from farther away than a hundred mile  
14 radius. Would that be a correct assumption?

15 MR. RUBELI: Yeah, the fact that if  
16 certainly the quarter market is that market which exist  
17 within a hundred miles, but there is a significant component  
18 that exists beyond a hundred miles, which in particular  
19 because we have a large facility adjacent to that boat  
20 will-- will be the market tool that is necessary. But  
21 typically, those people that come that far want to stay  
22 overnight. They're not going to turn around and go back  
23 home again and take another three hour or four hour drive.

24 COMMISSIONER: I'm done.

25 THE CHAIRMAN: Next.

1                   COMMISSIONER: We are in sort of a  
2 mooring period ourselves here trying to get accustomed and  
3 acquainted with programs within of this type of ways that  
4 Ms. Bochnowski was talking about. But one of the things  
5 that we do run into, of course, is the estimates for  
6 visitation here in Evansville it parallels that we run into  
7 in Gary which includes the Chicago market. A hundred and 60  
8 mile radius or something is what the numbers were based on  
9 up there, so -- so it -- it gets into, I guess a -- a  
10 situation where we really have to understand how this market  
11 is going to be able to draw the same number of visits that  
12 the people who presented their applications to us in Gary.  
13 They estimate that they're going to be able to proceed  
14 without similar competition and with a much, much larger  
15 market area. I'm not -- not disputing your numbers. I'm  
16 just trying to get --

17                   MR. RUBELI: Well, --

18                   COMMISSIONER: -- programs within  
19 feeling and understanding of this.

20                   MR. RUBELI: Let me -- let me try  
21 to get to that, Mr. Hensley, the issue of those projections  
22 and estimates. We're all learning. The -- there is a  
23 potential projection of 2.3 million. It does not say each  
24 and every operator who were to come before you could produce  
25 those results. In the broad macro sense, there are two

1 issues involved in projections. One would be: What is the  
2 inheriting potential demand to be tapped in the market? And  
3 number two, what would be a project and operator's ability  
4 to tap that goal?

5 Well, what we're saying is we believe that  
6 there is a potential for the 2.3 million in the first couple  
7 of years, and we, therefore, in addition, designed a project  
8 that we think we have the experience as a company to be able  
9 to tap that, which does not mean that any company can  
10 necessarily come in here and get that 2.3 million.

11 Going to the issue of what is there for the  
12 inherent and proper demand that's out there in the 2.3  
13 million? The issues that metropolitan areas are important,  
14 and what we're submitting here is boat recognition that when  
15 you go that hundred mile mark, you do pick up two and a half  
16 million people. And the big component that occurs is the  
17 Louisville metropolitan market. It starts to look a lot  
18 like Joliet and Aurora and some of the suburbs of Chicago.

19 And in fact, we have in the autovisual -- can  
20 you bring up slide 32 for me, please on the back up tray?  
21 Thirty-three, please. Hold on that for the minute. To  
22 follow-up on Ms. Bochnowski -- your question earlier, but I  
23 just wanted to point out here's our projections out there in  
24 years three, four, and five. Well, we're back into that  
25 million six level after Louisville metropolitan markets

1 begin to get served by other casinos because we'll lose  
2 somewhere along the Ohio river to the eastern part of the  
3 state, but up until then, we're in this 2.3 million range.

4 And we provided in comparison during our  
5 presentation to work done by other annalists such as ERA and  
6 Smith Barney and Solomon, which are showing numbers even  
7 higher than this. So they all have their models and their  
8 approaches to valuable public -- and each has their certain  
9 aspects of comparison, but let me also show you something  
10 here.

11 Let's compare ourselves to those Illinois  
12 boats that Mr. Hensley was just speaking about. We're --  
13 we're not noman's land here. I mean, you've got boats  
14 operating, and remember those are in the suburbs. I mean,  
15 Aurora is a long way from downtown Chicago. This is not  
16 just next door, but they were able to tap that large  
17 metropolitan market that exist throughout Northern  
18 Illinois. Louisville looks identically the same.

19 I mean, if you look at it on an SMSA basis or  
20 on a county-by county basis and you draw that circle, if you  
21 accept that people will drive a hundred miles to go to a  
22 casino. People in Atlantic City will drive 200 miles to go  
23 to a casino. A hundred miles from Louisville to Evansville  
24 on that interstate is a little more than an hour and a half  
25 drive, and you can be in Evansville. So that we compare on

1 a comparable basis with the boats that are in Illinois.

2           You'll see Metropolis at the bottom of the  
3 list because Metropolis does not have a major metropolitan  
4 area that it can access. It is a rural market. There --  
5 there is certainly a different scenario down there, so what  
6 we've suggested here -- and by the way, you're already  
7 getting close to drawing a lot from Indianapolis, among  
8 other metropolitan area. You've got a lot of people that  
9 are driving westbound to Indianapolis because they're going  
10 to the casino. They may say they're going someplace else,  
11 but that's where they're going.

12           So we have the abilities here to look at that  
13 map and see that pocket, but we're also telling the  
14 Commission it is not going to last forever. And it's just  
15 like I showed you previously. One final comment, and it's a  
16 very important one, by law in Illinois those boats are  
17 limited to 1,200 gaming positions. We've got 1,500. We are  
18 50 percent larger in capacity. And where's that useful?  
19 Not on Monday afternoon. We don't need three decks on a  
20 Monday afternoon, but on Friday night and Saturday night and  
21 Saturday afternoon at peak capacity is when the casino and  
22 the casino business make their numbers. And if you don't  
23 have the capacity, you get maxed out, and again and again,  
24 if you go to Illinois and find out the cruises are sold out  
25 on Saturday nights, Friday night, and a number of cruises on

1 Saturday afternoon. So as a firm reminder of confidence as  
2 to why these numbers are believable is this. If those  
3 Illinois boats could offer 1,800 position type, I guarantee  
4 you those numbers would be significantly higher.

5 So remember that too when you're looking at  
6 these assessments. The boat we're giving you here is 50  
7 percent bigger than those boats in Illinois.

8 COMMISSIONER: You're also showing  
9 that your average revenue is \$60, I think, per passenger.  
10 Would the Illinois average -- oh, that chart is showing 50.  
11 Well, we're showing \$54 dollars, about a ten percent  
12 difference. How -- how do you achieve that ten percent  
13 increase.

14 MR. RUBELI: Well, what happens is  
15 that the initial years who are drawing customers from that  
16 Louisville market, they have two characteristics. People  
17 from the major metropolitan markets will generally spend  
18 more per trip any way. Number two, there is a rule of thumb  
19 that the farther you travel, the more you worth your trip.  
20 So in the initial couple of years, you have a heavier  
21 proponent of people that have traveled far, that are coming  
22 from a metropolitan area.

23 Finally, we have a hotel as part of our  
24 casino operation, and people who stay in the hotel rooms are  
25 the most valuable of all. And that will lend itself to

1 raising our averages that the Illinois boats do not have.  
2 Another way to look at this is Metropolis right now is  
3 making a million three. Evansville can do more than a  
4 million six without knowing a lot about this business. If  
5 you compare Evansville with what you can do here and where  
6 it's located and the accessibility of Louisville.

7 If -- if Metropolis can do a million three,  
8 there ought to be no shadow of doubt that Evansville can do  
9 far in excess of the million three and far in excess of  
10 million six. It's just inherently logical, and then combine  
11 it with the notion that you have a hotel here and Metropolis  
12 didn't until recently. We have access to Louisville, a lot  
13 closer than Metropolis, and you have have have have have  
14 have people traveling farther tends to raise the per  
15 capita. We did show you on the previous slide, and I don't  
16 think I can go back to it because the reverse button doesn't  
17 work. Okay. See what happens in the year three when our  
18 win per passenger drops, okay, because we're saying --

19 COMMISSIONER: I'm talking about --

20 MR. RUBELI: -- these are our  
21 numbers now. Just -- just ask our numbers projected in year  
22 three drop back to a million six and we don't have the  
23 Louisville market as accessible to us anymore, and  
24 therefore, the win per customers also drops back because  
25 we'll have fewer people coming from a long distance, and --

1 and we won't have the valued metropolitan customer. We hope  
2 that by doing a good job in the first couple of years, by  
3 giving them a quality operation, by giving them an  
4 integrated resort experience, that we'll get enough far  
5 customers in our database that at least we'll get a portion  
6 of their business.

7                   You know, we'll lose a good bit of it to  
8 whatever licensees are approved upstream. But if you do a  
9 good job up front, you know, marketing tells you first on  
10 the show always on the show, you keep a customer at least a  
11 portion of his value.

12                   COMMISSIONER: And what was part of  
13 your --

14                   MR. RUBELI: I -- I think -- I  
15 think we're finished with the slides.

16                   COMMISSIONER: Oh. To follow-up on  
17 the marketing, and this may have been included, but you said  
18 part of your drawings that you'll have entertainment coming  
19 in?

20                   MR. RUBELI: Yes.

21                   COMMISSIONER: And where -- I'm  
22 looking at your drawings here are where would -- where would  
23 the entertainment occur, and how many people would be able  
24 to attend --

25                   MR. RUBELI: Well, yeah.

1                   COMMISSIONER: -- the shows, and  
2 how would all that fit together.

3                   MR. RUBELI: The entertainment  
4 would not occur on property of the headliner thing, but that  
5 the entertainment on the property would be more lavish  
6 entertainment, lights and strobes, African special events  
7 out on Events Plaza, and that sort of thing. But the main  
8 special of that headliner we have agreed in our development  
9 agreement we've executed with the city to use values of  
10 downtown area of Evansville that would consist of already  
11 existing facilities, Vanderburgh Auditorium, not here, but  
12 on the other end, there's actually a beautiful, I think it's  
13 2,000 seat -- am I right on this guys? A 2,000 seat  
14 auditorium that doubles as a showroom, and part of the  
15 proposal that we've agreed to help support is the  
16 refurbishment and renovation of Victory Theater, which is on  
17 Main Street, which would be an outstanding venue then for a  
18 future headliner.

19                   So our plan would be to use the Vanderburgh  
20 Auditorium in conjunction with Victory Theater to post these  
21 headliners entertainment plans, and also tie it in with the  
22 overall greater Evansville downtown area and the other  
23 hotels in town and what not that are on main street.

24                   COMMISSIONER: What percent of your  
25 visitors did you suspect will be a convention type visitor?

1 You've talked about three or four times.

2 MR. RUBELI: We have the answer. I  
3 just don't know where to find it. Well, programs within  
4 marketing annalist will figure it up in a minute. Let me --

5 COMMISSIONER: Well, you're telling  
6 me they're going to drive a hundred miles here? And I saw  
7 the map and they talk about open space in the boat and 2,000  
8 seats for headline entertainment. You're -- you're talking  
9 about having programs within conventions or something more  
10 than local people to show up to gamble.

11 MR. RUBELI: Well, it won't be the  
12 local people for that. No way do you put that kind of  
13 investment in a headliner entertainment just for local  
14 people. One of the good parallels I'll give you is Atlantic  
15 City. It's a major metropolitan area, but Atlantic City  
16 itself is remotely located.

17 For those of you not familiar, it is an hour  
18 and a half drive from Philadelphia to get there, down to the  
19 resort. It's a two and a half hour drive from New York  
20 City. So -- so really, you know, it is on the east coast  
21 and you assume it's surrounded. It really is surrounded by  
22 wetlands and open spaces, and you have to drive a long way  
23 to get there. And the idea would be to draw people again  
24 from those areas along the interstate that are within that  
25 two hour drive, two and a half hour drive of Evansville.

1           On the convention business, what we did was  
2           to calculate the occupancies that we would derive from that  
3           hotel and it came from three primary sources. There is the  
4           Louisville area that comes to Evansville, there's the tour  
5           and track -- tour and travel, tourist travelers that come;  
6           already a very significant group, but certainly wide open  
7           traditional packaging as 150 bus tour operators and  
8           particularly a lot of Branson round that comes down to  
9           Indiana.

10           And then finally the convention component.  
11           Per se we can not tell you because I don't know the answer  
12           involved in the mix of rooms in Indiana. That mix is going  
13           to wind up doing conventions, tourists, and businesses. But  
14           what we are convinced of is with 250 rooms, if we do not  
15           have enough room to accommodate. Because what happens is  
16           when you walk in to your party for your special customers,  
17           they all want to come and an ideal party in our past  
18           experience is the party that might invite three or four  
19           hundred players either to go into a ball room or you  
20           decorate it, or whatever the occasion may be. If it's New  
21           Year's or the Fourth of July or Saint Patrick's day, let's  
22           say, and they all want to stay in the hotel. And you put  
23           three or four hundred people then on average to -- to three  
24           or 400 players, on average they're going to come with a  
25           guest, you've got six or seven hundred people and only two

1 to a room, where do you put them?

2                   And so it works hand in. And if you don't  
3 have the room then you can't have a market, and if you don't  
4 have a market then you won't have the room. If you put them  
5 together you'll be very successful. This industry is  
6 proven. When you build hotel rooms, casino revenues go up.  
7 The industry in Atlantic City, the industry, 9,000 hotel  
8 rooms last year ran at over 90 percent occupancy. And what  
9 everyone believes is the day trip market, and I guarantee  
10 I'm not flying into Chicago from Atlantic City.

11                   COMMISSIONER: Well, that -- that's  
12 one of the interesting things though is the number of  
13 competitors from Atlantic City that's gave us programs  
14 within of those numbers from up at Gary and Mr. Trump's  
15 estimate, I think his number of visitors was what, 2.2  
16 million, something like that.

17                   MR. RUBELI: What is that, for  
18 Gary?

19                   COMMISSIONER: Pardon?

20                   MR. RUBELI: For Gary?

21                   COMMISSIONER: For a hundred and  
22 sixty mile radius, yes, coming into Gary.

23                   MR. RUBELI: He knows what that  
24 kind of market is. That's right.

25                   COMMISSIONER: They run the three

1 population base, you know, the -- I'm -- I'm just trying to  
2 figure out how a population base that large with similar  
3 type of projects and so forth could maybe bring in 2.2  
4 million to Gary and 1.9 million to Evansville.

5 MR. RUBELI: The key difference,  
6 Mr. Hensley, is there's no competition. There's already in  
7 the greater metropolitan Chicago area, you've got three,  
8 four operating casinos, five in the case of Elgin that are  
9 accessible. Gary would be six maybe seven. You have have  
10 have have have have to assume a second Gary. The pie is  
11 split up seven ways. Here there's one casino serving at  
12 least for the first couple of years. After it's competition  
13 and visitations fall off. That's the life. We may be  
14 wrong, but that's how we arrived at it.

15 COMMISSIONER: Your convention  
16 people you said drive or have to come in by aircraft or  
17 something. What airline has -- who services Evansville?

18 MR. RUBELI: They don't have to  
19 come in by air because, for example, I mentioned, if you run  
20 a property at Laughlin, Nevada, that's four hours from the  
21 Phoenix area. Phoenix is a major, major convention  
22 destination resort area and Scottsdale. And what happens is  
23 people will come in for a three day, two night, or a four  
24 day, three night convention or meeting and they're out there  
25 anyway, and they say, well, let's go a couple of days before

1 or a couple of days after to Laughlin, Nevada.

2 Now, Laughlin, Nevada has an airport similar  
3 to the Evansville airport. It's not a very large airport,  
4 but when we package our luxury motor coach tours that are  
5 tied in to some of those conventions, the realtor will say  
6 for those who want to stay on, and they'll sign up for it.  
7 And you pick them up at the hotel in a bus, drive them for  
8 four hours, and there they are in a whole different  
9 environment. They're in a new environment, they spend a  
10 night or two, and they go back to Phoenix and go home again.

11 COMMISSIONER: So what happens when  
12 -- what happens when Louisville gets a boat or something in  
13 their area, then that kind of goes away, right?

14 MR. RUBELI: Well, that would make  
15 it a million six visitors here then.

16 COMMISSIONER: Yeah, that's right.

17 MR. RUBELI: But I think a million  
18 6 visitors is a very successful operation.

19 MR. HADDOCK: In answer to your  
20 question about which airline serves this airport is U.S. Air  
21 Delta or West America, I'm told.

22 COMMISSIONER: I believe at present  
23 it was 12.7 million. Is that the number your working with?

24 MR. RUBELI: 12.7 million is the  
25 number we're working. Ask the question again, please.

1                   COMMISSIONER: Well, the figure  
2 that we have here in front of me that was admitted to the  
3 staff was 11,895,000. And I'm asking you which one of those  
4 figures is correct. If you're telling me, 12.7, is that  
5 what you intend to spend in marketing the first year?

6                   MR. RUBELI: Yes. But I can't tell  
7 you which figure is correct. I can tell you that we can  
8 expect --

9                   COMMISSIONER: Your projections are  
10 35 percent higher than the next applicant's.

11                  MR. RUBELI: Yes.

12                  COMMISSIONER: And I believe that  
13 is the concern of the Commission first. Your first year,  
14 2.3 million, and if you're going to spend somewhere around  
15 \$12 million on marketing the first year, at what point does  
16 -- does this cause ratio become insignificant? I mean, if  
17 you can relate your marketing expenses, which is my  
18 understanding of why you have have have have have have such  
19 a higher attendance. If in one month you're spending \$24  
20 million and four and a half million people coming. What's  
21 the rationale among of all this?

22                  MR. RUBELI: Well, the rationale is  
23 two-fold. You certainly get the long initiative  
24 alternatives such as the customers, because when we give to  
25 the market amount they're more expensive. But number two is

1 the balance between capacity and -- and -- and market  
2 dollars. It would be pointless to have a market of four  
3 million if you couldn't handle four million. So on a  
4 particular Saturday night this boat will hold 2,500 people  
5 on a cruise period. If you over market and if you want to  
6 get 3,500 showing up on your doorsteps, then you're going to  
7 have a riot on your hands, and that's for happy customers.  
8 So there is a relationship between marketing dollars in  
9 demand and certainly you just can't say, well, I'll spend 24  
10 million and get twice as many customers because the boat  
11 can't handle it.

12 COMMISSIONER: Okay. Well, my  
13 question is was that you're spending about four times more  
14 on marketing, and you're attempted projections are 35  
15 percent higher. How do you know that the projections of  
16 Player's or Evansville Landing's -- particularly Player's  
17 market for Metropolis isn't simply what we have here?

18 MR. RUBELI: Well, that's -- that's  
19 -- if I understood your figures you're saying when you  
20 compare us to Player's, they're spending \$3 million and  
21 we're spending 12. So we're spending four times more and  
22 only getting 35 percent more. Now, that may be, but let's  
23 -- let's put this in prospective that the total projections  
24 we have are 2 million or three visitors for \$12 million is  
25 less than \$6 per visit, in return for which we will get 55

1 or \$60. If I could invest \$6 a visitor and get 35 percent  
2 more total business, I'll do it any day.

3 So we probably are making returns, if you  
4 will, but returns are still very, very profitable. \$6 to  
5 market a customer per head on average is not anywhere near  
6 what we have to spend in Las Vegas, Atlantic City Laughlin.  
7 That is the reason why the markets are so much higher in  
8 these riverboat venues because we don't have as much  
9 competition, and you can get by spending only \$6 a head to  
10 get people over the course of the year to come.

11 COMMISSIONER: If -- if the  
12 financial hardship comes down, wouldn't -- wouldn't it come  
13 quicker to somebody with a larger financial commitment and  
14 investment that you have and greater incentive therefore to  
15 cut their loss and leave without, you know, any major  
16 expectation. If you've got a bigger boat, then you're  
17 taking a bigger risk --

18 MR. RUBELI: Yes.

19 COMMISSIONER: -- whereas some of  
20 the other applicants that have smaller boats, aren't the  
21 hardships going to hit you harder and faster if -- if the  
22 attendance projections aren't met.

23 MR. RUBELI: Well, interesting  
24 question. In terms of philosophically, we won't make our  
25 project, but we're not going to lose money.

1 MR. CHAIRMAN: I think it's more of  
2 a break even question.

3 MR. RUBELI: Well, we've  
4 demonstrated even in the levels of forecast that people have  
5 which you're saying that are using. We anticipate operating  
6 around those levels in year three anyway. But the real  
7 loser wouldn't be us, it would be the State of Indiana if  
8 you can't accommodate the extra demand at that you could  
9 have.

10 COMMISSIONER: I don't understand.  
11 Is your refinancing for \$180 billion? What's that? What,  
12 13 and three quarters percent?

13 MR. HADDOCK: And the answer is  
14 that the financing will be completed in the fall which I  
15 think the one you're referring to, the \$200 million  
16 financing, the use of the proceeds there were to redeem the  
17 outstanding indebtedness that was issued in 1989 and the  
18 interest rate was 13 and three-quarters as fixed rate.

19 COMMISSIONER: Is -- is that  
20 typical? Is that a good interest rate for a growing  
21 industry.

22 MR. HADDOCK: No. It's not a good  
23 interest rate, unfortunately. We -- we issued a similar  
24 paper in 1992, and the rate then was 11 percent. So very  
25 much a function of where rates are in the marketplace for

1 similar credits. And we decided that we -- that we would --  
2 that we would not -- we weren't facing maturity that would  
3 require us to redeem the paper, due to the fact we  
4 refinanced. One of the things that we can do frankly was to  
5 complete the recapitalization to the company that would clue  
6 the availability of \$280 million to the Commercial Bank that  
7 I talked about which is the going rate and is very much  
8 lower, and it would also provide the source of funds for  
9 this project as well as programs within other incorporates.

10 COMMISSIONER: What's the rate on  
11 the credit facility?

12 MR. HADDOCK: Well, it's at this  
13 exploding rate, basically with light work and -- and the  
14 actual rate varies with the amount of leverage the company  
15 has to a point in time, and at -- current rates add  
16 leverage. It's 9 percent roughly. It's over 9 percent now.

17 COMMISSIONER: So there's light  
18 work?

19 MR. HADDOCK: I think it's light  
20 work, it's 250, I think 250, it's either light work or  
21 something similar to light work. Eight and a half percent.

22 COMMISSIONER: You're -- you're  
23 stock prices are considerably low in your book value at this  
24 particular point. Is that the typical in the industry?

25 MR. HADDOCK: Well, I wouldn't say

1 it's typical, Mr. Hensley. On the other hand, in this  
2 industry there are all kinds of factors that effect stock  
3 prices and relationships on book value, and one of the  
4 things that's -- that I think from the Commission's point of  
5 view is a plus. And I think the big plus is that this  
6 company has a substantial amount of fixed plus assets as I  
7 described in my presentation and represented by a property  
8 plan development of land, and I think a lot of our  
9 competition in the industry, particularly new interests to  
10 the industry who have been very successful in operating  
11 their own individual riverboats at very low cost initially,  
12 have their stock rates in multiples, simply because, frankly  
13 there hasn't been a lot left to invest in programs within of  
14 those monopolies to be very successful from the beginning.

15 We don't think that is the trend. The trend  
16 will continue for the long term. I think we've seen that in  
17 Mississippi and Louisiana where the fall has developed, but  
18 it's certainly true that the relationship blocks out the  
19 book value. So I think that it's different in every  
20 relationship in the riverboats where there's not a lot of  
21 necessity.

22 COMMISSIONER: You don't think  
23 that's a market concern that you might not be able to make  
24 your projections over time, or that your earnings will be  
25 too be volatile to meet high cost?

1 MR. HADDOCK: No. I don't think  
2 that's what it is. I -- I do think that it's the stock  
3 market that has reacted to the gaming industries prospects.  
4 Stocks were very high as you probably know a year or so ago,  
5 and if you look at performance in 1994 in particular, we  
6 came right back down again. Aztar's stock, as other cities,  
7 by trading a fundamentally insane range. And I think that  
8 that was true to a large view because we were not  
9 participating in what I would call the markets in  
10 Mississippi where people were making a quick buck and moving  
11 on. That's not how we -- how we manage this company, and we  
12 don't go through Mississippi Louisiana markets. So I think  
13 -- I don't think it's an indication concern at all.

14 In fact, I think that there are businesses  
15 that occurred recently that would be a manifestation of the  
16 confidence that this community has in the company.  
17 Certainly the issuance of the bonds that we did in the fall  
18 were not completely satisfactory, satisfactory to us. And  
19 more importantly, I think there are provisions by Bank of  
20 America and Bankers Trust and a group of other really very  
21 fine institutions of this \$280 million credit facility that  
22 I mentioned to you. That group did really an extraordinary  
23 amount of work for the company and it's prospects and  
24 provided that facility to us.

25 COMMISSIONER: That's actually

1 including the projections. --

2 MR. HADDOCK: Yeah, including  
3 projections for this project. Actually, Bill, would you  
4 mind if I ask Mr. Doogie to a come forward and comment, and  
5 Mr. Criskenson of Solomon Brothers is here as well. Perhaps  
6 they will comment on the -- on the subject. Bill and Mike.  
7 Bill Doogie is the vice president with the Bank of America  
8 and Mike Criskenson to your right is the vice president of  
9 Solomon Brothers.

10 MR. CHAIRMAN: If you would  
11 identify yourselves as you start to speak.

12 COMMISSIONER: You're participating  
13 with another bank in this credit facility?

14 MR. DOOGIE: I'm Bill Doogie,  
15 manager of the Bank of America. There are a number of other  
16 banks participating in the credit facilities, that's  
17 correct, based on their cash flow and based on that ratio  
18 compare to figure out the price level. Currently, there at  
19 the right level where it could be used, plus 250 -- two and  
20 a half points. Today's is about 6 percent. That roughly  
21 equates to 8 and a half percent.

22 COMMISSIONER: But the more they  
23 borrow, the higher that rate goes up.

24 MR. DOOGIE: Well, the theory of  
25 the function level is the level you get -- the level of cash

1 flow, so as the level of cash flow increases, they could  
2 borrow more in the facility. They're already up to the  
3 maximum of \$280 million, that's correct. The bank -- the  
4 bank group did a significant amount of diligence work for  
5 the Evansville project and with the initial project,  
6 particularly on the part of our investments.

7 COMMISSIONER: Would you care to  
8 comment at all on that aspect of it?

9 MR. DOOGIE: Yeah, the Bank of  
10 America did do a substantial amount of diligence on the  
11 project. Looking at not only what we saw in Evansville, but  
12 what we saw in other jurisdictions, including Illinois,  
13 Louisiana and Missouri, potentially Missouri, and we came to  
14 the conclusion that there was a tremendous market and a  
15 tremendous opportunity, and as such was something that the  
16 bank wholeheartly supported, evidenced through the credit  
17 commitment to put it in place.

18 COMMISSIONER: They're not secured  
19 facilities?

20 MR. DOOGIE: No they're seen as  
21 secured facilities, but all the assets are borrowed, which is  
22 in fact one reason that their rates are substantially lower  
23 than the -- than the other applications of the companies.

24 COMMISSIONER: Solomon Brothers; is  
25 that correct?

1 MR. DOOGIE: Yes, sir.

2 COMMISSIONER: I just received, I  
3 guess, programs within of the information from the  
4 standpoint of the market analysis and I note that you pretty  
5 much support the numbers that were here. But we also have  
6 programs within data here from Deloid and Tousey for the  
7 site, for the city of Evansville report. That comes to 1  
8 million four visitors, I guess in a hundred and 25 mile  
9 radius. Did you get a chance to look at their material when  
10 you were going through your studies?

11 MR. CRISKENSON: No, I did not.  
12 The information -- my name is Mike Criskenson. The  
13 information that you are reviewing was actually prepared by  
14 Bruce Turner, who is our analyst and our researcher, and  
15 he prepared that last year when investors were looking to  
16 evaluate the market potential for all of these new  
17 jurisdictions that were either adopting legislation to  
18 promote development or contemplating an initiative to do  
19 that, and basically went through and analyzed that analysis,  
20 as I'll describe, each of the market, each of the companies  
21 running to get a jurisdiction based on data that was  
22 available from other existing jurisdictions and how far  
23 people will travel.

24 How much will they spend? How often are they  
25 likely to visit, given how far they are away from that

1 market, and came to that conclusion basically on most of the  
2 jurisdictions that have adopted the legislation. And I  
3 think that, you know, Bruce is probably one of the most  
4 knowledgeable people in this in fact, bring arena. He's the  
5 institutional investor's number one ranked analysis, and his  
6 estimates are, you know, based on his experience and his  
7 analysis of existing jurisdictions, and people can disagree  
8 agree with them.

9 At times he may make adjustments in the  
10 future, but -- but, you, know he is a highly qualified  
11 analyst and that's the conclusion that he came to  
12 independent to what other people have produced.

13 COMMISSIONER: Has your marketing  
14 for Aztar stopped?

15 MR. CRISKENSON: We -- we make the  
16 market in Aztar stock, we make the market in their bonds,  
17 and we make markets in most of the other public gaming  
18 company's stock and outstanding public debt.

19 COMMISSIONER: Would you respond to  
20 the same question about the stock selling at considerably  
21 less booked --

22 MR. CRISKENSON: That's typical in  
23 the industry. This is the company that has a substantial  
24 fixed asset base which is different from any of it's  
25 competitors, particularly with the emerging companies. And

1 as a result, I think that it's market valuation, if you  
2 will, is based more on the cash generated ability and  
3 earnings generated ability in the company, independent of  
4 the actual book asset base. The companies that have smaller  
5 fixed asset bases have also been much more volatile over the  
6 last several years, the last two years in particular, as  
7 investors have made various adjustments in how they will  
8 value future earnings.

9 If a company has a new project that's been  
10 announced and it's going through various stages of approval,  
11 there have been times in the past when investors would  
12 actually value that more highly than frankly they will  
13 today. And that has caused larger swings, but Aztar, with  
14 it's focus on Evansville in -- in select markets, it's  
15 existing earnings base has been much more stable. And I  
16 think that that's really what's kept the stock price at this  
17 level and not necessarily its book value.

18 COMMISSIONER: It doesn't have  
19 anything to do with ideas or with the fact that all of the  
20 assets are tied up in one credit facility.

21 MR. CRISKENSON: Certainly leverage  
22 has been affected. I mean, people will basically look at  
23 what's the value of the entire enterprise, subtract the  
24 debt, and that will be the value of the attribute to the  
25 equity. I think though, that this is a company that

1 certainly has never had an issue in terms of service in it's  
2 debt or unnecessary investor concerns of the world today.  
3 The company's debt in relationship to it's cash flow from  
4 its existing assets is certainly with accessible standards  
5 for the credit markets. I would also point out that I  
6 believe a \$280 million bank credit facility is one of the  
7 largest available credit facilities in the industry, and  
8 that's in addition to the company's existing core, long term  
9 subordinated capital.

10 COMMISSIONER: Okay. Thank you.

11 MR. CHAIRMAN: Anything else of  
12 these gentlemen before they leave?

13 COMMISSIONER: Just a couple of  
14 questions. One is do you -- do any marketing outside of the  
15 region, and if so, what percentage of those were allotted  
16 for that?

17 MR. RUBELI: The contemplation that  
18 is outside of region we have an opportunity to use our  
19 existing databases that we put together with the other three  
20 properties. We use some tie in offers. I think that's  
21 particularly useful for people who are maybe making business  
22 trips in the Midwest, or visiting relatives back in the  
23 Midwest, and therefore have access to this market.

24 Number two, the existing east coast and west  
25 coast sales offices that aren't tied in to a certain group

1 of conventions. And I will tell you this. Very often you  
2 have have have have have have a national convention that's  
3 held in Las Vegas that has series of regional shows and  
4 meetings all over the country. And that's the sort of tie  
5 in that I think we have -- we have the capability of calling  
6 upon. And lastly, in the tour and the travel area because  
7 of the networks of wholesalers, travelers and what not, we  
8 have programs within contacts.

9 So a lot of that cost is already there, Dr.  
10 Ross, and and we intend to just simply make use of it. Most  
11 of that 12.7 million isn't going to be spent bringing people  
12 in from the four state area as I described earlier,  
13 targeting particularly Illinois, Kentucky, to a lesser  
14 extent Tennessee, and of course you have have have have have  
15 Indiana.

16 COMMISSIONER: The second question  
17 is that it seems from the figures that you have have have  
18 have an excellent minority hiring background.

19 MR. RUBELI: Thank you. We -- we  
20 sure do. That's our opinion too.

21 COMMISSIONER: And it seems like,  
22 as I recall, it was somewhere in the 30 percent? What is  
23 the 30 percent? Why are you only doing ten percent here.

24 MR. RUBELI: Well, first of all,  
25 the -- the figures on minority hiring are higher than that.

1 In Atlantic City it's 46 percent of our employees, and we  
2 have over 4,000 other employees. So we have almost 2,000  
3 minorities right there alone. 46 percent in Atlantic and we  
4 have 41 percent in Las Vegas and 23 percent in Laughlin. We  
5 were asked to provide assurances and commitments to do at  
6 least ten percent. We gave the people what they asked for.

7 I will tell you we will do more than ten  
8 percent. It's also relevant, and as you would know to bear  
9 in mind what the local communities might have by way of  
10 available workers and the labor pool in the minority  
11 categories. As that slide that I had up there in my  
12 presentation showed you, and in those slides we really did  
13 get 46 minority and 41 percent. The local communities were  
14 in fact apprized of about 21 to 23 percent minority.

15 Here the Evansville there's about a 7  
16 percent, 8 percent minority population. So if we double it  
17 in Atlantic City and Vegas, maybe our goal ought to be to  
18 double it here, and I'll share that goal openly with you.  
19 But our commitment that we were asked to provide was for ten  
20 percent, and we will exceed that commitment.

21 COMMISSIONER: Thank you.

22 COMMISSIONER: I'd like to follow  
23 up on Dr. Ross' question because I have a note here to  
24 myself also. I would think that in the hotel,  
25 entertainment, casino especially types of industries, I

1 would expect to see a lot of women in little dresses and cut  
2 dresses. Okay. Now, how many women -- I see four women up  
3 there in your whole row and two of them are your  
4 minorities. How many are actually in management  
5 substantial, meaningful positions.

6 MR. RUBELI: If you hadn't asked me  
7 that question, I would have been disappointed. Can I have  
8 slide 30, please.

9 MR. CHAIRMAN: Do you have a  
10 license in Missouri yet or not? I guess I get a little  
11 confused.

12 MR. RUBELI: No. The way the  
13 procedure works there, Mr. Chairman, is that licenses are  
14 not actually granted but it didn't only about two weeks or  
15 one week before you open. It's an unusual --

16 MR. CHAIRMAN: You get no assurance  
17 that you're going to get a license, no suitability or --

18 MR. RUBELI: Well, I think we have  
19 a lot -- I think we have a lot of informal assurances, but  
20 the fact is under the law and the way it's written, no. And  
21 it's not a real good situation up here at programs within  
22 point, but they're learning too. I mean, we all are.

23 MR. CHAIRMAN: We're all learning.

24 MR. RUBELI: In terms of women in  
25 management, we have at Trop World 41 percent of our women in

1 management, Tropicana, and the Ramada Express, 42.

2 COMMISSIONER: And what about  
3 minorities? Got another one for that?

4 MR. CHAIRMAN: Are those percent  
5 ages of the total --

6 MR. RUBELI: What did you want,  
7 minority?

8 COMMISSIONER: Minority for  
9 management. I knew you'd have that.

10 MR. RUBELI: Okay. For the record  
11 by the way of recording this we have 26 percent minorities  
12 in management in Atlantic City, 13 percent in Las Vegas, and  
13 7 percent in Laughlin, Nevada.

14 COMMISSIONER: Does that number  
15 represent 26 percent of the total people or 26 percent of  
16 the total minorities.

17 MR. RUBELI: It represents 26  
18 percent of our management group. That's enough on the  
19 slides.

20 COMMISSIONER: You had made  
21 reference that within the first year 90 percent of the  
22 employees will live here in town. How many of the employees  
23 will be hired from Vanderburgh County.

24 MR. RUBELI: It's the same goal, 90  
25 percent.

1                   COMMISSIONER: So it's your  
2 submission that 90 percent of employees will be from the  
3 Vanderburgh County?

4                   MR. RUBELI: Yes.

5                   COMMISSIONER: What about the  
6 fourth and sixth wards here in Vanderburgh County? Are  
7 there any -- has there been any thought given to the stress  
8 in hiring within the fourth and sixth wards here in  
9 Vanderburgh County?

10                  MR. BRZOZOWSKI: A lot of them are  
11 going to be setting up job fairs to help the personnel  
12 people out. We're going to use some community facilities,  
13 where available, to have information sessions where we will  
14 list which jobs we will be setting up training for. We will  
15 work with any -- any people willing to work with us, and  
16 administer offers in their facilities. We will use those  
17 facilities to make the information available, and, yes,  
18 we've already had a lot of work done in that area.

19                  COMMISSIONER: So there will be  
20 emphasis on the fourth and sixth wards?

21                  MR. BRZOZOWSKI: Absolutely.

22                  COMMISSIONER: In reference to your  
23 employees you gave the figure about how many employees you  
24 would have, but -- but what percentage of those would be  
25 part-time employees.

1 MR. BRZOZOWSKI: I think about 350  
2 part-timers, 1,400 full-timers, maybe 150 or so, and that  
3 will vary. We hire a lot of part-timers, primarily because  
4 we have such significant peace and values in our business.  
5 As Paul mentioned before, you know, what really makes the  
6 casino successful is how we handle the business on Saturday  
7 Saturday afternoon, Saturday night, and Friday evening.

8 What we do is we -- at Atlantic City for  
9 example -- we hire quite a few retired people, people who  
10 really only want to work 8 to 16 to 20 hours a week, and we  
11 bring them and we train them just like anybody else. And we  
12 bring them in to work when we need them in peace. So we  
13 would be able to bring our staffing up significantly on  
14 Saturday, and then by Monday morning, Paul mentioned that  
15 you don't need the size of the facility that we have. We  
16 bring it down quite a bit to be able to actually manage  
17 profitably, otherwise you would much too many people.

18 COMMISSIONER: What about health  
19 care coverage for part-time work? I would assume if you had  
20 full-time work that it would be --

21 MR. BRZOZOWSKI: Well, health care  
22 coverage, we have a couple of options that we -- we haven't  
23 developed a part-time plan in Evansville yet. That would be  
24 a bit premature, but --

25 COMMISSIONER: It would be a bit

1 premature since we don't have the license yet.

2 MR. BRZOZOWSKI: Absolutely.

3 COMMISSIONER: Assuming you get the  
4 licence, what health care benefits would part-time people  
5 get in health care?

6 MR. BRZOZOWSKI: Well, I believe it  
7 would follow the city's example where we'd structure, based  
8 upon the needs of the employee. We have several plans up  
9 there. We have a higher average hourly rate for those  
10 people who don't want benefits. There are certain people  
11 who may have a spouse working someplace else or, for  
12 whatever reason, just care about the higher hourly rate.  
13 There are other people who need the benefits. Those people  
14 would opt for a different wage scale, which would have  
15 programs within type of a benefit package associated with  
16 that.

17 COMMISSIONER: Okay. Another  
18 question I would have is in reference to training then, I  
19 would assume there would have to be some training for the  
20 dealers and people that have to have certain skills. How  
21 soon would you be able to train people from Vanderburgh  
22 County to do those jobs? Are you going to have to bring  
23 somebody from outside to do that during the training period,  
24 or for longer.

25 MR. BRZOZOWSKI: Well, we'll follow

1 the example that we're currently doing now when we speak in  
2 Missouri. We would bring in programs within of our  
3 management from our own existing casinos, and we would set  
4 up a school. We would set up just a local establishment and  
5 have probably two or three in Evansville actually, two  
6 different sites, probably one in the fourth ward, and we  
7 would set up a location and bring in programs within casino  
8 management. After we have our job fares, then set up a  
9 school schedule. We'd run a school probably 16 hours a day  
10 because of our accelerated schedule. So we would set up our  
11 own school with our own people, and we would call them all  
12 that we're using in Missouri right now.

13 COMMISSIONER: And your intention  
14 is to hire Vanderburgh County people or Indiana people.

15 MR. BRZOZOWSKI: Yes.

16 COMMISSIONER: Southwestern Indiana  
17 people for that job.

18 MR. BRZOZOWSKI: You'd actually see  
19 them running the facility. You have to work with boat city,  
20 and we have an area called the incubator, which is an area  
21 that they use to help start up new businesses. I met with  
22 them a few weeks ago, and basically we agreed that we would  
23 use it, one of their facilities, as long as they found us  
24 additional parking for the people. And we would use that as  
25 a start-up for our training programs.

1                   COMMISSIONER: If I could bring up  
2 one thing. Mr. Klineman had mentioned about the pursuit of  
3 the riverboat licenses in Missouri, and I believe in New  
4 Jersey also; is that correct? There is no location other  
5 than Indiana and Missouri.

6                   MR. RUBELI: Oh, right now just  
7 Missouri. New Jersey does not permit the riverboats. We're  
8 pursuing right now the opening of the Caruthersville,  
9 Missouri facility, which we opened in April prior to this  
10 project. Now, we have been selected by boat city of Newport  
11 News, Virginia following an eight month fairly early  
12 selection process there competing among six companies for  
13 their designated licensees. The good news is we got picked  
14 by the city Virginia, the bad news is that gaming is illegal  
15 in the state of Virginia.

16                   By the way, to follow-up on that, if they  
17 believe that over the next year or two that there's a 50/50  
18 possibility that the commonwealth of Virginia will improve  
19 limited restrictive riverboat gaming and so we've already  
20 been preselected by that city. We're very proud of that  
21 accomplishment. I'm not sure what it's worth.

22                   COMMISSIONER: Yes. But the point  
23 with us is if -- if you were to receive a riverboat license  
24 here and then you would have one in Missouri and possibly in  
25 Virginia and that you were making money here, and would then

1 filter it into Missouri with programs within money. Would  
2 you profit that off of that from here to take care of that,  
3 or would that -- would that be back on -- on the license  
4 here?

5 MR. RUBELI: Well, you know, cash  
6 is funded so it all goes back to the central treasury, but  
7 what we tried to show you were those illustrations of what  
8 we've don Atlantic City and Las Vegas and in Laughlin, we  
9 have continued to reinvest year after year after year. So  
10 my answer to you would be of course cash moves around I  
11 don't know what particular dollar will be doing what, but we  
12 are clearly committed with two-thirds of our investment  
13 being on land to being here for a long time, and we  
14 successfully have to keep investing and reinvesting and  
15 reinvesting.

16 We've seen some illustrations of what happens  
17 when owners don't reinvest and then they look for a bail  
18 out, and that's not the way to run a successful business  
19 enterprise, free market enterprises. And our company  
20 continues to reinvest, reinvest, building up boat various  
21 assets on the boat Mr. Criskinson and Mr. Doogie spoke  
22 about. That's the long term staying power of this company.  
23 The short term directory may not have recognized our true  
24 longer term value, but they're also waiting on the  
25 Evansville hearings to be concluded, too, I assure you.

1                   COMMISSIONER: You were talking  
2 about the hotel, I didn't figure that there were 75 hundred  
3 square feet allotted to the -- the conference rooms. How  
4 many rooms is that going to be, do you know?

5                   MR. RUBELI: We have 75 hundred  
6 square feet allotted for a conference room in the hotel, but  
7 we have an additional 15,000 thousand feet of ballroom  
8 space, for a total -- actually, if you round it up and  
9 include the free conference space of about 1,800 square  
10 feet, there's only 24,000 square feet of meeting and  
11 convention space. The ballrooms, for example, you can  
12 subdivide them into a number of different rooms. So the  
13 answer to your question is in the final design there will be  
14 will a variety of figurations that will vary boat number of  
15 meeting rooms, but in total, 24,000 square foot will be  
16 available.

17                   COMMISSIONER: The Executive Inn,  
18 which is across the street, there's been programs within  
19 indication that Evansville landing doesn't really like, but  
20 that's the focus and has been the main tradition in the past  
21 in this in fact, bring area. Will you be able -- will you  
22 have enough facilities there to make up with what it would  
23 have been if the Executive Inn traditionally ran business at  
24 it's peak?

25                   MR. RUBELI: Well, we do not look

1 at this as either or. I mean, I actually feel that we are  
2 going to generate more than enough hotel rooms in this city  
3 to keep all hotel operators open and operating. And there  
4 will be an entrepreneur that comes in and makes that place  
5 successful. And we need them here. We need the rooms and  
6 we need the convention space, so, no, we cannot replace  
7 them, but we will make them successful I sincerely believe.

8 COMMISSIONER: That my question is  
9 if the Executive Inn shuts down, if it's not open for  
10 business, are you going to be able to have enough room in  
11 your hotel to pick up that slack for the convention  
12 business.

13 MR. RUBELI: I didn't -- yeah, I  
14 think the answer is yes and no.

15 MR. HADDOCK: For example, meeting  
16 -- a meeting of 200 on that scale, boat answer is yes. If  
17 you're talking about convention that has 500 -- and so these  
18 obviously -- you know, we're a 250 room hotel. We're not  
19 going to be able to accommodate that particular many.

20 COMMISSIONER: Have you been in  
21 contact with the Evansville Commission Bureau?

22 MR. HADDOCK: We sure have,  
23 absolutely.

24 COMMISSIONER: Now, the other  
25 question that I have is if you were hired to being involved

1 with Evansville Landing and operating hotels and they first  
2 successfully wasn't in the initial meeting, and now they've  
3 proposed to go with the Executive Inn, I'm thinking, with  
4 their understanding of the market and the hotel across  
5 street, why isn't it that we should go out there and award  
6 the credibility based upon what they believe the hotel  
7 market is here in this in fact, bring area.

8 MR. HADDOCK: Well, I guess the  
9 obvious answer to that question -- okay. I might start out  
10 by pointing out that this company also has a lot of hotel  
11 experience, and prior to that -- in our -- in our private  
12 lives and so to speak, we're associated with very large  
13 companies, and I personally was involved with most of them,  
14 but we also have programs within knowledge. The -- you  
15 know, the hardest part is this marketplace. And assessments  
16 have been made by the two independent consultants that give  
17 us an objective. We have meeting research associate studies  
18 which could tell market as well as boat study that's done by  
19 our groups that would indicate very clearly that there will  
20 be, as a result of the Aztar project, access, and I would  
21 say significant access demand on this marketplace that will  
22 support additional supply.

23 And if -- if the ultimate owners of the  
24 Executive Inn are prepared to invest the dollars necessary  
25 to make that competitive to the profit market, then it will

1 be fine. But there's no doubt in our mind and it's never  
2 been a doubt in our mind. I can't speak for Hyatt, but it's  
3 never been a doubt in our mind that this market can't absorb  
4 a 250 room hotel, and indeed that a 250 room hotel adjacent,  
5 as long as it is to the riverboat casino, is an important  
6 agreement in the ultimate success of the project.

7 We're not talking about a facility that's  
8 been washed away. We're talking about a hotel that's across  
9 the street protected by their climate controlled walkway,  
10 and that's our difference in that facility. That's a whole  
11 different ball game in terms of patron comfort and patron  
12 desire to come back to the experience. The whole part of  
13 our project is be loyal to the customers, and the  
14 integration of our project is very important to us.

15 COMMISSIONER: Let me ask you this  
16 question. If your site isn't on Riverfront Park, how do you  
17 think that's going to benefit the walkway and downtown area  
18 particularly with such access to the Lloyd Expressway being  
19 connected to the east and west sides of Evansville and the  
20 north sides of Evansville? How are you going to benefit the  
21 downtown versus being right at the end of walkway like  
22 Players is doing.

23 MR. RUBELI: Well, we have in fact  
24 extensively incorporated that integrating returning to the  
25 river, returning to the Main Street theme. Certainly, the

1 Vanderburgh Auditorium Victory Theater, headliner  
2 entertainment I spoke about earlier. Certainly the  
3 cooperation of other hotels establishing we need them and  
4 they need will create cross gravity of the Main Street. But  
5 very specifically, databased -- those databased customers,  
6 that we've given them the promotions and offers to evaluate  
7 the downtown Main Street merchants. And we're going to be  
8 applying for a series of special events and affairs and  
9 activities that we need to stole over on the esplanade, on  
10 the area in front of Dress Plaza and there onto the Main  
11 Street area.

12 I think, putting this all in prospective,  
13 we're in the downtown area. I mean, we are three blocks  
14 from Main Street, and it's very difficult not to copy in  
15 that we bring it 2.3 million to this city, you know. Three  
16 blocks away, we are part of downtown. We're not on the  
17 other side of Lloyd Expressway or we're not two miles on the  
18 outskirts of town. This is downtown here, but so is  
19 Riverfront Park, Dress Plaza and Main Street. And we -- we  
20 have boat sheer magnitude of this many visitors coming to  
21 town either day trippers coming by car, day trippers coming  
22 by bus, or overnigheters staying in the various hotels in the  
23 town, all been cross marketed through database marketing  
24 will create a vibrant inner city, and that's what downtown  
25 renovation is all about.

1                   Three blocks is quite a small spot when  
2                   you've drive an hour and a half to get here. And that's the  
3                   key that I think sometimes is lost in this in fact, bring  
4                   whole community. They think three blocks is a long walk.  
5                   You drive from Arizona, you drive 300 miles and see nothing  
6                   and people who will drive hour and a half to come here are  
7                   going to be highly motivated to go seek out some of the  
8                   other options in Evansville. That makes a good market, and  
9                   that's what we intend to do with our program.

10                   MR. CHAIRMAN: To follow-up a  
11                   little bit on some questions that's been asked, what is the  
12                   average beginning salary for the entry level people as you  
13                   would envision, maybe per hour I guess.

14                   MR. BRZOZOWSKI: It's kind of hard  
15                   to generalize, but I believe in an entry level position like  
16                   a change person, you're talking six -- \$6 an hour to start.  
17                   And dealers, dealers traditionally will be getting minimum  
18                   wage, but on the other hand, they have the opportunity --  
19                   and this being like most other casinos -- to make 11 and \$15  
20                   an hour tips routinely. So I think that that's kind of the  
21                   starting point.

22                   MR. CHAIRMAN: Okay. I have a  
23                   little problem with the end of year one. You put a lot of  
24                   reliance on the hotel, which you say can't be completed at  
25                   the end of a year. As you would be licensed and I presume

1 would be started operating. That sounds kind of short to  
2 me, the kind of project you're talking about.

3 MR. RUBELI: I'll accept that.

4 MR. CHAIRMAN: But when is year one  
5 in your projection where you get up to two to three and so  
6 forth.

7 MR. RUBELI: By the way, on the  
8 construction time, we -- we just completed an 1,100 room on  
9 our expansion in Laughlin, Nevada. From groundbreaking to  
10 opening it was 11 and a half months. So it can be done.

11 MR. CHAIRMAN: No, I accepted that.

12 MR. RUBELI: As of the time of the  
13 opening, very precisely 12 months from receiving the  
14 license, we can have that hotel open. So year one would  
15 commence on the full basis at that point.

16 MR. CHAIRMAN: So really we have a  
17 minus one here and over here in one in your projections a --

18 MR. RUBELI: Well, yeah, sort of,  
19 because it's very real and necessary to consider. It's  
20 really a point half way in between called a temporary  
21 operation that we envisioned in the six month time frame,  
22 that we have not attempted for obvious reasons to quantify  
23 exactly the impact, but we think it could be as much as  
24 one-half to two-thirds of year one in that six month period  
25 waiting for the permanent hotel and the permanent facility

1 to be available.

2 MR. CHAIRMAN: That's been the  
3 experience of other places? I know you haven't had  
4 riverboat experiences but you'd had casino experience, and  
5 I'm sure that you're aware of the riverboat.

6 MR. RUBELI: Yeah, that's exactly  
7 right, and I assure you we've had -- not only had the crash  
8 course up to the graduate level, we've had all the different  
9 experiences around the country in riverboats. One of the  
10 advantages, by the way, of not being in there first, but  
11 coming in two years later, is we realized you got to have  
12 more than just the barge and the boat because in the end, as  
13 Mississippi is showing, in the gulf port area is you can  
14 start adding hotels and you start adding other amenities,  
15 and they put them in the way of our business, or they pick  
16 up and move the boat out.

17 So we have spent a lot of time trying to  
18 understand the dynamics of how it works, and get in there  
19 the right way the first time, because we have one shot at  
20 this and that's it. So we're going to try to go in and do  
21 it right and that's why you see the kind of proposal, full  
22 scale high quality, that we have that is before you.

23 MR. CHAIRMAN: And to follow-up on  
24 the other questions. This five year pay back of the initial  
25 loan that is being required, would you financially be

1 obligated to liquidate in that fashion, or is that just  
2 something that is a requirement being put upon the local by  
3 the --

4 MR. RUBELI: We -- we don't want  
5 that at Aztar, no. That's strictly internal. What we said  
6 is the parent loans, the original \$99.8 million out based on  
7 our cash flow projections after, by the way, ongoing capital  
8 improvements each year, which are required as a normal  
9 ongoing part of business to keep it up to the same level of  
10 quality. Whatever's left over is transferred back to boat  
11 parent. Based on our projections it will take five years  
12 for us to recover our investments before we make the first  
13 dollar of true profit when we're above that initial  
14 investment. That's why it's there, but it's not required to  
15 be there.

16 MR. HADDOCK: It's -- what you've  
17 -- what you've -- what you've seen in the projections is  
18 simply a reflection of our intercompany policies in regard  
19 to advanced totals, city earnings, and what we we've  
20 received. What happens to current level, of course, in  
21 terms of this cash flow and cash availability financing is a  
22 separate part of what's happening in the operating  
23 subsidiary.

24 MR. CHAIRMAN: I guess I still have  
25 a problem with this 85 percent occupancy at the hotel. Is

1 that obviously -- you keep citing last year, which was my  
2 understanding was just a, you know, dynamite year for  
3 casinos and even the hotels are starting to come back  
4 programs within, but that that -- that's a very high figure  
5 on a traditional hotel operation, is it not.

6 MR. RUBELI: That's the key word, a  
7 casino/hotel is not a traditional hotel. It the absolutely  
8 a different game, because people are coming there not for  
9 the hotel experience, they're coming there for the gaming  
10 experience, Mr. Chairman. And this is not unique to Aztar.  
11 You can go back to the industry of Las Vegas routinely year  
12 after year it is averaging in the very high 80s, and on the  
13 strip properties, the low 90s occupancy. You can go to  
14 Atlantic City and it wasn't just 1994, 1993 city wide, all  
15 12 operators averaged 89 percent occupancy for the full  
16 year. CCC reports are available.

17 So it's the casino/hotel that makes it  
18 different because the hotel is part of the casino. You  
19 market to those customers who come to that party to to enjoy  
20 the obvious, to have the fun that -- that gaming is. And  
21 then they happen to sleep in that hotel. So one of the  
22 cautions would be, you know, the traditional hotel business,  
23 and as Bob said we, both came from a company that had it's  
24 roots that was in the hotel business, and a big one. It is  
25 a lot different.

1                   I mean, an average occupancy of 65 to 70  
2 percent is considered a good market in the traditional hotel  
3 business, but the traditional hotel business is a  
4 commercially oriented -- you know, their money and propriety  
5 are making a very poor observation. Money and propriety  
6 when the businessmen are there, that's when the hotels that  
7 are not casinos make their money. On the weekend is when we  
8 need the rooms. That's when they have the excess capacity.  
9 So the figures rule.

10                   It's this energy between where we can most  
11 easily fill the casino/hotel is the peak times that occur on  
12 the weekends, which is a complimentary relationship for the  
13 commercial hotels in town. We're there filling between  
14 Monday and Friday, but they can't get anybody to be here on  
15 the weekend. And that's how you wind up with higher  
16 averages in the industry.

17                   MR. HADDOCK: I'm with Cooper's and  
18 Widebran, who are the hospitality consultants that have  
19 conducted the study course here in Evansville. Their  
20 study's not completed and it will be completed and submitted  
21 to the Commission around next week. But let me just read  
22 you a sort of a bull point of one of their findings. Aztar  
23 proposed riverboat casino discussed made a positive impact  
24 of occupancies at these -- at these existing hotels.

25                   They're talking about the existing supply of

1 hotels, not including our new hotel, but approximately eight  
2 occupancy points in 1995, seven points in 1996, and five  
3 points in 1997. There are Louisville area riverboat casinos  
4 that are estimated over in 1997 there. The point being that  
5 our hotel will come into boat market. It will generate,  
6 along with the riverboat project, enough occupancy to  
7 satisfy and supply that we -- that we provided, and in  
8 addition, there will be significant impact on the  
9 marketplace for the existing hotels over and above the new  
10 hotel we build. And by the way, those findings are  
11 consistent with the findings of economic research  
12 associates.

13 MR. CHAIRMAN: I think they were --  
14 they were 13 percent weren't they?

15 MR. RUBELI: Well, that was our --  
16 that was our own business evaluation.

17 MR. CHAIRMAN: I really don't have  
18 anything.

19 COMMISSIONER: You're the first  
20 applicant I think that we've had so far that hasn't had it's  
21 local investors quote, unquote, and a lot of them have been  
22 structured similar to yours, theirs just 99 percent on  
23 subsidiary. But -- but he said that it been carved out.  
24 And I feel as in your particular case, if they want to  
25 invest in Aztar that they can buy it from the New York Stock

1 Exchange. But do you have any agreements or any  
2 arrangements or any stock options or anything like that that  
3 is out there for private individuals to buy special  
4 purchases of stock or personal service contracts or anything  
5 like that?

6 MR. RUBELI: Other than normal  
7 contractors, normal suppliers and business services, we have  
8 absolutely no special arrangements with any individual. We  
9 were 100 percent owned at Caruthersville projects, and we'll  
10 be 100 percent owned on this proposed Evansville project,  
11 and it will remain that way.

12 COMMISSIONER: Okay. I just have a  
13 couple of questions. One is on the economic development  
14 contributions that you've been willing to make, you're at at  
15 27 -- \$9 million, and the other applicants were  
16 substantially lower. Now, programs within could look at  
17 that as a commitment to boat city. I suppose the clinic  
18 could say that might be buying the city's recommendation.  
19 How -- how would you see it? Was this part of why the city  
20 choose you as their preferred applicant?

21 MR. HADDOCK: Well, the city is --  
22 will present tomorrow on that issue. You could ask them  
23 that.

24 COMMISSIONER: I -- I will.

25 MR. HADDOCK: But certainly the

1 request for proposal the city initially issued to which all  
2 the applicants responded, laid out suggestions by the city  
3 or requests by the city about making specific charitable  
4 contributions and each company responded accordingly. And  
5 then there were subsequent negotiations, and the city wisely  
6 asked to up the end, so to speak, and I think certain  
7 companies did that in different ways and others perhaps did  
8 not.

9                   Certainly the whole issue of civic and  
10 charitable contributions has to -- has to be considered by  
11 the city, but I -- the difference between \$13.4 million as a  
12 new contribution over five years and programs within number  
13 less could not have. If I had been on that evaluation  
14 committee that would not have made the difference.  
15 Ultimately what will make the difference here for the city  
16 is the combination of those contributions, plus their share  
17 of tax revenues, plus the city's lease payments, but most  
18 importantly, economic growth in the community and the jobs  
19 that will result in that.

20                   I -- I believe that that's what's Aztar will  
21 be able to do as far as the civic and charitable  
22 contributions.

23                   COMMISSIONER: I have just two  
24 little questions about the site. One is do you have any  
25 indication from the Army Corp of Engineers as to how quickly

1 you would be able to do it this? As I understand you're not  
2 going to -- actually going to cut into the shoreline. Is  
3 that something that's even possible or do you know? I mean,  
4 if you pursue.

5 MR. BRZOZOWSKI: Yes. I think it's  
6 possible, and it does happen routinely. We've had  
7 discussions with the Corp and they've told us that their  
8 process takes 90 days or longer. We're -- we're aware of  
9 that. We're prepared to work on that immediately. When we  
10 get our plans approved we'll accept any recommendations that  
11 we have to make our site better. But that's the answer.

12 MR. HADDOCK: The engineering is  
13 preferable on our part, but our consultants having been at  
14 this now for sometime. Modifications were made, some  
15 initial designs, and we've received input and changes that  
16 have been perceived to occur in the docking facilities that  
17 were shown today are substantially different in many regards  
18 than the first and that's the result of consultants and the  
19 discussions that we've had with regulatory bodies as well as  
20 the -- as well as our consultants. So the project is the  
21 clearly doable from the engineering point of the view, how  
22 long the Corp will hold --

23 COMMISSIONER: What about from a  
24 legal point of view? What if you can't use that site? What  
25 would you do? I understand there is a programs within

1 lawsuits regarding the site.

2 MR. HADDOCK: Well, I'm not aware  
3 of the lawsuits at all. What -- what -- what we are aware  
4 of is the property of the cities and the process of getting  
5 the parks use converted and --

6 COMMISSIONER: I thought there was  
7 a problem possibly with converting it into the use of that.

8 MR. HADDOCK: Well, it's -- it's  
9 been approved by the Department of Natural Resources in the  
10 state of Indiana. It's now at the federal level in Omaha,  
11 and I think that -- we're certainly hopeful that we -- the  
12 city is hopeful that it will be all satisfactory and  
13 hopefully shortly.

14 COMMISSIONER: I think there's some  
15 objections that have been lodged with the national park  
16 services and members of the that park; is that correct? Do  
17 you know.

18 MR. HADDOCK: I think there are  
19 parties who have lodged objections, that is correct, but  
20 nonetheless, I think we're all hopeful that the park service  
21 will approve shortly.

22 COMMISSIONER: But would you have  
23 an alternate plan?

24 MR. HADDOCK: Yes. There are  
25 alternates. We actually have alternate plans in programs

1 within detail. If that becomes necessary we can discuss  
2 those with the city, but we hope that it will not be  
3 necessary. If it is necessary, we're prepared. So we have  
4 designs and we can show them if we need to. I mean, we're  
5 -- we're all prepared to take care of that to do the  
6 project.

7 COMMISSIONER: Thank you.

8 MR. CHAIRMAN: Any questions down  
9 at this end.

10 COMMISSIONER: Would the employees  
11 of Evansville operations be entitled to or eligible for any  
12 type of profit sharing.

13 MR. BRZOZOWSKI: Yes.

14 COMMISSIONER: And at what level  
15 would that be? All employees or --

16 MR. BRZOZOWSKI: All -- all salary  
17 employees. Well all -- all of the nonunion employees are in  
18 the plan after one year of becoming --

19 COMMISSIONER: Just nonunion?

20 MR. BRZOZOWSKI: That's correct.

21 MR. RUBELI: The issue on the -- we  
22 have -- we've got three forms of profit sharing. I want to  
23 use that as a generic term. We have an employee stock  
24 ownership plan, we stock all participating in nonunion,  
25 unless, again the whole issue of the union benefits is

1 subject to negotiation, so at the moment we don't know what  
2 extent we participate or not.

3 Number two, we have a profit sharing program  
4 to which contributions may or may not be made depending on  
5 the decision by the board.

6 Third, the sponsor and -- then try our best  
7 to promote a 401 paid program. At the moment, it's a  
8 non-mastered program, but it is available to be administered  
9 to all people. So everybody here that's after one year,  
10 will be eligible for union and will be subject to union  
11 negotiations.

12 COMMISSIONER: What -- what did you  
13 say was your goal on what good and services in women's  
14 businesses enterprises? What was the percentage you will  
15 use.

16 MR. RUBELI: Well, I think  
17 Indiana's goal is five percent for women, and 10 percent on  
18 the minorities. Mr. Vowels, our goal is to achieve the  
19 Indiana minimum and then exceed. Five percent for women,  
20 ten percent for minorities is the statutory goal, but I  
21 would point that in Atlantic City, for example, we operated  
22 successfully in '94 with 21 percent purchases against a goal  
23 of 15 percent. So we're actually 40 percent higher than the  
24 goal. And certainly our past track record, as we've  
25 described for those kinds of performances are over and above

1 the minimum, so is the minority hiring on the WBE/MBE  
2 programming. But other than our being with the city, we're  
3 obligated to strive for the minimum.

4 COMMISSIONER: For five percent?

5 MR. RUBELI: Five percent for women  
6 and ten percent for minorities, and we intend to exceed both  
7 by, I think a fair margin.

8 COMMISSIONER: Another question. I  
9 wasn't a gambler before I got on this commission so I have  
10 no idea. How many slot machines and blackjack tables are in  
11 -- on board on the casino? Going through this I added up  
12 to be 55 blackjack tables and 1,250 slot machines; is that's  
13 correct? My question is how does that compare with the  
14 number of slot machines and blackjack tables on your land  
15 bases.

16 MR. RUBELI: Well, the number of  
17 slot machines here is 1,250, and you were correct on the  
18 blackjack. So our proposal here is 1,250 slot machines and  
19 70 table games. We have in Atlantic City 2,800 slot  
20 machines and 90 table games. We have in Las Vegas, Nevada  
21 1,550 slot machines and about 45 table games. We have in  
22 Laughlin, that place nobody knows where it is, 1,600 slot  
23 machines and about 35 table games.

24 COMMISSIONER: All right. In  
25 reference to -- you mentioned earlier about a line of credit

1 for \$13.4 million, and it's the view of National City Bank  
2 is who that it goes through. It's not really for that  
3 particular bank so --

4 MR. HADDOCK: Actually we've put  
5 out a request to speak with proposers of all three banks.  
6 The first time that we've sort of turned on, and all -- all  
7 three banks responded and we took the best offer.

8 COMMISSIONER: All right. Have you  
9 made any promises or agreements to any other financial  
10 institution or made deposits other than to National City in  
11 this in fact, bring.

12 MR. HADDOCK: Agreement to make  
13 deposit? Oh, no. In Evansville you mean?

14 COMMISSIONER: Yes.

15 MR. HADDOCK: No.

16 COMMISSIONER: And another quick  
17 question. In this part of the Indiana Code required by the  
18 Gaming Commission, none of our parents, spouses or children  
19 can have any financial interest or be employed by any -- any  
20 licensee. Let me ask you this question. Have there been  
21 any promises made for any future employment from the city  
22 officials, county officials, any members of Riverboat Casino  
23 Evaluation Committee or their parents, spouses or children?

24 MR. HADDOCK: Absolutely not.

25 COMMISSIONER: And you promise the

1 Commission that those will not occur.

2 MR. HADDOCK: Yes, sir.

3 COMMISSIONER: Okay. I have just  
4 one more quick question. Reviewing the material that you  
5 submitted to the Commission, it appears to be that are  
6 numerous lawsuits essentially personal injury suits pending,  
7 and quite a number. Here, let me ask you a couple of  
8 questions along that line. Does that mean that your  
9 particular of the case, and that you'd take the long  
10 distance approach in settling that case, or does this give  
11 us some indications of programs within safety problems in  
12 programs within facilities? I just see page after page of  
13 personal injury lawsuits.

14 MR. HADDOCK: Okay. I think it's  
15 -- I think it's neither of those. And we have confidence  
16 that it's neither of those. The safety, as we pointed out  
17 in the presentation, is a very important issue to us and  
18 we're not. It's just a normal course of business. When you  
19 have many people as we have in our facility, and we have  
20 very big facility, we have lots of people coming to them and  
21 this is a just a normal course of business. Particularly, I  
22 think it is true back -- back east where there seems to be  
23 more propensity for people to be injured for whatever reason  
24 there is.

25 MR. RUBELI: We are not the biggest

1 company, but unfortunately we have programs within citizens  
2 in this in fact, bring country that that make a living doing  
3 this. And that's another fact of life in the hospitality of  
4 this industry.

5 COMMISSIONER: All right. Then if  
6 you do settle the case, it is because --

7 MR. RUBELI: In fact, I will state  
8 this with clarity. It's our purpose to settle wherever it's  
9 possible. Our attorneys make enough money the way it is.

10 COMMISSIONER: I don't know about  
11 that.

12 COMMISSIONER: The boat that was  
13 pictured in the slides, is that the boat from  
14 Caruthersville, Missouri or the boat for Evansville,  
15 Indiana.

16 MR. RUBELI: The boat pictured in  
17 the slide is for Evansville, Indiana it is architecturally  
18 precise, except pilot house is supposed to be in front of  
19 the stack instead of in the back of the stack, isn't that  
20 correct?

21 MR. HADDOCK: But the photographs  
22 -- are you talking about the photographs?

23 COMMISSIONER: Yeah.

24 MR. HADDOCK: The photographs are  
25 of our boat for Evansville.

1 MR. RUBELI: Oh, I'm sorry.

2 COMMISSIONER: So the boat for  
3 Evansville is constructed to the point that we saw.

4 MR. RUBELI: Evansville is beyond  
5 that point because they were taken a month ago or so, guys?  
6 It is? I'm sorry. That boat in the picture under  
7 construction is the boat for Evansville and it was taken  
8 about a month ago.

9 COMMISSIONER: When Aztar uses the  
10 term minority, does that include women?

11 MR. RUBELI: Does it what?

12 COMMISSIONER: Include women?

13 MR. RUBELI: No. I can tell you it  
14 includes the four defined categories of black, Hispanic,  
15 Oriental, and American-Indian.

16 COMMISSIONER: Tomorrow would you  
17 be prepared to discuss the financing of your temporary  
18 operation? I don't believe I heard anything about that  
19 prior to today.

20 MR. HADDOCK: Sure, absolutely,  
21 sure.

22 MR. CHAIRMAN: Anyone else have  
23 anything. We're running behind -- significantly behind, but  
24 we will now at this time take a break and come back for the  
25 presentation of Evansville Landing. I would thank the Aztar

1 people. It's been most informative.

2 (Thereupon, a break was taken;  
3 after which, the proceedings  
4 continued as follows:)

5 MR. CHAIRMAN: We again have a  
6 request from the court reporter that those people who are  
7 going to respond or speak first state their names so that  
8 our record can be complete, and we won't be put in the  
9 position of trying to guess who it was that spoke.  
10 Particularly, I guess there have been changing of the  
11 seating and it's sort of confusing. So with that request we  
12 will proceed then with the presentation from Evansville  
13 Landing, which should put us -- lunch recess at  
14 approximately 1:22 or something like that. So we'll proceed  
15 then with Evansville Landing.

16 MR. MONTROSS: Chairman Klineman,  
17 members of the Commission, Mr. Thar, good morning. My name  
18 is Scott Montross, and I'm a lawyer from Indianapolis. I'm  
19 pleased to have the opportunity to speak to you this morning  
20 on behalf of Evansville Landing. I would first like to  
21 introduce to you quickly, individuals who are here on behalf  
22 of Evansville Landing with me. In the interest of time I  
23 would simply ask if they would signify, at least by raising  
24 their hand an acknowledgment so you will know who they are.

25 First, I'd like to introduce Mr. Herb Simon

1 Steve Simon, Nick Pritzker, president of the Hyatt  
2 Development Corporation, Glenn Schaeffer, principal of  
3 Goldstrike Resorts, Greg Solomon of Goldstrike Resorts, Mr.  
4 Tinkum Veal, owner of Ellis Park, Dan Harrington, president  
5 of Ellis Park, Bob Gailbach of Tinkum Veal Investment, Dan  
6 Azark, vice president of Hyatt Development Corporation,  
7 Richard Schultz, vice chairman of Hyatt Development  
8 Corporation, Andrea Stern, director of Hyatt Development  
9 Corporation Jeff Cohen, co counsel, Phil Brooks, local  
10 consultant, Roger Kline and Matt Road Hotel and Marketing  
11 consultants Mark Oliver, director of the corporate affairs  
12 and Developmental Relations for Simon, Dave Quant, SEG  
13 Engineering, Greg Stopher of SEG Engineering and Carl  
14 Health, local counsel.

15 Members of the Commission, just as this  
16 process was new to you in Gary, so it is new to me. In my  
17 law practice, I represent clients in jury trials and make  
18 presentations of evidence to juries and discuss with the  
19 jury and argue for a verdict in favor of my client. It is  
20 my perception and my belief that you, the Commission, are  
21 indeed a jury, and I am here to speak to you today. I  
22 believe you will find at the conclusion of the presentation  
23 of Evansville Landing, that the facts and evidence taken  
24 with the law applicable to the issue before you, will result  
25 in a verdict in favor of Evansville Landing.

1           In jury trials, I make an opening statement.  
2     The evidence is then presented to the jury, in this in fact,  
3     bring case to the Commission. And then on behalf of my  
4     client, I have an opportunity to the return and make a final  
5     argument. That is the approach we will take during our  
6     presentation here this morning. As the jury, I cannot envy  
7     you, your attacks from Gary to Evansville to Lawrenceburg to  
8     points in between, your charged with the responsibility of  
9     carrying out the will of the people of the state of Indiana  
10    as reflect by the statute passed by the legislature of the  
11    state of Indiana.

12           I thought it was very well put by one of the  
13    applicants in Gary when it -- when it was stated to you they  
14    believed you were about to take on a partner. We believe  
15    after you hear the evidence, you will find that Evansville  
16    Landing is that partner. But in making boat selection and  
17    reaching your decision in choosing the applicant to carry  
18    out the intent of the statute, legislature and people, there  
19    is one overriding consideration. This Commission cannot  
20    afford to make a mistake. You have to make the right  
21    decision.

22           We believe you will find the evidence in this  
23    case. We'll show you that joining with Evansville Landing  
24    will ensure the success of riverboat gaming in Evansville.  
25    I think you'll be impressed by the evidence as it relates to

1 the four principals in Evansville Landing and what they  
2 bring to this hearing and what they bring to you, the Gaming  
3 Commission. Boat four principals, of course, are Simon,  
4 Goldstrike, Hyatt and Ellis Park. The areas that are so  
5 important to this Commission gaming, generally, Goldstrike.  
6 Riverboat gaming, Goldstrike, and Hyatt as you will hear  
7 with regard to the Grand Victoria riverboat and it's  
8 success.

9 Evansville gaming. No one is more familiar  
10 with that than Ellis Park. The hotel and convention  
11 business, Hyatt. And economy, economic development, retail  
12 development, Simon. Members of this Commission, there are  
13 consultants associated with Evansville Landing. We stand  
14 here before you with the expertise that was specifically  
15 matched to Evansville, not to Gary, not to Lawrenceburg, not  
16 anywhere else, but specifically matched here for  
17 Evansville.

18 I believe that when you carry out your  
19 charge, under the statute and under the law, with regard  
20 experience, reputation, integrity and financial strength,  
21 that you will look no further. You need look no further  
22 than the partners who are with Evansville Landing. As in a  
23 jury trial, I will have the opportunity to return to you at  
24 the conclusion of the evidence, and at this time I would  
25 like to show a video on behalf of Evansville Landing to give

1 you, the Commission a clearer picture of just who is  
2 Evansville Landing.

3 MR. SCHAEFFER: My name is Glenn  
4 Schaeffer. I'm one of the principals of Goldstrike Resorts,  
5 one of six principals who possessed among us, between us 100  
6 years of senior management experience in the gaming  
7 industry. Collectively, at Goldstrike and in prior roles,  
8 three of us were formerly senior management of Circus  
9 Circus. We have developed more operating capacity in the  
10 gaming industry, that's new hotel rooms, that's casino  
11 space, than any other team in the industry today over the  
12 past 15 years.

13 Let me describe our specific proposal for  
14 Evansville. Our intent is to develop a three part  
15 entertainment project for players and destination visitors  
16 of the city of Evansville. First, we will construct a  
17 casino riverboat with a historic theme. This vessel will  
18 handle approximately 1,500 passengers per cruise. It will  
19 have approximately 25,000 square feet of casino space, and  
20 will accommodate approximately 1,200 gaming positions. I  
21 need at the outset to clarify a couple of points. Do not  
22 let my competitors construction of an oversized vessel argue  
23 for any extra advantage as to obtaining market share.  
24 That's not the way that this business works.

25 If you look at the Emperous, which operates

1 in Chicago, greater Chicago metropolitan area, we can  
2 exhibit that a year ago the Emperous, which is still today  
3 the largest producing vessel in the industry in terms of  
4 casino revenue. The Emperous has casino operating capacity,  
5 but is approximately equal to the vessel that Evansville  
6 Landing is proposing here in the city of Evansville. And  
7 you can see those results from fiscal 1993 at the  
8 Imperious. A second point is that our casino vessel in  
9 Elgin, Illinois, the Grand Victoria, has revenue figures  
10 that are pretty close to the Emperous while handling the  
11 exact number of passengers per cruise that we propose here  
12 in Evansville.

13 Our vessel, by these real life measures, is  
14 the right size for the Evansville market. It is not sheer  
15 size or number of casino units that equates with market  
16 sharing in business. It has not been so. It's not the case  
17 in casino vessels. It has not been the case in the  
18 traditional market of Las Vegas or Atlantic City. Well,  
19 what equates with market share is the best casino operator.  
20 That is the most reliable correlation. In a moment we will  
21 discuss other factors that tell us a lot about market  
22 sharing. As to our proposed riverboat, the Evansville  
23 Landing team can claim real-time experience in building a  
24 highly successful model, the Grand Victoria in Elgin,  
25 Illinois is considered today our leading edge product in a

1 national market of casino vessels.

2 As to our marketing, in it's first 90, it's  
3 first quarter of operations, that's October 1994 to January  
4 1995. The Grand Victoria has an entertainment pavilion. We  
5 also operate a foremost example of a pavilion in the country  
6 today, again, at Elgin, Illinois. Our studies show us that  
7 customers value the total environment of a gaming trip. So  
8 of the Grand Victoria, we just slightly lifted up the level  
9 of the entry and departing department associated with the  
10 casino cruise.

11 Our Evansville model for our proposal  
12 contains a 30,000 square foot, two level interior  
13 environment featuring a handsomely finished public atrium,  
14 sports bar, restaurant facilities, ticketing services, and  
15 terraces serving up both refreshments and views for waiting  
16 customers and players. Thirdly, and perhaps the most  
17 critical. We propose to operate a Hyatt hotel in downtown  
18 Evansville, the leading brand name in national hospitality  
19 today. A brand name, by the way, that connotes a  
20 destination city like no other name. My partner, Nick  
21 Pritzker will comment later at further length about this  
22 hotel.

23 Hyatt hotel will anchor one end of a  
24 corridor, that bounded by our pavilion and vessel at the one  
25 end, replicates the basic corridor model for urban renewal

1 found elsewhere in the United States as Old Crowes, like  
2 Hyatt and Simon can attest. Neither of the other two  
3 occupants can claim any substantial experience in downtown  
4 developments, and only our proposal contains a true downtown  
5 inkling, which is, typically a brand name hotel with the  
6 ability and the operating capacity to attract a diverse  
7 market, tourists, conventioners, business meetings and  
8 business travelers.

9 This is a customer mix at the core of  
10 downtown with six blocks back of the river for which all  
11 good things begin to happen. We have forecasted a mark of  
12 casino revenue in Evansville in the range of 70 to \$80  
13 million. In our submitted figures to this Commission, we  
14 indicated initial casino revenue of 65 to \$70 million with  
15 five to \$7 million per annum in admission revenues to the  
16 vessel.

17 For the purposes of accuracy, casino and  
18 admission revenues should be counted together. They come  
19 from the same pocket of a player at the casino, and this has  
20 proved so in Elgin, Illinois where we have dropped our  
21 admission charge, paying the state's admission tax  
22 ourselves, and have permitted our customers to spend all of  
23 their entertainment dollars in the casino. Our estimates of  
24 market size derived principally from comparable cases in  
25 Illinois where we can see a run of experience in regional

1 marketplaces of similar population. We may well achieve a  
2 higher revenue than this. Dynamic forecasting techniques  
3 gave us market bounds, if you will, sorted between 60  
4 million and a hundred million dollars with a bulge where  
5 more likely placements go, following the 70 million to 80  
6 million plus range.

7           It's unlikely, however, that our competitor  
8 Aztar's estimates are accurate, but we're not going to stand  
9 before you and try to convince that Chicagoland and  
10 Evansville are equal markets. You can see that today the  
11 only cruising vessels in the United States with higher  
12 casino revenues than the projections you most recently heard  
13 are any large markets. Chicagoland, where you have 80  
14 million plus within a 50 mile radius. I offer three in  
15 Freeport and draw principally from Dallas, Fort Worth area  
16 and Player's in Lake Charles.

17           Player's is going to follow me this  
18 afternoon, and I'm certain they can speak for themselves,  
19 but I will indicate that the Player's boat in Lake Charles  
20 is serving a dedicated market. If you want to gamble in a  
21 casino and you live in the Houston area, that's what these  
22 numbers reflect in the month of December, you have one place  
23 to go and that's the Player's boat in Lake Charles.

24           In the instance of Evansville, that's more of  
25 what we call a partitioned marked. You have boundaries on

1 several sides of you. You go -- you don't have to go very  
2 far to the west and you bump into boat Player's Metropolis  
3 marketplace. We are well covered to the north with casino  
4 vessels. And from the standpoint of Louisville, it is our  
5 impression that there will be multiple competitors from the  
6 Louisville market, which in any case is not nearly as large  
7 as Chicago or the two major Texas cities. But our  
8 understanding is that Lawrenceburg will have a license.  
9 It's 45 minutes closer, a lot better road, and we understand  
10 our Harrison County bidders before the state. So we do not  
11 consider Louisville to be a dedicated market.

12 If it is the contention that our competitor  
13 understand something that we don't, a rather odd  
14 proposition, since they are the only applicant before you  
15 today with zero riverboat marketing experience, I can  
16 respond with programs within convincing statistics. It is  
17 clear that with a limited number of casino licenses in your  
18 state that there is a desire to make sure that each one is  
19 maximumly productive. What will determine the most valuable  
20 outcome for the state, the most secured jobs, the most  
21 reliable streams of tax revenue, the long run profits to  
22 support constant reinvestments? That outcome will come via  
23 the licensee that's been established, a power competitive  
24 position in the Evansville market region.

25 Boat best evidence for who will perform this

1 feat comes from historical performance. The regional  
2 Evansville market is a given. It is not vastly bigger in  
3 any competitors case simply because they say it is. The  
4 company that will deliver to the city of Evansville and  
5 state, the biggest long term sharer of the potential  
6 regional market will possess superior competitive revenues  
7 period. Someone with proof of performance. There are just  
8 a few broadly accepted measures for competitive position,  
9 foremost, the notion of operating profit margin.

10 Professor Michael Porter of Harvard Business  
11 School, considered today to be the leading scholar of  
12 business strategy. He's written a bestselling book. He  
13 holds that operating margins are the true shorthand with the  
14 prime feature of competitor position, which are cost  
15 leadership, grand loyalty, product or service difference,  
16 and share of market. Let's look at the averages operating  
17 the profit margins over the past two to three years.

18 Solomon Brothers, who is already represented here today and  
19 has prepared this data for the presentation.

20 If you look at the main casino companies, the  
21 average operating profit margins over the past three years  
22 for the latest reported year these are how the numbers stack  
23 up. One of my competitors for the Evansville license,  
24 Player's, is not ranked because they do not yet have three  
25 years of operating history. Goldstrike, as you can see, is

1 one of the most profitable companies in the gaming  
2 industry. This data is derived from a set of 22 pure  
3 companies.

4 Further, Bruce Turner, who was referenced  
5 earlier in today's presentation, or one of today's  
6 presentations research analyst of Solomon Brothers, predicts  
7 that Goldstrike in the coming year will be the most  
8 profitable company in the gaming industry. We will be  
9 number one, neck and neck by the way and in the interest of  
10 full disclosure with our competitor, Player's. You can see  
11 the Circus Circus, which is a much larger company and one of  
12 the greatest principals of Goldstrike, served the senior  
13 former roles of our corporate history say, is likewise an  
14 elite performer.

15 Professor Porter tells us that if your  
16 markets are seven to ten points above industry averages, you  
17 are an elite competitor. You have claims to market. The  
18 fact is that competitive position and long term market share  
19 are forcefully linked. Given that profitability is the  
20 indicator to competitive position, the record shows that  
21 boat performance belongs to Goldstrike and it's management  
22 team. So the financial underpinnings should be another  
23 consideration in your choice.

24 Solomon Brothers will attest that Goldstrike  
25 by itself possess the most financial power of any applicant

1 appearing before you today. That power, by the way, is  
2 related to profitability again and linked with history of  
3 performance. Here's the Evansville Landing partnership.  
4 Goldstrike is only one part of a premium team. Hyatt, the  
5 Simon's and Ellis Park are each substantial financial  
6 entities in their own right. And financial might is the key  
7 ingredient to competitive staying power.

8           So now are Evansville Landing partnership is  
9 prepared to finance and stand behind this project on a  
10 permanent basis by several means. We can do it all with  
11 cash. In Elgin, Goldstrike and Hyatt just completed the  
12 \$110 million Grand Victoria program by this very method, all  
13 equity. Alternatively, we can finance this project with a  
14 combination of our cash and debt provided to us through the  
15 agencies of leading investment banks and commercial banks.

16           I will submit to this Committee, to the  
17 commission today highly confident letters to this effect,  
18 signed in one instance by Mr. Newby the Bank of America, the  
19 leading commercial lender to the industry today and another  
20 fine officer of Solomon Brothers. Let me review the capital  
21 investment of our project. Boat heart of the project, the  
22 boat, the entertainment pavilion, and importantly, \$15  
23 million into the Executive Inn that turns it into a Hyatt  
24 Hotel. Our total investment, approximately a hundred  
25 million dollars, bearing that we have our civic

1 contributions and profit sharing, there accounting for  
2 something over 22, 23. So hard dollars, we're looking at  
3 number in the upper 70s.

4           What does Evansville and the state receive by  
5 being our partner? We're all paying gaming taxes here.  
6 There will be admission tax. There will be a ranking set of  
7 contributions, with our opportunity to sit down with the  
8 city if we're awarded the license. The key thing in our  
9 proposal is the profit sharing fund. This in an innovative  
10 wrinkle that we developed in Elgin, Illinois, where, as we  
11 build up the market and build up our profits, our success is  
12 directly shared with the city. We have offered the city of  
13 Evansville ten percent of our net operating income.

14           You can see the sort of leverage that you  
15 have in the profit sharing fund. You can see that the  
16 number of the casino the revenue is 70 million, predict  
17 about \$60 million over the first run within the license to  
18 the city, going up to if the markets a hundred, \$13  
19 million. I referred a minute ago to the overall theme of  
20 our proposal to the state and city. We call the proof of  
21 performance guarantee and it's ingredients are these. We at  
22 Evansville Landing provide premier management skills in  
23 gaming demonstrated by actual historic results, and it's  
24 been recently proven again with our success with the Grand  
25 Victoria in Elgin, Illinois, that we know what we're doing.

1                   We provide substantial deep financial  
2 resources. We provide staying power with our team, and we  
3 have character that you've seen come through before on your  
4 home ground. We believe that we'd provide the most net jobs  
5 to the city of Evansville and the state of Indiana because  
6 of the conversion of the Executive Inn to the Hyatt Hotel,  
7 and that we present the most sensible model of downtown  
8 revitalization with a two anchor corridor.

9                   By the way, of the applicants appearing  
10 before you today, we are already the largest employer of  
11 Hoosiers, more than 3,000 are in our employ today. We are  
12 already a preferred employer in the state of Indiana. We  
13 provide solid share of the upside of our success as an  
14 ongoing contribution to that city by virtue of our profit  
15 sharing fund. And not least, we provide a willingness to  
16 get going, because we are fresh and the biggest new success  
17 in the U.S. casino riverboat market at Elgin, Illinois and  
18 we are ready to duplicate it. At this time, I'd like to  
19 introduce Dan Azark, vice president of Hyatt Development  
20 Corporation.

21                   MR. AZARK: Mr. Chairman and  
22 members of the commission, good morning. My name is Dan  
23 Azark. I've worked for Hyatt Development Corporation for 17  
24 years, and in that time, have managed many developments for  
25 my company. Most recently, I had primary development

1 responsibilities for managing our riverboat casino in  
2 Illinois. The Grand Victoria that Glenn told you about is a  
3 very large Coast Guard certified vessel that we built in  
4 Illinois in about ten months. At the same same time we  
5 built an 88,000 square foot pavilion and a very large  
6 parking garage.

7 Our experience in Elgin and elsewhere forms  
8 basis of our expectations for Evansville. We have  
9 experience both in dealing with the Corp and with the Coast  
10 Guard, with state at local agencies as well. We work  
11 cooperatively; we're team players. This is a slide of our  
12 site plan for -- for Evansville. Our development plans  
13 reflect development of Riverfront Park. The city's first  
14 choice of a location, and we agree that this is the best  
15 location because access is good and the neighborhoods may be  
16 less infected by traffic.

17 We've planed our primary parking lot across  
18 the street from Riverside Drive connected to the pavilion an  
19 overhead walkway. Employee and overflow parking in peak  
20 periods will be accommodated in remote lots and in the  
21 Executive Inn parking lots. These lots are -- are -- or  
22 the peak periods are really evenings and weekends at the  
23 same time these other lots are not operating at full  
24 capacity. It makes sense to use that. We've not optioned  
25 land. We do not have to rationalize one study versus

1 another. If either location -- if the Corp or the city  
2 decides that this location is not suitable, we have no  
3 reason to rationalize this site. Frankly, we think the  
4 location of the hotel is more important than the location of  
5 riverboat on either side of Dress Plaza.

6 The dock design you see is the safest and  
7 most secure of all the plans that you'll see here in  
8 Evansville. We provide emergency access to both sides of  
9 the vessel. And you note that the vessel is protected from  
10 downstream traffic and upstream traffic. You might ask the  
11 commercial operators about the possibility of a upstream  
12 incident. This is a simple side version of our project  
13 schedule. It indicates what we believe to be the critical  
14 dates, starting with the decision of this Commission later  
15 this month. The schedule assumes that quorum and the  
16 Department of Natural Resource permits will take four to six  
17 months.

18 What's important to realize here is that as  
19 of today, no applicant has an advantage in project  
20 schedule. All of this required Corp permits. All of us  
21 have filed Corp permits, and the Corp is not going to  
22 process a permit but it didn't only you make your decision.  
23 We and one other applicant have filed with DNR for  
24 construction of the floodwing, and they're currently being  
25 processed and currently with the Corp. We've reviewed our

1 site approach with the Corp and the Coast Guard and with Ice  
2 Committee representatives. Reports see no reason why this  
3 further process should be complicated.

4 We've also met independently with Deak & Erve  
5 regarding the park conversion process and we believe  
6 conversion will have no interference, and we've consulted  
7 with Steven & Nickle regarding a construction of the  
8 permanent mooring site. The permanent dock will take about  
9 three months to construct. The rest of the permanent  
10 improvements will take about six months after receiving the  
11 Corp permit. And as you can see from this schedule, the  
12 design is it not on a critical path.

13 But let me address the question who can be in  
14 operation most quickly, if indeed this is the key criteria  
15 for something important and a long term decision. We've  
16 discussed with boat Corp boat possibility of a temporary  
17 docking location. Our engineers have analyzed four such  
18 sites. In the event that a mooring site can be permitted  
19 and constructed expeditiously and without compromising  
20 safety, we will operate a temporary facility. A temporary  
21 location in all events will require Corp approval, which  
22 approval will take months.

23 Even docking a riverboat at the marina will  
24 require Corp permits, and I do not believe that the permits  
25 that have yet been filed for the marina today that would

1 actually allow the operation of a gaming vessel. If we're  
2 able to operate a temporary facility, we intend to lease an  
3 existing vessel and operate it on an interim basis. As you  
4 know, and it's common knowledge in the industry, there are  
5 currently more boats floating around than are places to park  
6 them. American Marine is selling two, Bob Keal is building  
7 two months back and a number of gaming companies will build  
8 boats that they currently cannot use.

9 We have an agreement, we have an option with  
10 Argis & Gaming to use one of their vessels in the event that  
11 a temporary location is available. Our assumption is that  
12 it will take a minimum of seven to nine months to permit and  
13 construct a permanent dock. Our vessel designed by Rodney  
14 Lade will be purchased and constructed in ten months. We  
15 will bid our plans in Indiana and elsewhere. Jeff Boat has  
16 advised us that they have current capacity to commence  
17 construction. And assuming they're competitive, and they  
18 assure us they will be, we'd like to build our boat in  
19 Indiana.

20 Again, we intend to be operating this vessel  
21 in Evansville by the end of this year. Finally, and equally  
22 important, we believe that we can have the Executive Inn  
23 refurbished and reopened by the end of this year. The  
24 schedule of every applicant is equally dependent on four  
25 approvals, and we feel that six months is a reasonable

1 amount of time to expect for the processing of these  
2 approvals, but if it comes more quickly, we're ready to  
3 proceed.

4 We expect to be operating from our permanent  
5 location three months after receipt of Corp approval.  
6 Our permanent improvements will take about six months after  
7 Corp approval, and the renovated convention center and Hyatt  
8 Hotel will open within a year of finding a suitability, and  
9 I believe this is a year or two earlier than any of the  
10 other commitments that we have made to you. I now would  
11 like to introduce Dan Harrington, president of Ellis Park.

12 MR. HARRINGTON: Mr. Chairman,  
13 members of the board, good afternoon. My name is Dan  
14 Harrington. I am president of Ellis Park Race Course. As  
15 most of you know, Ellis is located less than ten minutes  
16 from where we are meeting today. Ellis is actually on the  
17 north shore of the Ohio river, closer to Evansville than any  
18 other community. Ellis has been a part of the Evansville  
19 entertainment scene for over 60 years. We draw 400,000  
20 patrons each year from all over the region. From Louisville  
21 to Nashville to Paducah and even Indianapolis.

22 We are one of the largest employers in the  
23 region. Of our 600 employees, about half are from Indiana.  
24 Mostly right here in Evansville. We buy about six and a  
25 half million dollars a year in goods and services from

1 Indiana suppliers. We are a part of this community, we  
2 contribute to this community. This community is important  
3 to our well being. In recent years, we in the parimutuel  
4 business have witnessed a powerful new business arriving in  
5 the form of riverboat gaming. Programs within of our  
6 industries have sought to ignore it, programs within have  
7 sought to fight it. Programs within have embraced it as a  
8 complement to our existing way of doing business. We fine  
9 ourselves in the slots category, and let me explain why.

10 When the Player's riverboat opened a hundred  
11 and thirty miles away from Metropolis, we felt an immediate  
12 negative impact on our business because patrons left  
13 Evansville and went to Metropolis; however, now it's our  
14 turn to draw people to our community. We view this as an  
15 opportunity for Ellis and other Evansville area businesses.  
16 When Indiana passed riverboat legislation, a number of  
17 gaming companies came knocking on our door. Most of the  
18 applicants in Evansville approached us to venture with  
19 them. Programs within did so because they saw our track as  
20 a potential competitive threat to investments in  
21 Evansville. This is understandable. This is why Player's  
22 acquired bluegrass downs in Paducah, which is across the  
23 river from their Metropolis riverboat.

24 This was not, however, our primary  
25 consideration when it came to choosing partners. Our goal

1 was to select partners with a business philosophy that was  
2 most compatible with our own. We see in this in fact, bring  
3 development a great opportunity to market an Evansville  
4 entertainment package that includes a race track, a  
5 riverboat, and a hotel and convention facility. Ellis'  
6 competition is not Evansville. Evansville's competition is  
7 not Ellis, it is Paducah, it is St. Louis, it is all the  
8 other gaming markets as they open. We need to market  
9 cooperatively to maximize our region's advantages. As a  
10 partner in Evansville Landing, we bring three valuable  
11 asset. First, we have an existing knowledge of this  
12 region's gaming market. This includes a database to draw  
13 from immediately.

14                   Secondly, we have the ability to cross  
15 markets to the riverboat and the hotel and to create  
16 entertainment venue that will draw people here and keep them  
17 here longer. Thirdly, we have strategic value to our  
18 partnership and to the state of Indiana, should Kentucky  
19 respond. We have \$25 million invested in Ellis, which  
20 relies on the Evansville community for its well being. We  
21 also have an equivalent share in Evansville Landing which is  
22 a hundred million dollar investment. Any investment that we  
23 would make at programs within point in the future in  
24 Kentucky would be done to complement and protect our  
25 existing Evansville businesses, and to further enhance the

1 ability of our Evansville market to compete with other  
2 gaming markets.

3           The view of our partnership is that  
4 Evansville should not compete with Ellis. Evansville needs  
5 to compete with Metropolis, Louisville, and St. Louis. We  
6 asked ourselves when making our choice of partners, who is  
7 best suited to compete over the long term? Who has the  
8 business philosophy and the reputation and strength to  
9 survive and thrive in this in fact, bring evolving  
10 environment? We decided that the owners of Goldstrike,  
11 Simon, and Hyatt were such partners. We believe we have  
12 chosen well. Thank you, and at this time I'd like to  
13 introduce Herb Simon.

14           MR. SIMON: Commissioners, thank  
15 you for having us here. I would like to just pick up almost  
16 -- and where Ellis just left off, and that was one of our  
17 major considerations being involved with a group of partners  
18 that we feel this venture has. Very impressed with  
19 Goldstrike and Ellis, and I've -- I guess our families with  
20 the Pritzker's we've had relationship for over 20 years. So  
21 I really feel very good about the partners, because when we  
22 added our name to it, since we're the most local, I guess,  
23 in the sense that Indiana is our home, that we want to be  
24 sure that we can live up to every commitment we make to the  
25 Commission, to the state, and to the city.

1                   So that was a very big consideration for the  
2 family to have the right set of partners and I am very  
3 comfortable with what we have. I also mentioned Indiana  
4 being important to us since we're basically in the retail  
5 shopping business, to be involved in gambling seems at first  
6 far fetched, but if we were going try to get into this  
7 business, where else but Indiana, which has been so good to  
8 us, and we hope we've been good to it also.

9                   With over 22 projects of a thousand people  
10 with a major development in downtown Indianapolis, which  
11 really tested the public, private relationship, 15 years,  
12 three mayors, four governors, both parties, and programs  
13 withinhow we survived and in the good times and the bad  
14 times, and that's why I think we're talking about  
15 partnership with the state, with the city, that we'll be  
16 there in good times and bad times and we have to look up to  
17 our commitment. So thankfully, with the help of 13 of the  
18 leading companies in Indianapolis, with the great help from  
19 the -- the city and the state, the realty of the urban  
20 redevelopment in Indianapolis will be opening this year, so  
21 I hope I see you there at the opening. So I'm -- I'm very  
22 happy to make my first venture into gambling in the state of  
23 Indiana.

24                   And a third thing that I thought was  
25 important for us is that we didn't want to just be a token.

1 We didn't want to just go into a venture where we had  
2 nothing to add. So one of our considerations was to get a  
3 substantial -- have substantial say in the partnership. And  
4 with 425 percent position we'll all have something to say so  
5 we that we all can live up to our commitments. And I also  
6 wanted us to have programs some expertise that would be  
7 added to this venture. And as you know, the shopping  
8 business, it's going through an evolution, almost a  
9 revolution. Things are changing very dramatically, and we  
10 have spent a great deal of our time, my brother and I,  
11 especially trying to marry entertainment with shopping,  
12 because we think the synergy there is very great.

13 We tried this first in the Mall of America in  
14 Indianapolis where we put a major mall together with a major  
15 entertainment, family entertainment parlor and it has been  
16 very successful. We also in Las Vegas, right next to  
17 Caesar's and -- between Caesar's and Mirage, we married  
18 retail to very successful gambling, and that's worked out  
19 tremendously. So we -- we have a lot of opportunity to find  
20 out about the latest things in entertainment, family  
21 entertainment, and we feel that, obviously we can't compare  
22 this market with other markets, but there are new ventures,  
23 new venues coming through all the time, and we have a chance  
24 to look at it. And though I have indicated this that we are  
25 very excited to be part of this group. I'm very excited to

1 be working with my son Steve, who has been doing a lot  
2 of work here, and we'll continue to make sure that we live  
3 up to our commitments. And I just appreciate the  
4 opportunity. Thank you.

5 MR. PRITZKER: Good afternoon. My  
6 name is Nick Pritzker. I'm the president of Hyatt  
7 development corporation, one of the partners in Evansville  
8 Landing. I want to thank Herb for his comments. It is true  
9 that my family and the Simon family have had many  
10 relationships over many years. Our relationship with the  
11 the Goldstrike organization is not quite as long, but we  
12 have had a wonderful partnership with them and we have  
13 become close friends and close associates. It turns out  
14 that probably our oldest association is with Tinker Vealum.  
15 I find that he ran into my uncle in a project about 50 years  
16 ago, and my uncle gave -- gave him at that time I gather,  
17 programs within fatherly advice, and I hope it was not as  
18 rough as the advice that he gave me many times while he was  
19 still alive. But this is a, personally speaking, a  
20 remarkable group of people to be working with, and we're  
21 proud to be here in Evansville.

22 Ladies and gentlemen, about a year ago I was  
23 here in Evansville in front of another commission presenting  
24 our financial and our proposals in this development. We  
25 hope that the result of your deliberations will be

1 different, and we a think that it should be. Our proposal  
2 for this city included the 256 room Hyatt Hotel, but  
3 deferred construction of that hotel but it didn't only  
4 market conditions could warrant more hotel rooms in  
5 Evansville. In response to a number of comments the  
6 question of the sincerity of our commitment, we attempted to  
7 clarify our position by outlining four specific conditions,  
8 any one of which would trigger the construction of the new  
9 hotel.

10 Our hotel proposal was linked to the  
11 philosophy that underlies our application, and that is the  
12 real economic development is the intent of Indiana's gaming  
13 legislation. The real economic development means that boat  
14 community at large should benefit. We do not find it  
15 rational to build a brand new hotel where the market cannot  
16 support such development, and more importantly, where such a  
17 construction may cripple existing businesses. We are trying  
18 to be realistic. We are proposing to the Commission today,  
19 at you consider several important factors that are not  
20 implications to our application.

21 You will recall what we submitted in  
22 amendments to our application in the last meeting, but the  
23 Commission was concerned that such a new submission might  
24 delay these proceedings. The amendment that we wish for you  
25 to consider involved our purchase and renovation of the

1 Executive Inn and its operation as a Hyatt Hotel. In our  
2 presentation to the city a year ago, we told our desire to  
3 protect the Executive Inn. In fact, over the last year, we  
4 have had ongoing discussions with the owners of that  
5 property. During this time, they continued their efforts to  
6 sell the hotel, but there were no buyers, despite the  
7 imminence of gaming to Evansville.

8 In early December, the owners agreed to  
9 purchase terms that would allow for the paying of the backed  
10 taxes, mortgage obligations and ground rent, all of which  
11 are in rears today. Our proposal is to buy, renovate and  
12 operate the Executive Inn as a Hyatt Hotel immediately in  
13 lieu of building a 256 room Hyatt Hotel at programs within  
14 point in the future. This is the largest hotel and  
15 convention meeting facility in the region. It has 471 guest  
16 rooms and over 80,000 feet of meeting space. It occupies  
17 three square blocks in downtown Evansville with a parking  
18 structure, hotel, and a convention center. Boat Executive  
19 Inn clearly is critical to the convention business here in  
20 Evansville.

21 In 1990, Evansville hosted a hundred and five  
22 major conventions. By 1992, that number had slipped to 90,  
23 and it slipped further to 85 last year. With a closed or a  
24 further deteriorated Executive Inn, you will see far fewer  
25 still. As you know, the convention business is big

1 business. According to the Visitors and Convention Bureau,  
2 conventions brought \$60 million worth of business last year  
3 to this community. These are not only out of town dollars,  
4 they are also out the state dollars that bring real net  
5 economic benefit to the state of Indiana.

6 The Convention and Visitors Bureau also  
7 recently combined -- compiled information on lost and  
8 cancelled meetings. 34,000 room nights were lost this year  
9 and the most frequently cited reason for this was the  
10 decayed condition of the Executive Inn. In your packets,  
11 you will find a copy of a consultant study of the economic  
12 impact and analysis of the renovated Executive Inn operated  
13 as a Hyatt Hotel. We have attempted to analyze these impact  
14 using the same models that the Center for Urban Policy and  
15 the Environment uses so that you can quickly overrate these  
16 impacts on your own analysis.

17 The report highlights some of the advantages  
18 of revitalizing this property. First of all, we will draw  
19 visitors away from the casino and into boat center of  
20 downtown Evansville. Secondly, we will expand the overall  
21 marketing of Evansville as the convention destination, which  
22 will result in extending visitor stays and increasing  
23 visitor spending. Thirdly, we will also be able to market  
24 for all groups, even to those who are opposed to gaming and  
25 which will not book a casino adjacent hotel. The

1 consultants analysis indicates that the renovation of the  
2 hotel and its operation as a Hyatt will add an additional  
3 hundred and fifty-six million dollars of revenue impact to  
4 the city and state over five years out of the hotel alone.

5 If the Executive Inn were to close, the  
6 negative financial impact would be \$53 million. It is no  
7 secret that this asset is in critical trouble. In the last  
8 seven years, its losses have been mounting. In excess of  
9 \$800,000 dollars are owing in property taxes. The ground  
10 lease and mortgage are also in default. Contrary to the  
11 wishful thinking of some, if another 250 rooms are built in  
12 downtown, the Executive Inn will probably close, and if  
13 doesn't, it will remain in debts file. This hotel has been  
14 for sale for years, and we have been the only serious buyer  
15 with the capability of preserving the hotel and the  
16 convention facilities.

17 We know a little about hotels. This is a  
18 market with 400,000 empty hotel rooms last year, and by any  
19 measure, this is a distressed hotel market. I would like to  
20 take a few minutes to explain the hotel market in Evansville  
21 and to give you few reasons why we feel that our proposal  
22 makes economic sense. The city has commissioned a report by  
23 Deloid and Touth. It has been interpreted to say that  
24 sufficient hotel demand will be created by a riverboat to  
25 justify the construction of a new hotel.

1                   We asked Arthur Anderson to do an independent  
2 study on the impact of other riverboats done on hotel  
3 demand. That study was commented to you earlier, and the  
4 copy of the summary is included in your information  
5 package. To us, the results are not surprising, and they  
6 showed to be fallacious of the admissions particular  
7 predicted of hotel demand expressed by other applicants. As  
8 you can see in the added investment of riverboat gaming  
9 industry, room supply has gone up and he occupancy has gone  
10 down. Not only have occupancies gone down, and this is not  
11 shown in the chart, but it is on the study, the growth of  
12 revenues for available rooms also decline significantly in  
13 each of these markets except in the quantities where it  
14 increases, I think about 1 and a half percent over a three  
15 year period.

16                   The conclusion that you derive from the  
17 Author Anderson report is that the addition hotel capacity  
18 developed for casino related demand has just not been  
19 warranted, and that the new room built to accommodate that  
20 demand have actually had a depressing effect and not an  
21 uplifting effect on existing businesses. The city's own  
22 study suggests that additional demand from the casino will  
23 generate 59,000 room nights. A new 250 room hotel would  
24 absorb most if not all of this new demand, leaving little or  
25 nothing for the community at large.

1           Consider this, there are currently six full  
2 service hotels and 12 limited service hotels in Evansville.  
3 In 1993, which is the last year for which we have  
4 information, the occupancy of a full service hotel ranged  
5 from 50 to 52 percent. The average rate for a hotel in  
6 Evansville is about 45,000. As I said before, what this  
7 means is that there were about 400,000 empty hotel rooms in  
8 this in fact, bring town in 1993. This is clearly a  
9 depressed industry.

10           A casino generates the demand for lodging  
11 accommodations also is seasonal. Demand is concentrated in  
12 the three summer months. The other nine months of the year,  
13 most of casino visitations is indeed day trip visits, which  
14 means that little demand is generated solely by the boat.  
15 This is an important point. It means that a casino/hotel  
16 will be full and perhaps have programs within spillover  
17 business only in the summer. The other nine months of the  
18 year, this hotel will compete with and will be cannibalized  
19 with the other existing hotels in Evansville.

20           You should know that of the six original  
21 applicants for the Evansville, five told the city originally  
22 that building a new hotel was probably a bad idea because of  
23 its impact on existing business, and they advised against  
24 it. The Mayor, however, makes it clear that without a new  
25 hotel, the city would not endorse an applicant. Our

1 application commits us to build a new 256 room Hyatt Hotel  
2 only under certain conditions. This partnership is prepared  
3 to do better than that. By committing to bringing the Hyatt  
4 class, we'll refurbish the Executive Inn in the event that  
5 you select us for the license.

6 Let me assure sure you that we are prepared  
7 to live with our application and commitments. In its  
8 present form, we believe it is the best and most rational of  
9 the applications before you. If, however, you deem it  
10 advisable, we are prepared to substitute in extent for the  
11 renovated Executive Inn and to operate at that hotel as a  
12 Hyatt Hotel. The small critique hotels that have been  
13 proposed by other applicants make a poor substitute for the  
14 renovating of the Executive Inn, for convention business,  
15 for the individual business traveler, or even for the  
16 visitor to the riverboat.

17 Our renovation, as you will see from the  
18 plans, will include a rehabilitation of the guest rooms and  
19 the public areas. We propose to give the property a new  
20 identity by creating an inviting new entrance opposite the  
21 auditorium, and by the new entry, the entire hotel to the  
22 north to work toward the center of the complex. The  
23 existing front entrance will become the back door of the  
24 hotel and will be used for tour group arrivals.

25 As you can see from the rendering, we intend

1 to replace the exterior walls with modern, energy efficient  
2 designs that will bear no resemblance to the existing  
3 property, and we will correct chronic deficiencies in  
4 roofing, mechanical, engineering, and plumbing systems. The  
5 result will be something of which the city can be proud and  
6 which will attract and not repel visitors to Evansville. We  
7 will begin to market this hotel to the Hyatt network of  
8 hotels immediately, and be prepared to reopen the hotel in  
9 less than a year.

10 Our partnership is prepared to commit \$10  
11 million to this renovation, and our operating budget  
12 anticipates that an additional \$6 million in repairing and  
13 maintenance, and the reserve will be spent over the first  
14 five years. This budget is available for your inspection.  
15 Our hotel will open a year or more earlier than any of our  
16 competitors have committed. We believe that's an important  
17 consideration. We hope you agree. With your permission, we  
18 will start immediately to make plans to complete this  
19 transformation. We'd like you to help us make Evansville a  
20 convention city and bring Hyatt to Evansville. Thank you  
21 for your attention. And now Scott Montross will make our  
22 closing remarks.

23 MR. MONTROSS: Thank you, Nick.  
24 We've tried to outline the mutual advance of having these  
25 four partners with Evansville Landing. I can tell you one

1 real big difference, and that's trying the tell the people  
2 that run those companies, being aware of the time limit and  
3 try and be as specific as I can. There are programs within  
4 points that I think are necessary to be covered. I'd like  
5 to review with you the evidence that you have heard, and I'd  
6 like to apply it to the law that you were charged with  
7 following, and discuss with you how we believe the evidence  
8 pleads your verdict in favor of Evansville Landing.

9           They've alluded to the local process, and the  
10 fact of the matter is it's probably a good time to face head  
11 on the fact that our group was one of six applicants and we  
12 were ranked six by the city in the local, and I stress the  
13 word local, selection process. I'd like to tell you why we  
14 do not consider that result to be significant. But I would  
15 also like to say to you that we make no apologies for taking  
16 that position, but we mean no disrespect to the process  
17 itself.

18           There is a lot of hard work put in by a lot  
19 of people for a long period of time, and I believe that had  
20 the local selection process not been undertaken, that the  
21 top of the competition evolves the six applicants, and there  
22 would never have been have the financial commitments that  
23 have been made to the city of Evansville. And that process  
24 has certainly attracted and generated those kinds of  
25 results.

1           The reason that we do not consider the local  
2 ranking to be significant is that there are four significant  
3 differences between the programs you have heard today and  
4 what was presented a year ago to the local commission. Two  
5 of the four had not come together at the time of the  
6 original presentation to the city. We wished they had.

7           First of all, we had no riverboat gaming  
8 experience last year at this time, now, you've heard about  
9 the unparalleled success of the Grand Victoria operated by  
10 Goldstrike and Hyatt. A year ago, we didn't have a boat.  
11 Now we do. Mr. Azark has told you we have an temporary  
12 boat. We have the same access to other temporary boats. If  
13 we choose not to exercise option, our construction program  
14 is well in align with everyone elses. One of the four we  
15 changed, and that is we're pumping \$6.4 million more money  
16 into the city of Evansville than was planned a year ago, and  
17 that's because our profit sharing plan was to begin after  
18 year five. Now it is to begin after year three, at which  
19 point we contemplate having recouped our initial  
20 investment.

21           The fourth item is the hotel. We were not  
22 willing to come into Evansville and put in a new hotel. Our  
23 two competitors have proposed the hotel. We felt that the  
24 supply of rooms on the market was adequate, and we felt that  
25 boat riverboat would not generate overnight traffic. I'd

1 like to share with you two things, which I think rapidly  
2 will reflect our position. I quote, "The company believes  
3 that immediate construction of the 250 room hotel would be  
4 premature and could in fact negatively affect the market  
5 viability in existing hotels." That quote is from Player's  
6 initial response to the request for proposals by the city of  
7 Evansville.

8                   The other quote that I would like to read to  
9 you is as follows: It is the day trip market that is  
10 vulnerable to riverboats, certainly not the overnight  
11 business." Members of the Commission, that quote was taken  
12 from the text of the address made at the investment  
13 conference in New Orleans this fall by Mr. Paul Rubeli of  
14 Aztar. We have the complete text of that presentation. I  
15 think the message here that comes through -- and I should  
16 point out with regard to that rehashing about the overnight  
17 market, that was in response to an inquiry where development  
18 discussing the impact the Philadelphia riverboat on the  
19 overnight market, hotel market in Atlantic City when those  
20 remarks were made that the riverboat does not have an impact  
21 on the overnight market.

22                   I think the message, now that we have  
23 those two applicants proposing the new hotel, is simply  
24 often times when someone asks to you jump, it's easier to  
25 ask how high instead of why. I'd like to contrast that

1 hotel position with the position we have taken with regard  
2 to the Executive Inn. When the demise of the Executive Inn  
3 became apparent, the partners of Evansville Landing stepped  
4 in, and in consistence with the law and consistence  
5 consistent with the statute as it relates to your charge and  
6 the economic development, are prepared to rescue 80,000  
7 square feet of convention space, are prepared to avoid what  
8 could certainly be a three block eyesore in downtown  
9 Evansville, which without the Executive Inn, would not  
10 preserve the corridor from the riverboat of Main Street to  
11 the Executive Inn.

12 It avoids harming existing businesses, and I  
13 also submit to you, ladies and gentlemen, or lady and  
14 gentlemen in this case, that a hotel attached to a riverboat  
15 down at the water does not need Main Street, does not need  
16 downtown Evansville. We submit that the economic  
17 development would mandate under the statute to the Hyatt  
18 Hotel, which will energize the convention and tourist market  
19 is the clear indication of our responsiveness to the law  
20 this applies to the evidence in this in fact, bring case.  
21 I'd like to refer very quickly to our -- trust me. The  
22 civic contributions that are being made by the Evansville  
23 Landing group generates \$23.2 million over five years.  
24 There are 11 categories which, if I had not mangled the  
25 slide projector -- but there are two that are very, very

1 important.

2 One, is the community foundation. This has  
3 been created through this project of ours, and the community  
4 foundation, which will be the recipient of a profit sharing  
5 fund is made up of a board of directors, two appointed by  
6 the city of Evansville, two by Evansville One or a similar  
7 organization with similar interests that I made reference to  
8 and one members of the three board of directors appointed by  
9 Evansville Landing. This is our access to the community of  
10 Evansville, and we believe it is extremely important to  
11 these markets.

12 Three and a half million dollars over five  
13 years provide for grants and loans to organizations and  
14 programs for community economic development activities, that  
15 we believe are essential to have the entire city and county  
16 benefit. The profit sharing plan, which you see up there at  
17 \$6.4 million I referred to in years coming for years four  
18 and five, that this is a constant flow of millions of  
19 dollars on an annual basis that goes through the community  
20 foundation, and it is the strongest possible argument for  
21 economic development benefits to the people in boat city of  
22 Evansville.

23 The community foundation can work with the  
24 city organizations, such as Evansville One to increase the  
25 impact of existing public agency programs. They can deal

1 with economically disadvantaged neighborhoods; they can pump  
2 money into -- to rejuvenate distressed areas, and they can  
3 address manners such as child care, public transportation,  
4 affordable housing, educational and drug programs, all of  
5 which need to be addressed. The fourth and sixth wards will  
6 be targeted for these areas, and that's certainly supported  
7 by the involvement of Evansville One.

8 I think it's critical that not just downtown,  
9 not just Main Street, not just the riverfront benefit from  
10 these monies. We're very proud of this plan. We think it  
11 puts the decision making where it belongs. We think it  
12 would be presumptuous for Evansville Landing or anyone to  
13 come in and tell Evansville One or the city where these  
14 monies should go. They know where it should go. We expect  
15 this foundation to be very responsive to the needs of the  
16 community.

17 Minority business enterprises and women  
18 business enterprises --

19 MR. CHAIRMAN: Excuse me, Scott,  
20 you are running over. Could you wind it up?

21 MR. MONTROSS: I sure can.  
22 Certainly in minority and women business enterprises, the  
23 goals are ten and five percent respectively, and we expect  
24 to exceed it. Our goal is to exceed 15 and seven and a half  
25 percent. We're committed to local hiring and we're

1 committed to local businesses and stimulating those.  
2 Fortunately, those areas are addressed, I think very well in  
3 our application.

4 I'd like to close by saying to the members of  
5 this Commission that what this all boils down to is  
6 everything is stripped away and you're looking right at the  
7 issue. How confident can this Commission be that they  
8 have -- they have awarded this license to the applicant best  
9 qualified and best equipped to do the job. Boat change is  
10 only as strong as it's weakest link. Today you have seen  
11 evidence that Evansville Landing will not let you down. You  
12 will not be required to guess or speculate or take a  
13 chance.

14 No one brings more than Evansville Landing.  
15 We're proud to stand before you here today as the strong,  
16 solid, safe, sensible choice for this license. Reputation  
17 experience, integrity and financial strength are totally  
18 consistent with Goldstrike, Hyatt, Ellis Park and Simon.  
19 We're proud of the facts we have presented to you. We  
20 believe these fact represent the evidence that will support  
21 the verdict of this Commission in favor of Evansville  
22 Landing, and will result in the award of a license to  
23 Evansville Landing. I thank you very much for your time.

24 MR. CHAIRMAN: Thank you. We will  
25 now recess for lunch and I think we'll shorten the time to

1 one hour so we will reassemble at 2:30. Thank you all.

2 (Thereupon, a break was taken;  
3 after which, the proceedings  
4 continued as follows:)

5  
6 QUESTION AND ANSWER SESSION

7  
8 MR. CHAIRMAN: We've been having a  
9 little problem with the sound system and particularly the  
10 mikes that are at the tables. And I presume you want to try  
11 to answer any questions we have while still seated, and I'm  
12 told by the soundman, if you stay six to nine inches from  
13 the mikes, that that's the most effective means. I think  
14 the tendency is the try to get right up here, and it just  
15 doesn't work on those mikes. So if -- we'd certainly like  
16 to have you stay seated while you answer questions, but if  
17 you could sort of remember and if we have any trouble, we'll  
18 try to make another adjustment.

19 If any of the Commissioners have any trouble  
20 hearing any of the answers, let me know and we'll try to do  
21 something else. We may get a bunch of megaphones in here  
22 and have people just yell back and forth with them. If we  
23 could come back to order. We're now scheduled, of course,  
24 for questions from the Commission of the Evansville Landing  
25 group. To sort of kick it off I think I would like to ask,

1 and I don't know who wants to answer this, to tell us about  
2 the agreement that the partnership has concerning seeking  
3 the legislation in Kentucky to authorize a casino gaming in  
4 Kentucky, and just sort of outline, for the benefit of  
5 everyone, the nature of that agreement amongst you  
6 gentlemen.

7 MR. SCHULTZ: My name is Richard  
8 Schultz, vice chairman of the Hyatt Development. We -- as  
9 you referred to, we do have an understanding among the  
10 partners that if the gaming opportunity arises in Kentucky,  
11 that this group would work together to pursue a land-based  
12 opportunity if it should exist at Ellis Park. This is an  
13 existing agreement principal that we have today.

14 MR. CHAIRMAN: Has it been reduced  
15 to writing.

16 MR. SCHULTZ: We have -- yes, there  
17 is a summary of our -- which I think you were provided to  
18 the Gaming Commission. Yes, there's a written agreement.

19 MR. CHAIRMAN: Okay. And you sort  
20 of explained it as if you would if, the legislation comes  
21 about in Kentucky, it was our understanding that the  
22 agreement naturally provides that you were to actively  
23 pursue the legislation to authorize casino gaming in  
24 Kentucky.

25 MR. SCHULTZ: Well, we have, as

1 part of our agreement, if -- if the partners collectively  
2 believe that there will be -- that there's a realistic  
3 opportunity or likelihood that gaming legislation may be  
4 considered or passed in Kentucky, then we have agreed, as a  
5 partnership, to work together to support that effort. And I  
6 would point out that although but it didn't only recently  
7 there were programs within initiative underway, those effort  
8 certainly on our part have -- have ceased. It's our  
9 judgment that there is not likely to be gaming legislation  
10 considered or enacted there certainly in the near future.  
11 So we are not currently lobbying in Kentucky.

12 MR. CHAIRMAN: It's my  
13 understanding that you're agreement does have a fairly  
14 lengthy time period connection to it; is that correct?

15 MR. SCHULTZ: The time period --  
16 there are two time periods.

17 MR. CHAIRMAN: Tell me what the  
18 partners believe would be the effect on the Evansville  
19 license, should there been casino gaming at Ellis Park.

20 MR. SCHULTZ: Well, our -- our  
21 belief and expectation expect, and frankly one the reasons  
22 that this partnership was formed was the belief that if  
23 there is a gaming opportunity in Ellis Park, land-based  
24 gaming oportunity at Ellis Park, that Ellis Park and  
25 Evansville will be competing for a similar market. The

1 market -- the market region is likely to be the same or  
2 similar, and our belief is that -- that with the initial  
3 investment and commitment of the source we're talking about  
4 for Evansville, that in the long term, the -- the gaming  
5 prospects of our partnership and our enterprises in  
6 Evansville and in Ellis Park, can be best served if -- if we  
7 have a consistent uniform approach to gaming generations of  
8 traffic, and selling really of this entire area as a  
9 destination for gaming and other entertainment.

10 So the negotiation was to really, if the  
11 opportunity arises, to combine the two in a way that would  
12 support and assist both.

13 MR. SCHAEFFER: Mr. Chairman, I'm  
14 Glenn Schaeffer, partner of Goldstrike, in situations in  
15 Nevada, for example both the Goldstrike and formerly what we  
16 did in Circus Circus, we would build competing sources that  
17 we both opened on the same block next door to each other.  
18 In general, other properties are across the freeway from  
19 each other, and we're now in development for a third  
20 property. We did the same thing with Circus Circus on the  
21 strip, which that's how you expand your market sharing. You  
22 control that much more product in a marketplace and  
23 establish earlier from the standpoint of, what's our  
24 commitment to Evansville over the long term?

25 That commitment is very much there. We have

1 substantial investment here in the city of Evansville and a  
2 very high desire to see a very healthy business at both, if  
3 Kentucky were to come into play.

4 COMMISSIONER: Are both of the  
5 stories you're talking about in Nevada? You just said you  
6 put it next to each other. So they're both in Nevada?

7 MR. SCHAEFFER: Well, yes. And the  
8 principal would be the same here certainly.

9 COMMISSIONER: In your interest not  
10 in Indiana's interests.

11 MR. SCHAEFFER: I think from the  
12 standpoint of a bigger overall market in having our  
13 commitment to Indiana as well.

14 COMMISSIONER: I don't think it  
15 would be a bigger market if you divided it between Indiana  
16 and Kentucky.

17 MR. SCHAEFFER: The regional market  
18 would be the Indiana side pretty well, but being in control  
19 of both.

20 MR. PRITZKER: May I summarize and  
21 try to clarify a couple of points that my associates are  
22 making? I'm Nick Pritzker, Hyatt Development. I think  
23 gaming is going to come in any event to Kentucky and to  
24 Ellis park, and the point Mr. Schultz and Mr. Schaeffer is  
25 making is that the riverboat in Evansville will survive

1 better if it is owned in common with the Ellis Park casino  
2 as opposed to having two differently owned operations  
3 competing with each other helped necessarily by Kentucky  
4 gambling. Unless you want to contradict it.

5 MR. CHAIRMAN: I don't want to  
6 become argumentative, but I guess I could buy partly to what  
7 you just said if it weren't for the fact that we've  
8 established that the group has agreed to actively pursue the  
9 enabled legislation in Kentucky. I think that may be a  
10 little different ballgame than saying if the apple started  
11 to fall from the tree you should be there and be able to  
12 catch one.

13 MR. SCHAEFFER: I understand your  
14 intention. I believe what this group has said is that in  
15 any event successful or unsuccessful, this group is going to  
16 pursue casino gaming in Kentucky as are many people in  
17 Kentucky, but I believe it's in our agreement we are  
18 agreeing to work towards that goal, but we're going to do  
19 that whether or not we're the successful bidders here or  
20 whether another group is.

21 We know that there's gaming going on in Ellis  
22 Park, and that's controlled by this group, and if this  
23 group's successful in Evansville, than Evansville will be  
24 better off by virtue of that than having two different  
25 operations.

1 MR. CHAIRMAN: Part covers  
2 insurance. We're going to get a copy of the underlying  
3 agreement. For the record, was that the offer -- what is  
4 the relationship, is that a good competition, reasonable  
5 competition between a riverboat casino and the land-based  
6 facility?

7 MR. SCHAEFFER: Typically, the  
8 land-based casino has produced more revenues than riverboat  
9 casinos do. Dockside produce more revenues than cruising  
10 casino vessels do.

11 MR. CHAIRMAN: I think maybe the  
12 further question is what would Indiana's response be if  
13 there is a border competitor, which of course is initiated  
14 through the legislation in Indiana following Illinois?

15 MR. SCHAEFFER: We know that Iowa  
16 -- there were regulations different than Illinois.  
17 Illinois came about because of Iowa. And when Illinois  
18 modified -- Iowa has since modified regulations to try to  
19 become more competitive with Illinois. I mean, what does  
20 Indiana do as a state to respond to any legislation that  
21 might arise in a border state? That has been the principal  
22 stimulus for gaming in the mid-west to begin with. You  
23 might go dockside when it changes to regulation, and we  
24 don't know when we speculate or anyone speculates what the  
25 rules and regulations be if there were gaming in Kentucky.

1 COMMISSIONER: It has been pointed  
2 out to me that you have already submitted the documents  
3 concerning Kentucky agreement, so I apologize for asking for  
4 them.

5 COMMISSIONER: You just said that  
6 you don't have any plans right now to pursue this enabling  
7 legislation to allow bases in Kentucky.

8 MR. SCHULTZ: We -- at the present  
9 time we are not engaged in any lobbying effort, and our  
10 judgment is that it is not a prospect that is likely to  
11 occur in the near term. So it is an indefinite plan really  
12 and indefinite outcome about whether there will be gaming in  
13 Kentucky, or if there is gaming when that will occur.

14 COMMISSIONER: So your position is  
15 that if Ellis Park has an ownership interest in a riverboat  
16 license that cooperation is better than competition.

17 MR. SCHULTZ: That's correct.

18 COMMISSIONER: I have no other  
19 questions.

20 MR. CHAIRMAN: Can go into other  
21 areas. Anything else you want to --

22 COMMISSIONER: Yeah, I have a  
23 question. It looks like we're considering something  
24 somewhat different or quite a bit different actually than  
25 the materials we had in front of us. We were aware of the

1 hotel situation, and now, the investment community  
2 contributions that I have here are -- originally I had about  
3 an 11 -- over a five year period, an 11.5, 1.6 million  
4 contributions to the community, and the material you gave us  
5 is \$23 million. So there's -- it's almost double. So some  
6 of this must have changed in the last -- since you've  
7 submitted your application on that.

8 MR. SCHAEFFER: Commissioner, that  
9 is accurate. We have raised the profit share fund We've  
10 refined the profit sharing fund since the beginning.  
11 Initially, we were talking about after the first five years  
12 of the award of license, we have modified that to be after  
13 we've recovered our cost of investment, which we predicted  
14 would be about the third year of operation, as to why we  
15 took the liberty of arranging the overall number. We are  
16 the one applicant before you today that was sort of  
17 disinvited from the process in Evansville, but we noticed  
18 things sort of raged again after the -- after the  
19 negotiations with the city, and we've simply answered  
20 competitively.

21 COMMISSIONER: So this was just  
22 strictly in response to not being chosen by the city and  
23 wanting to be in the running.

24 MR. SCHAEFFER: We wanted to come  
25 before you with a competitive bid, so we, you know, we

1 raised ours to be -- to be as competitive as anything you  
2 look at.

3 COMMISSIONER: Okay. So these  
4 are --

5 MR. SCHULTZ: Excuse me. If I  
6 might add, we had, at the invitation of the city, and we did  
7 meet with them about a month ago --

8 COMMISSIONER: Okay.

9 MR. SCHULTZ: -- in which they laid  
10 out for us their expectations and programs within of what  
11 they were looking for from a potential licensee. So it was  
12 then suggested -- really programs within of -- programs  
13 within of these increases came -- we volunteered them  
14 based on a meeting we had with the representatives of the  
15 city, after understanding somewhat fuller, what they're  
16 expectations were.

17 COMMISSIONER: So these now are a  
18 part of the record, and those would be firm commitments on  
19 your part.

20 MR. SCHULTZ: Yes.

21 COMMISSIONER: So this is what I  
22 would consider then that.

23 COMMISSIONER: What key -- what key  
24 points -- you were sixth in the running. I think you said  
25 you were sixth --

1 MR. SCHAEFFER: Yes.

2 COMMISSIONER: -- originally? How  
3 would these, in your opinion -- changes characterized in the  
4 -- where would you fall today in your opinion? Another  
5 thing, why were you sixth, and what would this do to change  
6 sixth to programs within other number.

7 MR. SCHAEFFER: We think we present  
8 to the city and the state the most viable program for  
9 economic vitalization in the city of Evansville,  
10 particularly with the conversion of the Executive Inn and to  
11 a Hyatt Hotel, which we pointed out in our presentation is  
12 the leading brand name in international travel today. That  
13 gives us a distribution capability to bring visitors,  
14 especially destination visitors to the city of Evansville  
15 and know their applicant before you can -- can assert.

16 The two corridors -- I'm sorry. The corridor  
17 model with the two anchors, which is an entertainment anchor  
18 and name brand hotel anchor which has been used successfully  
19 in other U.S. cities also has been used in the past by  
20 people standing before you in our group, Simon and Hyatt.  
21 We think from the standpoint of the program that would  
22 produce the most visitors, the highest casino revenue over a  
23 long run, and that is the essence of our program.

24 COMMISSIONER: So it's your belief  
25 that if this was done over again, you would be first.

1 MR. SCHAEFFER: I can't speak for  
2 the selection committee of Evansville, but we would be  
3 entirely happy to run it all over again.

4 COMMISSIONER: On your -- one of  
5 your slides today you showed your total project investment.  
6 I think it came out to be \$100,650,000. Is that over a five  
7 year period?

8 MR. SCHAEFFER: Yes, it is.

9 COMMISSIONER: Do you have a  
10 breakdown as to how much this is going to be per year and  
11 how much in a year one and year two.

12 MR. SCHAEFFER: Yes, we do. It  
13 will take us a moment to gather-- to gather the  
14 information.

15 COMMISSIONER: That includes --

16 MR. SCHAEFFER: Twenty-three --  
17 Commissioner, \$23 million of that hundred million dollars  
18 were specific contributions, plus the share of the profit  
19 sharing fund over that five years. If you're looking at  
20 it's hard cost investment, the number would be between 75  
21 and 80 million according to that chart.

22 COMMISSIONER: And how much of that  
23 -- do you have programs within idea as to how much of it  
24 would be year one and year two, or per year one?

25 MR. AZARK: Commissioner, it's very

1 heavily weighed toward -- I'm Dan Azark. I don't know. If  
2 we could go down the total project investment, you have it  
3 in your back page, that land acquisition casino equipment  
4 effective in an acquisitions, that will make some pavilion  
5 improvement sight for channel docks.

6 COMMISSIONER: This is year one?

7 MR. AZARK: All of these are year  
8 one.

9 COMMISSIONER: Okay.

10 MR. AZARK: The only ones that are  
11 not year one be would the civic contributions of \$16 million  
12 8. Those are heavy weighted towards years one and two. I  
13 believe that 7 million, approximately that, 16.8 in years  
14 one and two. And we have a further breakdown of that for  
15 you if you'd like it. And of the profit sharing fund of 6  
16 million 4 as -- as we explained is a profit sharing fund at  
17 that kicks in at 10 percent of that operating income after  
18 we've avenue returned -- received a return on our  
19 investment. That's calculated to be in the year three  
20 basically on the conservative projections of \$70 million per  
21 year.

22 COMMISSIONER: Year three, four,  
23 and five?

24 MR. AZARK: I'm sorry, years four  
25 and five, sir. How much -- how much would you say you have

1 invested in Evansville now? How much money have you -- have  
2 you spent any money here?

3 MR. AZARK: We've spent about a  
4 million dollars today pursuing this license.

5 COMMISSIONER: Is that just off the  
6 soft costs that you've -- attorneys and local  
7 representations and --

8 MR. SCHAEFFER: It includes on  
9 option on the Executive Inn which pays for where they are in  
10 terms of -- to pay the rent and back taxes.

11 COMMISSIONER: All right. How much  
12 is that?

13 MR. SCHAEFFER: It's about \$3,000 a  
14 month obligation.

15 COMMISSIONER: We -- in our  
16 original numbers I guess one of -- one of the things that  
17 throws us a little bit about this change in your using these  
18 numbers is the contributions that you say you're making now  
19 have just about tripled from -- from what we were shown  
20 before.

21 MR. AZARK: I don't believe  
22 tripled, sir. I believe that the real change here is the  
23 profit sharing fund for 6 million four. Specific initiative  
24 on the prior basis totaled about 15 million.

25 COMMISSIONER: Well, we said the

1 change is just -- how much is the change?

2 MR. AZARK: About -- about \$7  
3 million.

4 COMMISSIONER: Seven million?

5 MR. AZARK: Yes.

6 COMMISSIONER: So it was \$93  
7 million before, is what you have proposed to invest?

8 MR. AZARK: Yeah, before the -- I'm  
9 sorry, sir. The hotel is a point of difference as well.  
10 The hotel is an additional \$15 million. I was focusing on  
11 specific initiatives. The -- we have -- in this project  
12 investment summary that we have before you now factored in a  
13 \$15 million number for the Executive Inn.

14 MR. CHAIRMAN: The -- speaking of  
15 the hotel, is this going to be the final rendition of the  
16 hotel? It looks almost like a new hotel.

17 MR. AZARK: That's our intention to  
18 make it look like a new hotel and to give it a new image and  
19 to replan boat outside of hotel and to make it a more  
20 efficient and a very modern hotel.

21 MR. CHAIRMAN: Can you do that with  
22 \$15 million?

23 MR. AZARK: We believe we can with  
24 the breakdown boat budget. We'd be happy to go over it with  
25 you. But a large portion of that money, about a million and

1 and a half to two million is in the skin. There's  
2 substantial revenues in that budget for mechanical systems  
3 and roofing systems and a great deal of that money in that  
4 budget is for room renovations and public area renovations.  
5 In addition to that, we have very healthy reserves. There's  
6 reserves for repair or maintenance. Recognizing this as an  
7 older building, it will have repair and maintenance  
8 requirements that are over and above a new hotel. We'll be  
9 reserving, I believe, \$700,000 a year for repair and  
10 maintenance and -- and for FFE, furniture, fixtures and  
11 equipment, refurbish them about -- in a similar amount.

12 COMMISSIONER: You're -- you're  
13 convinced that Hyatt Hotels doesn't need another hotel?.

14 MR. SCHULTZ: That has been our  
15 position from the outset, yes, and we do believe that the  
16 rate of non-occupancy statistics are are very persuasive in  
17 that regard along with our experience in other communities  
18 in terms of demand generated by riverboat casinos.

19 COMMISSIONER: Did you say only one  
20 of the original applicants -- I was under the impression  
21 that somebody said only one of the original applicants  
22 proposed a hotel?

23 MR. AZARK: Actually, two of the  
24 original applicants proposed a hotel, Jumer and Aztar.  
25 Jumer has proposed and said, we'll build this hotel, but we

1 really think it's a bad idea.

2 COMMISSIONER: How many -- how many  
3 permanent jobs will the hotel create, not the renovation,  
4 but the actual permanent?

5 MR. AZARK: The hotel should have  
6 about 450,000 -- I'm sorry. There's 450 jobs associated  
7 with the 470 rooms and the meeting and convention space that  
8 we have.

9 COMMISSIONER: The figures that you  
10 had on your construction impact, I show year one at 417 and  
11 then year two is seven and year three is six; is that  
12 right? It's in your economic impact analysis. Those were  
13 in two studies that you will all put together.

14 MR. AZARK: Yes. Sir, that is  
15 construction employment impact.

16 COMMISSIONER: Right. That's what  
17 I mean.

18 MR. AZARK: And the intention is  
19 that most of those construction dollars will be spent in the  
20 year one, with programs within hold overs in the year two  
21 and three.

22 COMMISSIONER: I guess my question  
23 is, you have year one at 417, which I assume is some sort of  
24 an estimate then go you to seven, which sounds specific, and  
25 then year three which is six?

1 MR. AZARK: It's a function of the  
2 budgets. It's a number that's derived, formulated through  
3 the budget expenses for those years.

4 COMMISSIONER: Okay. Also from the  
5 newspaper articles when you held your press conference last  
6 week or whenever it was, it said that as far as renovation,  
7 the purchase prices is 5.1 million, renovations at 9.9  
8 million, and now I see in here it's \$10,625,000 for  
9 construction cost and capital improvements? Is that the  
10 number we're looking at right now for construction cost and  
11 capital improvements, \$10,625,000?

12 MR. AZARK: Yes. Those numbers  
13 include, I believe, money being spent in the second year  
14 9.9, \$10 million in the first year, and monies that are  
15 being spent in the second year and holding over to the third  
16 year.

17 COMMISSIONER: Right. So when  
18 we're talking about the 9.9 million, that will give us this  
19 picture that we have here.

20 MR. AZARK: Yes.

21 COMMISSIONER: Have you -- you say  
22 you had some specs on it. Has there been an engineer go  
23 through this and -- and determine --

24 MR. AZARK: Sir, we've had -- we've  
25 had a number of engineers go through the building. They've

1 gone through on a preliminary basis. We've had mechanical  
2 engineers, structural engineers go through the building.  
3 We've had our own Hyatt engineers go through the building  
4 and they put together budgets base for this based on our  
5 experience. We don't have specs completed at this point.  
6 We've worked with contractors though in estimating the per  
7 square foot cost investments of replanning the building with  
8 this.

9 COMMISSIONER: And is there  
10 anything involved in this in fact, bring about the parking  
11 garage across the street in refurbishing the parking garage?

12 MR. AZARK: The major refurbishment  
13 of the parking garage is not included in these numbers. It  
14 will have -- you know, it will need to be freshened up, but  
15 it will not be -- there is not a major refurbishment of the  
16 garage in the 9.9.

17 COMMISSIONER: Is there any concern  
18 about that parking garage being able to meet that code  
19 enforcement regulation?

20 MR. AZARK: We're not aware of that  
21 as an existing code problem.

22 COMMISSIONER: I have no real room  
23 to talk. My office has been in there for three years, and  
24 I'm moving out Saturday. In reference to the lease  
25 property. My understanding is that the front section where

1 my office used to be before you wiped it out of there is  
2 lease property; is that correct.

3 MR. SCHAEFFER: Yes, it -- yes, it  
4 is.

5 COMMISSIONER: Okay. And my  
6 understanding is that's from trust, that a trust actually  
7 owns that -- that real estate.

8 MR. SCHAEFFER: He did not  
9 recognize the entity as a trust.

10 COMMISSIONER: But the term that  
11 you're using is a trust?

12 COMMISSIONER: It was something  
13 that I've heard many times.

14 MR. SCHAEFFER: Well, it's, as I  
15 understand it, the lessor or ground lessor is an entity in  
16 which the Duetch family has an ownership interest.

17 COMMISSIONER: Well, the whole  
18 question, I guess would be that lease is something that --  
19 would be assumed by -- by you all when -- my question is:  
20 When would that lease expire and is it renegotiable?

21 MR. SCHAEFFER: We have  
22 successfully completed a renegotiation of that which would  
23 extend it another 62 years, in the event we exercise size  
24 our option acquire the Executive Inn so that's --

25 COMMISSIONER: So that's -- okay.

1 And also my understanding is the 5.1 million is the purchase  
2 price; is that correct? What you have to pay is the bank  
3 the mortgage which is \$3 million something and then your  
4 property tax that you've owed?

5 MR. SCHAEFFER: Yes. The purchase  
6 price is 5.1 million, and the intent and our understanding  
7 is that those proceeds will be used to pay off existing  
8 debts and liabilities of the hotel.

9 COMMISSIONER: So the Green family  
10 or whatever entity it is that owned it is going to walk away  
11 with that. Is that -- that's my understanding, is that your  
12 understanding?

13 MR. SCHAEFFER: That is -- that is  
14 my general understanding of the transaction. There are  
15 programs within contingent payments in future years of which  
16 they may benefit.

17 COMMISSIONER: All right. There  
18 was a letter to the Gaming Commission dated December 5, 1994  
19 that when the request was before the Commission to amend  
20 their application to reflect the Executive Inn option. The  
21 language in here that's pursuant to the option agreement if  
22 for reasons beyond your control, than these other things  
23 will occur. Could you specify to us what would happen for  
24 reasons beyond your control where you wouldn't exercise  
25 Executive Inn option.

1 MR. SCHAEFFER: Based on what we've  
2 accomplished since early December, I believe the only factor  
3 beyond our control at the moment is the awarding of the  
4 license.

5 COMMISSIONER: All right.

6 MR. SCHAEFFER: And the  
7 substitution of the Executive Inn for a 30 or \$40 one.

8 COMMISSIONER: There -- one of  
9 other companies has a line of credit through one of the  
10 banks that will satisfy if there's any problems in meeting  
11 the community incentives that would return the civic  
12 contributions. Do you have plans to have a line of credit  
13 established for the purposes of meeting those civic  
14 contributions if in case, for programs within reason you  
15 don't pay up?

16 MR. AZARK: Commissioner, we have  
17 offered the city a letter of credit for the civic  
18 contributions that we have -- we have offered to the city  
19 earlier, and I think we'd be prepared to do that again.

20 COMMISSIONER: Particularly Aztar's  
21 line of credit with the National City Bank, you would have a  
22 similar sort of thing with another -- that institution or  
23 another institution; is that correct?

24 MR. AZARK: Yes.

25 COMMISSIONER: In -- in reference

1 to the employment at the Executive Inn, my understanding is  
2 that you would maintain those employees who are there now;  
3 is that correct?

4 MR. PRITZKER: I don't believe  
5 we've made that representation. What we have said, we're  
6 going to have to close the Executive Inn for approximately  
7 six months -- six to seven months for the renovation. The  
8 employees will not be carried during that time, and when we  
9 hire, clearly giving priority to existing employees of the  
10 Executive Inn. We will have more employees total than are  
11 now presently employed at the Executive Inn, but we are not  
12 at this point guaranteeing any given individual employee  
13 employment at that time. We have not yet reviewed anybody's  
14 record or history or had any interviews, so we can't make  
15 that representation.

16 COMMISSIONER: How many employees  
17 do you anticipate having have in the Executive Inn.

18 MR. PRITZKER: 470.

19 COMMISSIONER: 470? Do you have  
20 any idea how many are there now?

21 MR. PRITZER: Let's -- let me  
22 correct that. We think between 450 and 470.

23 COMMISSIONER: And do you have any  
24 idea how many are working there now?

25 MR. PRITZKER: There was numbers of

1 350, but we -- we --

2 MR. AZARK: We believe there's  
3 about 260 employees.

4 COMMISSIONER: Working at the  
5 Executive Inn now? Okay. I don't have any other questions  
6 of you.

7 COMMISSIONER: On the river site, I  
8 see that you are intending to bring the boat in kind of at  
9 an angle and looks like another big cut into the shoreline.  
10 Would that be a correct assumption? And is that something  
11 that you've discussed with any of the our Corp of Engineers,  
12 any of other licensing people besides ourselves, and is that  
13 a possibility, or is that something that you don't know  
14 about yet?

15 MR. AZARK: Yeah, we know a great  
16 deal about it. We have filed an application with the Corp  
17 and received permits -- or Corp comments on that. We've  
18 discussed this with representatives of the Ice Committee.  
19 We have filed with the Department of Natural Resources,  
20 Indiana Department of Natural Resources and that application  
21 has been deemed complete. We have intentionally cut into  
22 the bank at this severe angle, even though it's probably  
23 more costly than any of the docking schemes that you've seen  
24 in front of you, because we think safety is an issue.

25 We think safety is an issue from the barge

1 traffic coming downstream. We've been told that it's an  
2 issue for large crafts coming upstream. Barges coming  
3 upstream are frequently unloaded and when the wind sometimes  
4 takes them and drives them against this bank. So it's  
5 important that the boat be protected in both respects, but  
6 we don't foresee any problem with it. It's an expensive way  
7 to go. We think it's the safest way to go. We also,  
8 parenthetically have emergency exits to both sides of this  
9 vessel.

10 COMMISSIONER: Now, Aztar has  
11 indicated that they already have control of the land that  
12 they need to pursue this project to begin immediately. What  
13 about your plans for land acquisition in this in fact, bring  
14 area and use of this land? How soon would you be able to  
15 proceed and how sure are you that you can get what you need  
16 to complete this project.

17 MR. AZARK: Scott, do you want to  
18 answer that?

19 MR. MONTROSS: The land that is  
20 necessary for the construction of the boat and the pavilion  
21 is public land and that will not be a problem obviously.  
22 Any other land is -- whether the boat be placed at the Dress  
23 Plaza site or whether it be in Riverfront Park, the land  
24 adjacent to that private land is under option at Dress  
25 Plaza. It's under option to Player's, as the Riverfront

1 Park location is under option to Aztar, although there is --  
2 there is a couple of acres just -- I get my directions down  
3 here confused -- but north of the Riverfront Park that  
4 station had under options -- option. I believe that option  
5 has expired.

6 But the problem -- the bottom line is that  
7 should we receive the license, there isn't any legitimate  
8 reason for Aztar or Player's to exercise the option on  
9 property since they wouldn't have -- have the license. But  
10 if they should for programs within reason, which would  
11 probably be inconsistent with some of the statutory mandates  
12 as far as integrity and reputation and that kind of thing,  
13 if they should, our parking capability is still intact. We  
14 can erect a parking facility on the public land either at  
15 Dress Plaza or at Riverfront Park.

16 We can go to surface lots. We're going to --  
17 we have a 500 car parking garage barring earthquakes at the  
18 Executive Inn from a -- that we can shuttle the people back  
19 and forth. And so -- so we don't see the land as being a  
20 problem. Now, that the controversy as an original with  
21 regard to Riverfront Park versus Dress Plaza, we find  
22 ourselves in boat position where we don't have to  
23 aggressively lobby for either one. We can go to what turns  
24 out to be the safest location. So it's something that we  
25 originally wanted, sort of like the country music song,

1 Thank God for Unanswered Prayers. I'm sure we would have  
2 liked to have had it, but we didn't get it. Now it turns  
3 out we don't need it, and we're in a position to proceed  
4 with or without.

5 COMMISSIONER: So are you -- those  
6 comments then leads me to another question. Would you be --  
7 if this complaint or whatever it is that's in front of the  
8 National Parks Department, if that would be successful,  
9 would you be capable of moving your site?

10 MR. AZARK: To Dress Plaza?

11 COMMISSIONER: Right.

12 MR. AZARK: Absolutely. We're  
13 prepared to go to whatever turns out to be a viable and  
14 acceptable site.

15 COMMISSIONER: Now, Aztar also  
16 indicated that -- that if that public land is used, that  
17 they are -- they're contributing quite a substantial amount  
18 of money for the development of replacement park property.  
19 Are you going to be doing the same thing to replace that  
20 public land?

21 MR. AZARK: We are, and I take full  
22 responsibility for my handling of the slide. That was on  
23 there. I think there is a million and a half dollars or a  
24 million -- one and a half million dollars of a park  
25 replacement fund to deal with that issue, because my

1 understanding -- I've only been on the peripheral, but my  
2 understanding is that when you take away the Riverfront Park  
3 land, you need to replace it with more park land. And so we  
4 certainly contemplate doing that and expect to do it, and  
5 hope to be in a position to have the opportunity.

6 COMMISSIONER: You -- you -- you  
7 mentioned that you had a meeting with the city not too long  
8 ago.

9 MR. SCHAEFFER: Yes, we did.

10 COMMISSIONER: Was that something  
11 that you did or something that they asked, to see you?

12 MR. SCHAEFFER: It was a meeting  
13 the city requested.

14 COMMISSIONER: The city requested  
15 the meeting?

16 MR. SCHAEFFER: Yes.

17 COMMISSIONER: For what purpose.

18 MR. SCHAEFFER: It was a request  
19 that was given to us in December. I believe it may have  
20 been after your second Gary -- in my understanding, it was a  
21 meeting that was requested of us after the second -- or  
22 after your Gary hearing in which the city said they wanted  
23 the opportunity to explain to us what their expectations  
24 were in this in fact, bring process and what we  
25 anticipated. What I understood them to be saying is that

1 before we came here today, they wanted us to know what --  
2 what their position was on a number of these civic  
3 contributions.

4 COMMISSIONER: So you agreed to all  
5 those -- that's the changes that we're talking about?

6 MR. SCHAEFFER: We -- we have -- we  
7 have agreed to a number of them, and in programs within of  
8 the commitments we had made earlier and in programs within  
9 of the supplemental commitments we've made, for example, the  
10 profit sharing. There are substantial amounts of money that  
11 we have ear marked for a community fund for a foundation.  
12 That could be used to address programs within of the  
13 specific requests that the city made of us.

14 COMMISSIONER: So that --

15 MR. SCHAEFFER: So we -- we have  
16 not -- we have not responded to each individual request.  
17 Programs within of those requests we are regarding as -- as  
18 being met by our larger contributions to the community  
19 foundations.

20 COMMISSIONER: So you think that if  
21 you're awarded this license, you would be able to get along  
22 with these people very easily?

23 MR. SCHAEFFER: Yes. In fact at  
24 the meeting that we had with the director for economic  
25 development, she and we expressed that point of view, that

1 we were both experienced in working with either public or  
2 private entities and city renewal and city development, and  
3 it was a very positive meeting.

4 COMMISSIONER: I -- I --

5 MR. PRITZKER: May I answer that  
6 Commissioner? This is rather self-serving -- Pritzker --  
7 but we operate hotels and I think over a hundred and fifty  
8 cities around the world, and it's obviously a key priority  
9 for Hyatt to get along with cities wherever we happen to be  
10 working, so we pride ourselves on that and work very hard at  
11 it. I see no reason why we wouldn't get along very well  
12 with Evansville.

13 COMMISSIONER: Speaking of  
14 cooperating, you're a management scheme to your corporate --  
15 your four partners at 25 percent a piece, and you put  
16 together programs within operational made with the scheme  
17 directors, wasn't it, how you'd run this business?

18 MR. SCHAEFFER: The Goldstrike  
19 resorts will set up and operate the casino for the venture.  
20 We would share development responsibilities of the boat,  
21 property, building, the program with Hyatt as we did in  
22 Elgin, Illinois. I would certainly let my other partner  
23 describe the role of the Executive Inn and with retail.

24 MR. SCHULTZ: Well, I think  
25 basically the starting point is the Executive Committee of

1 Partnership. We have established what is in essence our  
2 board of directors, in which each of the four partners is  
3 equally ly represented. That committee will act, as I said,  
4 as a board of directors and will govern the affairs and  
5 management of the partnership business just as a corporate  
6 board would -- would govern those affairs for a  
7 corporation. I think what -- and Glenn is suggesting, you  
8 know, we believe the unique situation of being able to call  
9 upon the resources of the different partners, call upon  
10 their strengths to deal with specific portions or projects.

11 So there would be a clear allegation of that  
12 and the delegation of that responsibility to -- to the sub  
13 management group that would be drawn from the individual  
14 partnership entities. And Hyatt has experience, substantial  
15 experience in hotel development or hotel management with  
16 development as we designed it, so those would be tasks that  
17 would be delegated and overall, managed by this board of  
18 directors.

19 MR. PRITZKER: May I add again? We  
20 have many partnerships, and I think our partnership with  
21 Goldstrike in Elgin is the particularly illustrative between  
22 cooperation that's possible. Hyatt is a management company  
23 and we run casinos, but we're also a development company.  
24 Goldstrike, through it's partner, operates casinos and it's  
25 also a developing company. And although perhaps the

1 personalities are strong, nonetheless we had a little  
2 trouble -- a little trouble in letting whichever partner was  
3 strongest in any area to serve that function. We've never  
4 had an argument with our partners in Elgin.

5 For the most part we handled the -- the  
6 construction and development. For the most part they  
7 handled the operation. Partnerships meetings have been  
8 infrequent and rather informal because generally, there's  
9 very little difficulty on the executive committee level.

10 MR. CHAIRMAN: Along the same lines  
11 what arrangements do you have concerning the withdrawal of  
12 any of the parties or the succession, should anything  
13 happen?

14 MR. SCHULTZ: I'm not sure I know  
15 specifically what you're referring to. Let me give you a  
16 general instruction of programs within of the circumstance  
17 that might arise. There is -- there prejudicial bracing  
18 within our partnership agreement that -- that allows each of  
19 the partners to transfer their interests, if really  
20 successful, they might choose subject to the right or  
21 refusal on the part of the other partners. So that would be  
22 a normal transition with -- they said the existing partners  
23 having the ability to exercise the right of refusal that  
24 they chose.

25 We do have -- we can make special provisions

1 for a circumstance that we would not expect to arise, but to  
2 be complete in our structuring. We've -- we've addressed  
3 the question of -- of licensing, and if there should be any  
4 difficulty with licensing. As I said, we do not expect  
5 that, but this is a -- we wanted to make sure that our  
6 agreement is complete. We've made the provisions that  
7 allows the other partners to succeed to the interest of that  
8 partner. But in -- in general, it's fairly normal and  
9 customary partnership to transfer trip provisions that we've  
10 incorporated. Is that responsive?

11 MR. CHAIRMAN: I beg your pardon?

12 MR. SCHULTZ: Was that responsive  
13 to your --

14 MR. CHAIRMAN: Yes, generally. You  
15 know of course that any transfer would be subject to the  
16 approval of the Indiana Gaming Commission.

17 MR. SCHULTZ: Of course.

18 MR. CHAIRMAN: I guess, Scott,  
19 would think I wasn't even practicing law very well. I  
20 didn't make a final closing on this option on the Executive  
21 property. Are you here today prepared to say if you were  
22 granted a letter of suitability that you will go ahead and  
23 exercise unconditionally the option on the Executive  
24 property and go forward.

25 MR. SCHAEFFER: Yes, we are, with

1 the provision that -- that -- that exercise would substitute  
2 for the new hotel commitment that we --

3 MR. CHAIRMAN: That's a given.

4 MR. SCHAEFFER: Okay. Yes, sir.  
5 I'm qualified, yes. We are prepared to do that.

6 MR. CHAIRMAN: Your boat. You want  
7 to tell us a little bit about your proposed boat and when  
8 you're talking temporary and permanent and so forth. And do  
9 you have any dining facilities on the boat or any open space  
10 on the boat that people could relax and enjoy cruising and  
11 so forth.

12 MR. AZARK: We'll have a -- we'll  
13 have a level where people can sit back and enjoy the  
14 cruising but we must confess, we really want to encourage  
15 people to pull the handle and play while they're on the  
16 boat. The -- the boat that we have designed is a Robby Lane  
17 design. It's a design that we've -- you've seen built  
18 before. It's very much along the lines of the Player's boat  
19 in Metropolis, the gamings boat in Jefferson city.

20 In fact, the last time this boat was built,  
21 it was built in about eight and a half down in that shipyard  
22 down in Florida. The boat has four gaming decks on it and  
23 about 25,000 square feet and it will have an area where --  
24 where people can get away from the gaming environment and  
25 sit back and relax.

1 MR. CHAIRMAN: You are obviously on  
2 the flip side of the problem that Aztar was questioned about  
3 this morning. In other words, they say they're going to get  
4 a lot of people to come to Evansville and get on the boat,  
5 and you say you aren't going to get very many people at all  
6 to come to Evansville to get on the boat. I do notice that,  
7 however, that as they do, show volume going down as  
8 competition comes on bored or anticipated competition.

9 You view the opposite. Your volume grows  
10 even though it's very slim through years three, four and  
11 five. Also, and I'll let you answer, they indicated they're  
12 going to spend \$12 and a half million on promotion. You say  
13 you're going to spend \$2.5 million on promotion, and guess I  
14 want to try to have you explain reconciling their  
15 anticipated volume with yours and so forth and convince me  
16 that you are right and they're wrong, if you can.

17 MR. SCHAEFFER: Mr. Commissioner,  
18 our models were developed using actual runs of data in  
19 existing riverboat casino markets using Illinois as the  
20 closest case. From the standpoint of philosophy, we have  
21 from the beginning, approached what the city and this  
22 Commission with a conservative projection. Of course, as we  
23 indicated on the slides this morning, if you look at the  
24 population distribution in the greater Evansville and into  
25 Northern Kentucky market which we again described as a

1 partition market.

2           We have a Metropolis on one side indicated as  
3 the case in our estimate that Louisville is not a dedicated  
4 market for the city of Evansville. That Lawrenceburg is  
5 actually closer to Louisville and a better road. And that  
6 our understanding is that in Harrison County, there programs  
7 within bidders there who will appear before you most likely  
8 later in the year. All of those -- all of those bidders,  
9 including the ones here in Evansville will be fighting for  
10 some of the Louisville market.

11           If you look at the data runs in market places  
12 of similar demographics, that's population, household  
13 income. It's several years of data coming out of the those  
14 Illinois markets. It would suggest at that Evansville which  
15 matches pretty closely to several other markets, Metropolis  
16 being more. What about a number in terms of expected  
17 results? Somewhere we indicated this morning between -- in  
18 the 60 to a hundred million dollars, with the most like  
19 expectation of only being in the 70s or maybe the 80s.

20           If we do better than that, and one of the  
21 points of our presentation this morning was given our market  
22 position where we do compete, which is also in about the  
23 most competitive markets in the world, where we are the  
24 premium competitor, given our profitability. If the  
25 market's a hundred or it's a hundred and ten or it's a

1 hundred and 20, because another competitor says that doesn't  
2 mean that they are most likely to achieve it. We would  
3 argue that we would be the most likely to achieve it given  
4 our length and history and our performance in highly  
5 competitive markets in the past.

6 We are not going to stand before the  
7 Commission and argue that Evansville is Chicago. Evansville  
8 is not an eight million person market, nor if you want to  
9 look at maybe the other example. Player's will follow us  
10 today. Player's today has a boat in Lake Charles,  
11 Louisiana, which in the month of December was the only  
12 casino property that you could reach by car, the only one.  
13 You can have over four million people in the metropolitan  
14 area and they've had numbers slightly better on a monthly  
15 basis than Aztar is projecting here in Evansville.

16 We're not going to stand in front of this  
17 Commission and make that kind of claim, at 70 to \$80  
18 million, which we consider to be an intermediate fix for  
19 casino revenue, a million two, a million three and million  
20 four visitors, which is our constant rate in the market  
21 established. We think we produce a very good program, a  
22 very healthy program, and one that can be grown over boat  
23 long term here in Evansville.

24 MR. CHAIRMAN: Well, I don't mean  
25 to be argumentative, but, you know, you can read into their

1 numbers and their position that they're going to give it a  
2 good try in Evansville -- while in Louisville -- while  
3 Evansville is the only nearest market. I mean, obviously  
4 there is a time time liability and thereby the fact that  
5 we're here in Evansville today and we're not going to the  
6 ones where there wasn't.

7 MR. SCHAEFFER: Mr. Chairman, I  
8 don't mean to suggest lack of effort. You know, we're  
9 talking about reality. Two things, one is the city of  
10 Evansville's own economic impact study estimate 1.4 million  
11 visitors to -- to the marketplace. The only outlier  
12 estimate of the six people who presented in Evansville was  
13 -- was Aztar. So they seem to have a sole opinion. They  
14 are also in the case of the applicants before you, the only  
15 one with zero marketing strengths with cruising casino  
16 vessels today.

17 But if you look at Elgin, Illinois where  
18 we're in operation with the Grand Victoria, it appears that  
19 in this in fact, bring month we are the number one riverboat  
20 cruising vessel in the United States in terms of  
21 commissions. We are doing something right. We are very  
22 close to our projections, what we showed in Illinois, and we  
23 think that, you know, as an earlier applicant said, we're  
24 still learning. We're all learning. Non of the applicants  
25 today will call the market on the nose. We do know more

1 than some of the other applicants about riverboat marketing  
2 in the Midwest and what it takes to be successful.

3 In respect to the second part of the question  
4 which was you don't seem to be spending as Aztar. It's not  
5 what you spend, it's what you produce. We are patterning  
6 our marketing budget here in Evansville after what we're  
7 doing in Elgin, as I indicated earlier, not only what  
8 appears to be the highest number of passengers going on a  
9 cruising vessel today, but the fastest start-up in terms of  
10 casino revenues generated by any cruising casino vessel in  
11 the United States period.

12 MR. CHAIRMAN: Well, are you --  
13 you're not telling me that in Elgin you're spending an  
14 annualized \$2.5 million in advertising, are you?

15 MR. SCHAEFFER: About three  
16 million.

17 MR. CHAIRMAN: Beg your pardon?

18 MR. SCHAEFFER: About three  
19 million.

20 MR. CHAIRMAN: Well, then that  
21 would be less than even what your budget is, which looks  
22 like three percent here. So you're spending an lesser  
23 percentage in Elgin to promote; is that right?

24 MR. SCHAEFFER: I think that's  
25 correct.

1 MR. CHAIRMAN: And the marketing  
2 promotion part is -- would be more your daily weight than  
3 anyone else here? Because I -- I know the -- the Simon  
4 organization would claim some expertise in marketing.

5 MR. SCHAEFFER: They have a lot.  
6 Mr. Chairman, they're the developments to our market  
7 position. First, we need to repeat the value of having a  
8 Hyatt Hotel here. Our distribution system to attract true  
9 destination visitors, people coming for a convention, people  
10 coming for business meetings, the ability to the bring  
11 people to a grand sign from further away. It's clear the we  
12 think it's best case presented by any of the applicants.

13 We immediately should be thought of the in  
14 the first place as a marketing presence here because of the  
15 Hyatt sign and our assets to the reservation system and our  
16 meeting planners and convention organizers. Secondly, a  
17 reference made earlier today about database market. We not  
18 only have programs within database at the -- in Indiana and  
19 Illinois based on our experience with the Elgin property,  
20 but we have a partner here in Evansville, Ellis Park, which  
21 has 60 years of operating experience here and the most  
22 complete database of names that would bring respective  
23 customers to our riverboat. So we have a start ahead of  
24 other applicants by getting in the program itself.

25 COMMISSIONER: In -- other than the

1 boat in Elgin, do you have any other boat interests,  
2 anything other than --

3 MR. SCHAEFFER: No we do not.

4 COMMISSIONER: Okay. Are you  
5 pursuing any other the riverboat license in any other  
6 jurisdiction other than this one?

7 MR. SCHAEFFER: We have in the  
8 state of Mississippi, this is Goldstrike. We have a filing  
9 of suitability and we have control of 50 acres on interstate  
10 10, about 45 minutes from New Orleans. And it turns out, we  
11 also have a unanimous approval from the Casino Commission in  
12 the state of Mississippi, but we are currently stalled on  
13 that project because it turns out that our selection of  
14 sites is so impressive that all of our competitors, we have  
15 a couple of competitors, formed a group and complained about  
16 the Commission's decision to permit us.

17 They've sued the Commission by the way --  
18 other Mississippi boat operators -- sued the Commission and  
19 sued the executive director of the Commission here, sued  
20 them personally and sued us for attempting to getting  
21 business on the back bay -- on the bay of St. Louis, on the  
22 back side on the freeway. I can't tell you when or even if  
23 we'll be successful in getting a business there, but it  
24 certainly was a Good Housekeeping seal of approval and our  
25 ability to select sites.

1 COMMISSIONER: So that's -- that's  
2 in advance right now?

3 MR. AZARK: Commissioner, we also  
4 have a license pending, an application pending in Missouri  
5 and we're in development in a casino investment.

6 MR. SCHULTZ: Following the hearing  
7 today we'd like to make a definite statement that we will  
8 not sue the Commissioner or it's Commission.

9 COMMISSIONER: Has the -- has the  
10 Simon family or the Ellis Park people any interest in any  
11 other jurisdictions? Well, the question would be, if you  
12 have the license in the other jurisdictions, Evansville  
13 being more profitable and you needed the money for the other  
14 jurisdictions, would you drain it off here and send it down  
15 there?

16 MR. SCHAEFFER: Mr. Vowels, the  
17 answer is no. From the standpoint of what we presented as a  
18 financial backing of the Evansville Landing partnership  
19 today has clearly been of most powerful presentation before  
20 you. That would never arise.

21 COMMISSIONER: All right. In  
22 reference to the statutory language with-- concerning women  
23 business enterprises, minority business enterprises, what  
24 are your plans in that regard as far as hiring people? And  
25 would you state your name for record, please.

1 MR. MONTROSS: Scott Montross  
2 again. Our claim with regard to the minority and the women  
3 business enterprises, given the mandates of the statute with  
4 regard to the ten percent and the five percent is to exceed  
5 those and to seek to exceed a 50 percent increase on those  
6 at 15 percent at seven and a half percent. And from the  
7 standpoint, anticipating follow-up to your question or maybe  
8 it was included in your question, that -- that's part of the  
9 -- part of the time I've lost from my good friend on my --  
10 on my final argument.

11 The community foundation, which will have the  
12 profit sharing monies pumped into it at \$700,000 a year for  
13 each of the first five years in addition to, we expect 3.2  
14 million in the years four and five to go through the  
15 community foundation and to be utilized throughout the  
16 community to stimulate those enterprises as well and to give  
17 them boat training and the opportunity to participate to the  
18 highest degree possible as we can with the -- with the  
19 operation.

20 COMMISSIONER: In reference back to  
21 the Goldstrike and the Hyatt, what are your percentages now  
22 up in Elgin as far as women and minorities?

23 MR. SCHAEFFER: I'm going to  
24 introduce Gregg Sullivan, who is director of operations for  
25 Goldstrike Resorts and has the senior management

1 responsibility for our company, overlooking it.

2 MR. SULLIVAN: The Elgin riverboat  
3 project currently employs 35 percent minorities and 45  
4 percent female in their employment. Our management -- I'm  
5 proud to say our general manager there is a 32 year old  
6 woman. And our Nevada percentages are almost identical.  
7 I'd also like to say that the Elgin representation by  
8 minority is almost a perfect mere image of the regional  
9 ethnic demographics of the Elgin area.

10 COMMISSIONER: What about the use  
11 of goods and services, with women and minority business  
12 enterprises? Is what your -- I believe what -- the  
13 statistics you gave me were in reference to your employees.

14 MR. SULLIVAN: Employees, yes.

15 COMMISSIONER: What about buying  
16 goods and services? Do you have any statistics in that  
17 reference?

18 MR. SULLIVAN: I have no statistics  
19 currently available for the Illinois area. We do not have  
20 the same mandates in Illinois that Indiana has.

21 MR. MONTROSS: I'm Mr. Montross. I  
22 think the answer to your question was about women and  
23 minority business enterprises, the percentages that you gave  
24 for the use of goods and services from those enterprises; is  
25 that correct?

1 MR. AZARK: Yes, that's -- that's  
2 correct. And also and we -- we have an existing  
3 relationship in that respect as far as Ellis Park is  
4 concerned because they do a lot of business obviously with  
5 services and that kind thing into boat state of Indiana.  
6 But the -- the that's a -- that's a principal goal of this  
7 partnership, is to work very hard in the areas with regard  
8 to minority business enterprises and women business  
9 enterprises. And that's why with regard to the community  
10 foundation, the board of directors has two of the -- two of  
11 the members are through Evansville One or a similar  
12 organization with similar interests to ensure that these are  
13 monies that go into those areas to help stimulate those  
14 businesses and those interests.

15 COMMISSIONER: There was discussion  
16 earlier about the fourth and six awards here in Vanderburgh  
17 County county putting this referendum over the top. Is  
18 there programs within intention to -- to kind of funnel  
19 programs within of this? I think Aztar mentioned that there  
20 would be programs within training programs within the fourth  
21 and sixth wards of job services. Is there anything that you  
22 all have in mind in reference to that?

23 MR. AZARK: Well, it's the target  
24 area, that's for sure, and I can turn this over to Marsha  
25 Oliver, one of the Simon associates and in conjunction with

1 the fourth and sixth wards, we would be most pleased to work  
2 in cooperation with the state job training agencies as well  
3 as the University of Evansville, the local Indiana  
4 Vocational Technical College to facilitate, provide the  
5 training to those youngsters and to those individuals who  
6 might need additional incentive in the workplace.

7 We've had similar conversations with those  
8 groups and they've have indicated interest in working with  
9 us.

10 COMMISSIONER: All right. In your  
11 reference to training, what's it going take for people to  
12 learn how to deal and do everything else that they need to  
13 do, and how long is it going to take and how many  
14 southwestern Indiana residents do you intend to hire for  
15 those purposes?

16 MR. SULLIVAN: For the dealing  
17 positions, which would be most time intensive, generally the  
18 longest actual training would go on at four months and that  
19 would be for craps and roulette dealers. In the Elgin  
20 project, approximately 35 percent of our dealing force was  
21 trained by us from untrained Elgin employees.

22 COMMISSIONER: So I can assume that  
23 35 percent came from Elgin region then?

24 MR. SULLIVAN: That's correct.

25 MR. SCHAEFFER: Well, let's --

1 let's describe Chicago and Elgin, Illinois. Elgin, of  
2 course, is the suburb of a large surrounding city.  
3 Evansville has an entirely different location.

4 COMMISSIONER: Well, my question is  
5 of the dealers and people that have to be trained, how many  
6 do you you intend to hire from this area or to bring in from  
7 the outside? But, I mean, how many for the jobs for the  
8 people here?

9 MR. SULLIVAN: We would operate a  
10 dealer's school here in the Elgin area and offer it to all  
11 prospective applicants. We would intend to train as many  
12 persons from the local area as possible. In the Chicago  
13 land area, we did of course have one advantage, and that is  
14 that we have three other existing licensing operations that  
15 were already going concerns, and they had responded to our  
16 advertisings and our job affairs.

17 COMMISSIONER: Okay. How -- how  
18 long is it going to take you to get a boat in the water?  
19 Have you thought about that, if we -- if we would give you  
20 the certificate of suitability on February 10?

21 MR. AZARK: Pardon me. Could you  
22 repeat the question?

23 COMMISSIONER: Excuse me? Do you  
24 want me to rephrase the question?

25 MR. AZARK: Please.

1                   COMMISSIONER: How -- how long will  
2 it take to you get a boat in the water if we would give you  
3 the certificate of suitability on February 10, assuming  
4 everything else goes without a problem?

5                   MR. AZARK: By the end of the year.

6                   COMMISSIONER: By the end of the  
7 year. All right. In -- in reference to that, I would  
8 assume you'd have to have some temporary docking facility.

9                   MR. AZARK: We'll have -- we'll  
10 have the permanent docking facility constructed in three  
11 months after receiving the Corp permit.

12                   COMMISSIONER: So you won't need a  
13 temporary docking facility?

14                   MR. AZARK: I don't think we'll  
15 need a temp- -- we don't need a temporary docking facility  
16 to dock the permanent boat. We have an option on a (End of  
17 MC 70 Side B.) We have a great deal of merit. On end is  
18 just west of Dress Plaza. We think that it's possible to  
19 dock a temporary boat closer to Riverside Park itself. The  
20 real concern here is making sure that these boats can be  
21 docked safely. You know, the Executive Inn, for instance,  
22 currently docks the excursion vessel down at Riverside  
23 Park. It's possible that that dock would be used.

24                   COMMISSIONER: All right. There  
25 was a consultant that Aztar had who talked a little

1 earlier. Do you have anyone that -- that has helped you out  
2 as far as safety concerns or consulted with or one of the  
3 consultant companies.

4 MR. AZARK: We've -- we have  
5 consulted with our marine operation crew from Elgin, which  
6 is based in Lawrenceburg, Indiana. We have not yet  
7 performed a risk assessment, and we haven't yet put together  
8 the resulting operational plans for the riverboat. It would  
9 come from that risk assessment. It will be need to be done  
10 in order to get the Corp permit and we think it's important  
11 and we intend to do it.

12 COMMISSIONER: All right. Just  
13 quickly, in reference to part-time employees, how many  
14 part-time employees would you estimate that you would have?

15 MR. SCHAEFFER: Typically, about 15  
16 percent of the employment force department.

17 COMMISSIONER: All right. And  
18 would they -- they receive the benefits that full-time  
19 employees would have, particular health care?

20 MR. SCHAEFFER: The qualification  
21 is 30 hours of service per week.

22 COMMISSIONER: All right. So  
23 anyone less than 30 hours wouldn't be eligible for it then.  
24 In reference to -- sometimes there are complimentary rooms  
25 given out. Are you intending to do anything like that with

1 the new Hyatt Hotel, and if so, what percentage and how will  
2 that effect the numbers that you've given to us?

3 MR. PRITZKER: We really haven't  
4 talked about what the policies would be of those  
5 complimentary rooms. I would say this, that since the  
6 partnership is the same in terms of ownership of the hotel,  
7 and the ownership of the casino, subject, of course, to  
8 whatever requirements any lender might put on it if he had  
9 separate financing, he would do whatever to maximize total  
10 revenue. So if it were beneficial to the partnership as a  
11 whole to count rooms and create additional casino business,  
12 we would certainly do that.

13 COMMISSIONER: Okay. I only have  
14 one more question. Have you signed with any other  
15 developmental hearing in the southwestern Indiana area?

16 MR. SCHULTZ: We're currently  
17 working on a project in Evansville, a power strip center on  
18 the north -- east side.

19 COMMISSIONER: And what is a power  
20 strip?

21 MR. SCHULTZ: Well, it's a big --  
22 it's a big center without being enclosed.

23 COMMISSIONER: It's like a shopping  
24 area?

25 MR. SCHULTZ: Shopping area, yes.

1 It's -- we have a 50 acre option at Lloyd and Brochardt.

2 COMMISSIONER: Okay. I don't have  
3 any other questions.

4 MR. SULLIVAN: Mr. Vowels, if I  
5 may. Pardon, me, Mr. Chairman. My view was blocked of Dan  
6 Azark when you asked a question about putting the boat in  
7 the water. Gregg Sullivan was there. I want to make sure  
8 -- the delays, since I knew it was Dan's area, I figured  
9 that he was distracted or something. We got in the water  
10 before the end of the year, did we not Dan, with the  
11 temporary boat? It's the new boat that would be at the end  
12 of year.

13 MR. AZARK: The new boat would be  
14 be at the end of the year. The temporary boat could be  
15 within a month or six weeks of getting a Corp permit to do a  
16 temporary boat. That could be as soon as August or  
17 September.

18 COMMISSIONER: There are a couple  
19 of sites that you have in mind as far as temporary docking?

20 MR. AZARK: Yes.

21 COMMISSIONER: All right. I don't  
22 have anything further.

23 THE CHAIRMAN: Anything further?

24 COMMISSIONER: I have a couple of  
25 questions. Could you refer back to your list of civic

1 contributions that you showed us today and tell us what  
2 appears on this list that was not on the original.

3 MR. AZARK: We can start with the  
4 profit sharing fund. The revitalization fund wasn't there,  
5 and the lease statement was there. The community foundation  
6 was there, the park replacement was not. The development  
7 fund was there and the learning center was there and Victory  
8 Theater contributions was there. The off-site improvement  
9 was not separate as a line item I believe. Pigeon Creek was  
10 there and the emergency response plan was not.

11 COMMISSIONER: Park replacement was  
12 not, off-site improvements was not, emergency response plan  
13 was not. What else was not? The profit sharing plan?

14 MR. AZARK: Yes, sir.

15 MR. MONTROSS: I think Pigeon Creek  
16 increased, it was my recollection, between the original  
17 number and the 250,000 that you have in front of you.

18 COMMISSIONER: You were showing I  
19 think that this -- this was pretty close to double what your  
20 original local incentives were.

21 MR. AZARK: I believe we were at 15  
22 million before.

23 COMMISSIONER: Fifteen?

24 MR. AZARK: Fifteen or fifteen  
25 five.

1                   COMMISSIONER: As sort of a  
2 follow-up of one of the other questions. Do you have some  
3 type of conflict resolution agreement within your  
4 partnership agreement or anything kind of --

5                   MR. SCHULTZ: We don't have a  
6 specific conflict resolution. We have, as I described  
7 earlier, a committee, an executive committee board of  
8 directors that requires a majority vote, so you require --  
9 ours requires three out of four votes to make decisions.

10                  COMMISSIONER: Do -- are all of  
11 your companies jointly and separately responsible for all of  
12 the commitments that you make to Evansville?

13                  MR. SCHULTZ: Our -- our approach  
14 to the specific commitments that we'll be making an  
15 impressive letter of credit. As Dan had suggested earlier  
16 we were going to post a letter of credit or a credit  
17 instrument of that sort, the obligation of the various  
18 partners would be several. So it would -- in terms of -- in  
19 terms of the obligations to the city itself, they would have  
20 that letter of credit as a support or guarantee for the  
21 obligations. But our intension was to provide that on the  
22 separate basis.

23                  COMMISSIONER: Do you have any debt  
24 that you've incurred recently, major debt? Certainly Hyatt  
25 hasn't, that would affect this project in any way.

1 MR. SCHAEFFER: From Goldstrike's  
2 standpoint, the way to look at it is we got Solomon Brothers  
3 in the interest of shortening our presentation and did not  
4 show that slide. It was the opinion the Solomon Brothers to  
5 look at our financing power and the amount of debt that we  
6 have at the end of the balance sheet. We were the most  
7 financial power plan, Goldstrike alone appearing before this  
8 Commission today. We have had some debt in the last year,  
9 personal problem debt programs, but in terms of our equity  
10 ratio, or relative to the amount of debt we have, we were  
11 well above industry averages in terms of having a lot of  
12 equity relative to debt.

13 COMMISSIONER: What was the -- when  
14 was the last debt issued by your company?

15 MR. SCHAEFFER: Oh, we have no --  
16 we have no bonds. We have no capital market debt. All of  
17 our debt is on a bank line. Today that number would be  
18 about a hundred and thirty-five million dollars on our -- on  
19 our credit lines.

20 COMMISSIONER: Do you know what  
21 your interest rates is?

22 MR. SCHAEFFER: Yeah, our interest  
23 rate is about 24 and one.

24 COMMISSIONER: Pardon?

25 MR. SCHAEFFER: Twenty-four plus

1 one approximately.

2 COMMISSIONER: The other companies?

3 MR. HARRINGTON: Ellis Park has had  
4 no recent debt.

5 COMMISSIONER: Let me ask a question  
6 here because this is important, at least to me. We were  
7 told earlier today that these boats would bring enough  
8 occupancy to hotels that would not only sustain the new  
9 hotel, but it would in fact take the other hotels in the  
10 community and lift their occupancy rates, and they gave  
11 specific numbers, target numbers. And in fact, I guess  
12 you're saying the exact opposite of that, which is --

13 MR. PRITZKER: The city's estimate  
14 of rooms -- this is in the Deloid Tousey is that right? The  
15 Deloid and Tousey study, which we're not at all convinced.  
16 It might in fact be too aggressive. We might be more  
17 conservative than that, but their number was I believe 69  
18 thousand; is that right? Sixty-six thousand one and fifty  
19 room nights to be generated by the casino. That in itself  
20 will represent a 250 room hotel running at about 80 percent  
21 occupancy. So if you build a 250 room hotel and it ran 80  
22 percent, as I think I've heard projected today, that would  
23 soak up essentially all of the demand predicted by Deloid  
24 and Tousey to be created by the casino, leaving no additional  
25 rooms for existing hotels.

1                    Obviously, it wouldn't be as neat as that,  
2 but those are the general numbers. We don't think there's  
3 going to be significant room demand generated by this  
4 riverboat. It would be nice to say there is, but we really  
5 think that it's minimal. If there is such demand created,  
6 hotels will be built in response to that demand. We think  
7 that building a hotel initially, anticipating that demand is  
8 fine, and we don't subscribe to this.

9                    COMMISSIONER: One last question  
10 that I have that I may have misunderstood. On your boat,  
11 you're not going to have dining facilities with no place to  
12 dine on this boat, or are you just going to have slot  
13 machines? Is that the deal?

14                   MR. AZARK: The primary dining  
15 facility are in the pavilion. The pavilion has the  
16 restaurants. The pavilion has the sports bar. The gaming  
17 area on the boat is 25,000 square feet, and if the -- the  
18 lounge area, if you will, on the boat will be probably about  
19 1,500 square feet. There will be food and beverage in that  
20 lounge area. It's not unlike the non square feet we have in  
21 our vessel in Elgin.

22                   COMMISSIONER: I have to ask this  
23 one quick question. In the Kentucky agreement and principle  
24 that you had submitted to us it shows the signature as  
25 Goldstrike, Hyatt and Ellis. Mr. Simon you're not --

1 haven't signed off on that agreement to pursue to land-based  
2 casinos in Kentucky? You're not on here or either they  
3 didn't tell you about it.

4 MR. SIMON: We have a sharing  
5 interest, a small sharing interest in Kentucky, but we don't  
6 just take part anymore in the decision.

7 MR. STEVEN SIMON: We have a small  
8 carried interest. We have a small interest in Kentucky if  
9 any gaming would take place in Kentucky, but we're not -- we  
10 won't be involved in any decision making if that should  
11 happen.

12 COMMISSIONER: I guess my question  
13 is how come you guys didn't sign off on that?

14 MR. SCHAEFFER: Yeah, I think -- I  
15 think the best explanation is that the Simon interests are  
16 not obligors on the Kentucky agreement. They do not have  
17 any obligation to fund those funds. They do have, as Steve  
18 describe, a carried interest, but they are not part of the  
19 active partnership with specific obligations to each other.

20 MR. CHAIRMAN: I -- I guess I don't  
21 really understand exactly what interest you have in  
22 Kentucky.

23 MR. SIMON: Well, it's really that  
24 we didn't feel we could add anything. One of the conditions  
25 that we want is to kind of reveal that we could add some

1 value to it, and we didn't feel that we could add any value  
2 to Kentucky; however, since it would be part of the  
3 situation, there was a carried interest in it if it does  
4 occur. So that's why we are actively pursuing anything in  
5 Kentucky and --, but if it happens, our good partners will  
6 make sure that we don't get hurt.

7 MR. CHAIRMAN: Don't tell Herb that  
8 you're making those kinds of dealings.

9 MR. SIMON: Also if you find that  
10 you are that persuasive with the Kentucky legislature could  
11 you put in a word about the Ohio river?

12 MR. CHAIRMAN: Anything further?

13 COMMISSIONER: You know, I just  
14 have one question. As part of the marketing program that we  
15 heard about earlier today, there was going to be big name  
16 entertainment brought in and use of some of the existing  
17 theaters. Do you have any plans to that effect that you  
18 would be able to bring in entertainment as part of a draw?

19 MR. SCHAEFFER: Well, I'm not sure  
20 I heard that. I heard about lounge entertainment. I'm not  
21 sure from this standpoint of what we intend to do here. The  
22 principle attraction is a riverboat itself and then the  
23 small cruising period. So you generally don't -- don't have  
24 people spending days and going to shows in the evening.  
25 From the standpoint of our ability to access, because again

1 it's a learning process and you do what works and  
2 competition arises, you tend to put more things in your  
3 share than -- than done in the earlier days. From the  
4 standpoint of having access to star entertainment, having  
5 experience particularly in the Indiana market with  
6 entertainment, we would certainly be talking to our partner  
7 Simon, who are major presenters of entertainment and  
8 entertainments in this state. In fact, maybe Herb or can  
9 elaborate on that.

10 MR. SIMON: Well, we've got to  
11 agree the faces on anyone sitting here is an exhibitionist;  
12 although, having lost the last time that I handled this I'm  
13 not so sure about that. But we do operate markets from  
14 Indiana and the latest opportunities to bring some of the  
15 entertainment venues down here. But if there's an  
16 opportunity, we'll be able to handle it.

17 COMMISSIONER: And just one more.  
18 Can you describe a little bit in more detail what that  
19 retail would be like in the -- in the waiting area?

20 MR. SIMON: Well, if we're talking  
21 about mainly pavilion area, mainly the restaurant or the  
22 sports bar concepts, but again, I'd like to think of the  
23 hotel 6 blocks away and Main Street leading to the riverboat  
24 as two anchors, and I guess we'll be -- I know we'll be  
25 working with the city to see if we can develop other

1 opportunities. And, of course, there are other venues that  
2 could come down after the riverboat comes in, over family  
3 entertaining vendors that we're working on now as far as our  
4 shopping centers. So it's not very specific, but we do get  
5 the first shot at any new kind of a situation than those  
6 that applied to Evansville will be there to provide.

7 MR. CHAIRMAN: Anything further?

8 COMMISSIONER: I have just one  
9 clarification. On Goldstrike, is that hundred and  
10 thirty-five million that you have at whatever plus one  
11 secured it this case?

12 MR. SCHAEFFER: It has does not  
13 have Elgin secured. Elgin is just free cash flow to the  
14 partners that would be boat Nevada properties, which are the  
15 two properties that Goldstrike voted down and the railroad  
16 mastered.

17 COMMISSIONER: Okay. Thank you.

18 MR. CHAIRMAN: Anything further?

19 COMMISSIONER: Mr. Schaeffer, did I  
20 understand your slide earlier to indicate the Grand Victoria  
21 is averaging 1,500 passengers per cruise?

22 MR. SCHAEFFER: That is the maximum  
23 capacity currently per cruise. 1,5000 is the maximum  
24 capacity.

25 COMMISSIONER: That's not what

1 you're averaging.

2 MR. SCHAEFFER: No. Our occupancy  
3 rate is about 85 percent.

4 COMMISSIONER: You're not quoting  
5 that the market in Elgin is the same as the market in  
6 Evansville with regard to your study.

7 MR. SCHAEFFER: I think we're one  
8 of the few applicants, at least -- well, partly we're the  
9 only applicant that has made that claim, but we think that  
10 Chicagoland is a much bigger market than Evansville. And  
11 what we indicated on the slide was that the vessel with a  
12 capacity of 1,500 passengers, it would be more than ample to  
13 service the customer demand in this in fact, bring  
14 marketplace given that that's what we're doing in Elgin,  
15 Illinois.

16 COMMISSIONER: Is that what you  
17 presently propose your vessel will have, 1,500?

18 MR. SCHAEFFER: Fifteen hundred  
19 cruising capacity.

20 COMMISSIONER: Mr. Azark, from your  
21 remarks as regard to the operation of the temporary  
22 facility, can we assume that you have no permanent plan at  
23 this point to operate from a temporary facility?

24 MR. AZARK: That's correct.

25 COMMISSIONER: Do you have any kind

1 of different thoughts or ideas you can support?.

2 MR. AZARK: We've looked at four  
3 sites. We've had engineers look at the four sites and  
4 evaluate those, but we haven't filed for Corp permits on any  
5 of them.

6 COMMISSIONER: Mr. Harrington, what  
7 percentage of your net wins during past year did you donate  
8 to the city of Evansville?

9 MR. HARRINGTON: Did we donate to  
10 foundations?

11 COMMISSIONER: Charitable  
12 contributions, foundations or anything else like that to the  
13 city of Evansville.

14 MR. HARRINGTON: Our charitable  
15 foundation over the last five years has donated 400,000, and  
16 85 percent of that has gone to Evansville.

17 COMMISSIONER: Eighty-five, that is  
18 of the 400,000 over five years?

19 MR. HARRINGTON: As far as our  
20 foundation's concerned, correct.

21 COMMISSIONER: Is there anything in  
22 addition to that?

23 MR. HARRINGTON: In the charitable?

24 COMMISSIONER: Just corporate  
25 neighbor contributions to the city of Evansville, like as

1 Ellis Park donated to the city of Evansville.

2 MR. HARRINGTON: Well, that was  
3 charitable, and then the relationship foundations on goods  
4 and services and employees and all those other  
5 relationships.

6 COMMISSIONER: I'm just asking  
7 about dollar contributions. It's 85 percent of 400,000  
8 thousand for five years.

9 MR. HARRINGTON: For charitable.  
10 We do about six and a half million each year in goods and  
11 services with Indiana suppliers.

12 COMMISSIONER: I understand that.  
13 I'm talking about aside the cost of doing business when the  
14 goods and services that utilize as part of that employment.

15 MR. HARRINGTON: Correct.

16 COMMISSIONER: What kind of  
17 donations has Ellis Park made to the city of Evansville?

18 MR. HARRINGTON: That would be to  
19 our foundation, about 400,000 over the last five years,  
20 about 85 percent of that to Evansville.

21 COMMISSIONER: Okay. I do want to  
22 hit another point as we've hit a couple of times, and that's  
23 why is it in the best interest of the state of Indiana to  
24 give a license to a group that's aggressively going to  
25 pursue land-based gaming at Ellis Park? Anybody that wants

1 to answer that can. From what I've heard, I'm failed to be  
2 convinced it's in the best interest of the state of Indiana.

3 MR. PRITZKER: I'll take a shot at  
4 this. This group is -- in any event, whether we're  
5 successful or not in this application, we're going to  
6 pursue; although, no one said aggressively and there's been  
7 no decision to pursue aggressively. But we are not saying  
8 certainly that we will not pursue a license also in the  
9 state of Kentucky. There will be -- whatever may happen in  
10 Indiana, groups including our own that are going to be  
11 supporting gaming in Kentucky, if gaming happens in Kentucky  
12 and if in fact it happens at Ellis Park, our contention is  
13 that it will be better for Evansville to have the same  
14 ownership, have a casino in Evansville and in Ellis Park  
15 because those two facilities can market together to support  
16 each other as opposed to compete with each other.

17 That's particularly the case in a possible  
18 situation where the Ellis Park facility might effect a  
19 land-based. So that's why we're not -- gambling has made it  
20 intentionally that it would be better for Evansville to have  
21 gaming in Kentucky, but that's a separate issue. We're  
22 saying if there is gaming, it would be better if there is  
23 cooperation in the ownership as unified between the two.

24 COMMISSIONER: Well, the revenue  
25 generated for the state of Indiana is obviously the 15

1 percent tax against that, which if there's a land-based  
2 casino in Ellis Park, the state of Indiana would not get.  
3 In addition, Evansville would not get that five percent.  
4 It's your group's important decision to say, if we get a  
5 license here we will not pursue land-based gaming at Ellis  
6 Park and we could in fact guarantee there would be no  
7 land-based gaming at Ellis Park as long as your partnership  
8 stays together for a period of five or ten years, but you've  
9 not chosen to take that path. Why not.

10 MR. SCHULTZ: Mr. Thar, your  
11 question suggests that -- that our group necessarily could  
12 control whether or not there is gaming, competitive gaming  
13 in Kentucky.

14 COMMISSIONER: I didn't say  
15 Kentucky, I said Ellis Park. Ellis Park is Kentucky. I  
16 understand that.

17 MR. SCHULTZ: Yes.

18 COMMISSIONER: Your group is the in  
19 the very position to say, we will not bring land-based  
20 gaming to Ellis Park, yet you have chosen not to take at  
21 that avenue. The question is, why not? From the state of  
22 Indiana's prospective, it's much better to not have gaming  
23 at Ellis Park, land-based casino at Ellis Park.

24 MR. PRITZKER: We will -- I can  
25 state for myself that we've been speaking for Ellis Park,

1 having confirmed this with Mr. Harrington as to whether to  
2 ask the other partners to agree with this, but we're willing  
3 to say and Ellis is willing to say that we will not in fact  
4 open a casino at Ellis Park for a five year period after  
5 this license is granted to us.

6 COMMISSIONER: Do I hear ten?

7 MR. CHAIRMAN: Do I hear any  
8 locations within a 50 mile radius of Evansville?

9 MR. SCHULTZ: Maybe what we can do  
10 is let -- let them get their management team together.

11 COMMISSIONER: Think about that and  
12 tell us tomorrow.

13 MR. SIMON: I agree with that.  
14 Okay. Would you -- would it be satisfactory -- would you  
15 like for us to make a written statement in regard to our  
16 competitive position and give that to you tomorrow?

17 MR. PRITZKER: We would expect a  
18 negotiating session, but we're perfectly willing to take  
19 this under advisement and give you a note on this tomorrow.

20 COMMISSIONER: Don't get me wrong,  
21 I'm not negotiating. I'm just asking you why you didn't  
22 pursue it before.

23 MR. PRITZKER: I understand.

24 COMMISSIONER: Your earlier  
25 position with regard to a hotel was that you were not going

1 to pursue one here unless four specific points, four  
2 specific conditions were met; is that correct?

3 MR. AZARK: That's correct.

4 COMMISSIONER: You did not then  
5 earlier pursue the purchase of the Executive Inn. You did  
6 pursue some other options with them; is that right?

7 MR. AZARK: We had some  
8 conversations with them about buying the Executive Inn,  
9 owning the Executive Inn, and conversations with them about  
10 renovating the Executive Inn. We'd had a series of all of  
11 these consultations over the last year.

12 COMMISSIONER: The times you were  
13 negotiating and participating in the city process consisted  
14 of you purchasing the Executive Inn, had it not; is that  
15 correct?

16 MR. AZARK: That's correct.

17 COMMISSIONER: At the time you were  
18 talking about possibly lending them money to operate your  
19 facility or general marketing agreements to help them run a  
20 facility in connection with your riverboat, but the purchase  
21 of the Executive Inn was not yet discussed by your  
22 organization; is that right?

23 MR. AZARK: That is correct.

24 COMMISSIONER: I'll save the rest  
25 for tomorrow.

1 MR. CHAIRMAN: We would be on time  
2 if you hadn't have had so many questions. Is that all of  
3 Evansville Landing?

4 COMMISSIONER: I'd like to -- when  
5 you come back tomorrow have the specs or whatever you have,  
6 as far as what number you got for renovations of the  
7 Executive Inn. If you could give those to Mr. Thar because  
8 I may like to see them.

9 MR. CHAIRMAN: Okay. I should  
10 thank you for your presentation because it's been most  
11 enlightening, but I don't because you have made our job very  
12 hard, whereas you made the mere selection committee's job  
13 apparently very easy. So we'll -- with that, we will move  
14 for a 15 minute recess, and we thank you all for coming.

15 (Thereupon, a break was taken;  
16 after which, the proceedings  
17 continued as follows:  
18 Continued in Volume II.)

19  
20  
21  
22  
23  
24  
25

INDIANA GAMING COMMISSION

February 1, 1995

Volume II

Vanderburgh County Auditorium

Locust and N.W. Martin Luther King Jr. Boulevard

Evansville, IN 47708

## I N D E X

<u>Speakers for Player's:</u>	<u>Vol. II</u>
Mr. Barnett. . . . .	234
Mr. Perskiee . . . . .	235
Mr. Brotherton . . . . .	238
Mr. Chester. . . . .	239
Mr. Brock. . . . .	246
Ms. Frary. . . . .	252
Mr. Rittvo . . . . .	254
Ms. Eckenberg. . . . .	258
Mr. Crowe. . . . .	260
Mr. Landers. . . . .	263
Mr. Mabrey . . . . .	264
Mr. Aker . . . . .	266
Mr. Barry Mabrey . . . . .	267
Mr. Fishman. . . . .	273
Mr. Griffin. . . . .	276
Mr. Alanock. . . . .	314
Question and Answer Session. . . . .	281

1 (Continued from Volume I.)

2 MR. CHAIRMAN: Come back to order.

3 We're here for the presentation by Player's. Let the record  
4 show that we have received a book full of material  
5 entitled, "Gaming Vessel Operational Area Analysis,  
6 Evansville, Indiana," and that will be made a part of the  
7 record of this proceeding. It's submitted and there is a  
8 summary and a red book which has been given to each of the  
9 Commissioners. If any of the Commissioners wishes to take a  
10 look at the original material now or -- raise your hand and  
11 I'll pass it to you. If you want to look it at later it  
12 will be available to you.

13 I guess we're starting about 4:22, which  
14 would be 5:22 -- about 25 minutes -- 20 minutes of six would  
15 be about your time frame. Twenty minutes of six will be  
16 your time frame, and if you'll proceed.

17 MR. BARNETT: Thank you, Mr.

18 Chairman. My name is John Barnett. I'm the Indianapolis  
19 attorney for Player's International. We're looking forward  
20 to our opportunity to make our presentation to you today,  
21 this evening actually, but before we do, I want it reiterate  
22 the contents of the documents which you mentioned. First of  
23 all what, will be referred to as the Player's red book, is  
24 an outline of our presentation and the summary of the risk  
25 assessment study and other studies that will be referenced

1 in our presentation. So it is a brief, if you will, of the  
2 presentation that follows.

3 The white book, copies of which can be made  
4 available to each of the Commissioners, is a risk assessment  
5 study completed for Player's by MV Marina Consultants, Inc.,  
6 and it is, as previously mentioned, a part of the record.  
7 Having taken care of those matters I would now like to  
8 introduce the vice president and general counsel of Player's  
9 International, Steven Perskiee, but as I do, you need to  
10 know his qualifications. He, prior to joining Player's in  
11 May of 1994, was the chairman of the New Jersey Gaming  
12 Commission. A position he held for four years. And in his  
13 career prior to that he was a member of the New Jersey  
14 General Assembly and was the author of the New Jersey Gaming  
15 Act. So he has experience at all levels. So to present the  
16 Player's presentation, Steven Perskiee.

17 MR. PERSKIEE: Thank you, John.  
18 Commissioners, good evening. I have I guess what could be  
19 called good news and bad news. The bad news is that in  
20 spite of a significant effort to revise our presentation  
21 today to avoid duplication, we've got a great deal to say  
22 and a good many people to say it, and we're probably going  
23 to talk very fast, so I apologize to you for that and hope  
24 that the time of day doesn't preclude your attention.

25 The good news is we're not amending anything.

1       We've got the same location we started out with. We've  
2       the same hotel that we started out with. We've got the same  
3       contributions to the municipality and the Welfare recipients  
4       of Evansville that we started out with. It was a good plan  
5       when we presented it to the city. It was a good plan when  
6       the city weeded us in its principal evaluation or primary  
7       evaluation, and it's a good plan today. And I'm going to  
8       start by giving you a very brief overview of what it is  
9       we're going to show you.

10               Essentially, there are five elements that we  
11       need to address your attention to today. First, we'll  
12       invite you to look at Player's background, our involvement  
13       with and our impact on the host communities in which we  
14       presently operate, and those of course are Metropolis,  
15       Illinois and Lake Charles, Louisiana. And there will be  
16       something about our interaction with the community, with the  
17       business people there, and with the residents of those  
18       cities.

19               Then we're going to address your attention to  
20       the elements of our specific proposal here, and I'll address  
21       those more in a few minute, but you're going to hear  
22       something about our your site selection, our design of the  
23       boat and get some revenues in terms of how that interacts  
24       with the community and why we made some of the decisions  
25       that we made. Third, you're going to hear us focus a bit on

1 our community commitments, our historic record where we  
2 presently operate with respect to hiring, with respect to  
3 activity in the community, with respect to purchasing, and  
4 our commitments that we have made and will continue to make  
5 to the people in the institutions of Evansville as well as  
6 for the state of Indiana.

7           Forth, we're going to address briefly some  
8 financial questions. Frankly, what some of our people have  
9 told has already been to told you, and we're going to try  
10 not to duplicate that, but we think you need to know  
11 something about who we are from a financial point of view to  
12 make sure you're as confident as we think you should be with  
13 respect to both, to our abilities, our capacity to finance  
14 and to operate this facility. And lastly, we're going to  
15 tell you something that we think makes us a little special  
16 in terms giving our history and also our present capacity as  
17 to market and to promote this facility and to make riverboat  
18 a gaming in Evansville, the excitement and the entertainment  
19 center for this part of the state and this part of the  
20 region, and that we believe that the legislature had in mind  
21 that when it authorized the riverboat gaming to begin with.  
22 We have a background.

23           I'm going to turn first to a video  
24 presentation that we have prepared for a few minutes,  
25 because it was impossible to bring some of the people from

1 Illinois and Louisiana here to speak with you in person.  
2 Commissioners, we came to Evansville a couple of years ago.  
3 We're a potential developer here, and as such we have our  
4 sites. We chose Dress Plaza, or the site adjacent to Dress  
5 Plaza for a number of reasons, many of which you're going to  
6 hear about in a few minutes. But one of the reasons is  
7 incorporated in our red book, and Mr. Perskiee made  
8 reference to it a little earlier today and reported it from  
9 former Commissioner Ridenhower with respect to the  
10 conversion process.

11 But as you'll see as we go through, well,  
12 particularly with our next presentation, that there are some  
13 significant issues in respect to the location of this  
14 property. I would -- and I would invite you to deal with  
15 this in the question period. I would represent to you that  
16 Player's is the only applicant that will be able effectively  
17 to develop a site at Dress Plaza. In order to present the  
18 elements of our proposal and to describe some of the  
19 location issues, I will introduce John Brotherton, who is  
20 our senior vice president for Construction and Development.  
21 John is personally responsible for bringing both of our  
22 existing projects that you've just seen on video in, on  
23 time, and within budget. John.

24 MR. BROTHERTON: Our beautiful and  
25 outstanding project took many months to develop. Robert

1 Chester, owner of Chester Construction Company for more than  
2 17 years, helped us develop the project. Chester  
3 Construction Company is the only minority certified general  
4 contracting company in southwest Indiana. Robert, why don't  
5 you come on up. Currently, Robert served on a governor  
6 advised commission on the minority business development.  
7 He's member of the Associated General Contractors of  
8 America. He is a member of Mayor Frank MacDonald's Job  
9 Counsel, minority input committee chairperson of the  
10 Tri-State Minority Supply Development Council as well as the  
11 vice chairperson for Executive Board of the Tri-State  
12 Minority Supply Development Council. Robert.

13 MR. CHESTER: Thank you, John.  
14 Chester Construction Corporation is very excited about  
15 dealing with this project. This hotel is actually anchored  
16 at the end of Main Street. The interior lobby is the same  
17 high quality you would see at the Western Hotel in  
18 Indianapolis. This hotel consists of 250 rooms, 1,200  
19 parking spaces. The garage is actually incorporated within  
20 the building. The hotel design compliments the existing  
21 buildings downtown. The hotel and both are connected by a  
22 enclosed sky walk. The sky walk will protect the passengers  
23 from the weather and traffic.

24 MR. BROTHERTON: Thank you,  
25 Robert. As Robert said, our hotel is located at the foot of

1 Main Street, with the Victory Theater at the other end for  
2 true economic development along the walkway for the  
3 merchants. John brother to know. ATTV is the leading  
4 architect for the project. They've designed this project  
5 from the Western Hotel in Indianapolis, in mind of one of  
6 the other projects that they have worked on. But we have  
7 another quality level, and that's the level of quality of  
8 Mr. Merv Griffin and in his other operations, such as the  
9 Beverly Hilton Hotel in Beverly Hills, California.

10 Now, the gaming vessel, which carries 2,000  
11 passengers which also has a lounge and restaurant on the top  
12 deck, is designed and ready to begin construction. It is  
13 similar to the hotel and vessel that currently operates  
14 now. If you refer to your red book, you'll see we've  
15 recently signed a contract with Wynard Shipyard, about an  
16 hour away from here and with which we've agreed to use  
17 Evansville vendors to finish out the vessel for true  
18 economic development.

19 But the reason that we're at the foot of Main  
20 Street. This is a copy of the city's master plan. It was  
21 in effect from 1984 to just a few months ago. And as you  
22 can see, they want a development for our hotel at the foot  
23 of Main Street, and they even went so far as to put a  
24 riverboat ride on this bay long before gaming ever came to  
25 this state. But if you look at the sites that are available

1 or were available when we came, we immediately secured the  
2 site for the Player's hotel downtown. We looked at the  
3 Riverfront Park property, but rejected it for many reasons.  
4 But we immediately secured the Inland Marina because the  
5 Inland Marina, in the past, has had an excursion vessel  
6 permit. It's also very, very safe to operate from. This is  
7 very important because we intend to operate our boat in less  
8 than six months.

9 Now, another reason that the Inland Marina is  
10 so important is the fact that the industry has stated over  
11 and over again they will never ever allow a vessel to moor  
12 outside of the bank on the Evansville riverfront  
13 temporarily. That's what makes the Inland Marina so  
14 valuable. We have a chief witness for the state of Indiana  
15 as faced against Kentucky, prepare a report on the  
16 boundary. That's in your red book submission. And he  
17 looked at the Inland Marina and said that that site would be  
18 a perfect site for cruising. He looked at our site downtown  
19 and also said that site would be perfect for cruising, but  
20 warned that the Riverfront Park side would probably be best  
21 suited for dock side operations.

22 Now, if you look at the Player's vessel being  
23 only 225 feet long, can head to the dock and turn around  
24 with plenty of the room without going over in the Kentucky  
25 area. It can also turn around downstream providing a

1 cruise, and it's the only vessel that can pass the  
2 waterworks being only 60 feet wide, and it also can the  
3 marina. This report, in it's entirety is in your red book  
4 submission. There's real property. Mr. Perskiee, who is in  
5 the audience can answer questions.

6 Now, I spent a lot of time with the Corp of  
7 Engineers, and I secured the application for Riverfront Park  
8 by Aztar. And you see the fact that the current goes down  
9 river by the white arrows, you see that they have to go full  
10 speed ahead, and this is with all the current, without going  
11 into the multiple stone area, and then go forward with less  
12 room to navigate. Just watch, just watch. They told you  
13 they had a very big boat. A 320 foot long boat cannot turn  
14 around and stay in the state of Indiana.

15 At it's widest point it's 260 feet wide.  
16 This means that any location on the river in the Evansville  
17 area the Aztar vessel must trespass 50 feet in the state of  
18 Kentucky to turn around, which means they have to reverse to  
19 get back in the dock every time, as well as Goldstrike. So  
20 they have to reverse with the current, overcome the current,  
21 put the engine in full speed ahead without going in the  
22 multiple stone area and park on the dock. This is very  
23 similar to trying to parallel park when the pavement is  
24 moving five to six miles an hour. They're temporary site is  
25 even worse.

1                   Now, in a board dispute, Aztar's says it is  
2 of no concern to them. It is to us because we operate  
3 Metropolis. We've had to deal with Kentucky. That's why  
4 our boat is only 225 feet long. But they first had stated  
5 that they were the first to keep the boat docked. The  
6 border issue becomes a problem. They further stated if the  
7 public wanted to go on boat rides, we'd have a lot more  
8 boats on the river now. This is the problem which we've had  
9 to deal with in Louisiana, a similar problem. And as you  
10 see by this article here, the Player's riverboat at Lake  
11 Charles has continued to cruise. All the other riverboats  
12 in Louisiana have remained dockside. Player's has  
13 complained that the excuses for not settling have be largely  
14 engineered. Another point I'll talk about in a little bit.

15                   Their kind of riverboats cause a potential  
16 liability in the event of catastrophe. This has become so  
17 bad in Louisiana that one casino has shut down several times  
18 over the issue. The Showboat Star Casino shut down after  
19 running that the VA planed to charge operators with illegal  
20 dockside gambling. They are staying at the dock to produce  
21 the revenues because they have not met the projections to a  
22 capital investment. The Star that closed in 1993 has barely  
23 ever left the dock.

24                   Now, I looked at Goldstrike's DNR permit and  
25 permanent application, and if they were to ever contraband

1 behind our boat, heavy siltation and the configuration of  
2 the dock with the boundary line makes this site probably a  
3 non-cruising site as well. Now, to boat liability issue.  
4 In your red book you'll see a study by Louis Rosenfinger's  
5 Firm. They cited several cases for us in looking at the  
6 sites, and what they told us is that there's two sites  
7 available as an operator, and if we chose the one that was  
8 less safe, we're more liable. They also told us do not go  
9 to Riverfront Park site for liability, but they also said  
10 that if the city controls two sites like downtown and they  
11 chose to let an operator go to a site that was less safe,  
12 they may also be liable. They cited two Indiana cases.

13 We also have the largest insurance broker in  
14 the riverboat industry look at the Riverfront Park site.  
15 And what they told us was, the rating on this risk, the  
16 place of this facility will have to fare a surplus charge  
17 for taking this risk. Both of those reports are in your red  
18 book to refer to also. Now, if you look at the way the  
19 Player's dock is configured, parallel to the current which  
20 will be coming down the screen again, you see that the  
21 vessel is protected in case a barge breaks away or a tow  
22 loses power and drifts ashore.

23 And you see the graphics in the picture of  
24 the barge tow, and you see that the passengers and the boat  
25 is protected in case of a loss of power. But if you look at

1 the Corp application of the Aztar vessel, only the front of  
2 vessel is protected, which means boat's broadside of the  
3 vessel is exposed for obvious results. Now, these aren't  
4 isolated incidents. Problems like this happen on the river  
5 all the time. The fact of the matter is, as the Mayor said,  
6 a week ago today that nine barges broke loose and hit the  
7 shore. They were reported because they couldn't leave the  
8 site.

9 But this brings me back to my central point,  
10 the reason we're at the foot of Main Street. This is the  
11 city's old master plan. This was in place when we came to  
12 town. It was very good plan, and it's a very good plan  
13 now. Thank you.

14 MR. PERSKIEE: Thank you, John. We  
15 believe questions of safety are so important that because --  
16 and we're are not saying Aztar -- that they haven't  
17 adequately addressed -- we have elected to spend even more  
18 time to deal with those questions here. We have already  
19 submitted to you and you have received a risk analysis.  
20 This is the same document, and we had it prepared in  
21 advance, this is the same document that the was called for a  
22 couple of days ago, a couple of weeks ago in -- in  
23 consideration of sites for the Evansville boat.

24 In addition, months ago, we -- when we  
25 commissioned this risk analysis we reached out for Daniel

1 Brock to do that for us, and when we did so, we asked him to  
2 review not simply the Dress Plaza site, but all public  
3 potential sites here, the Inland Marina site, where we will  
4 open hopefully a temporary facility, the Dress Plaza site as  
5 well as Riverfront Park. I should indicate that by the way,  
6 that our plan is, and I know it's in your original  
7 application, that if approved with the certificate now that  
8 we will be able to open temporarily at Inland Marina by  
9 September and be in operation at that time. Daniel Brock  
10 was the principal and president of the MV Marina Consultants  
11 Center. Now, that is a business in which he provides risk  
12 analyses in cases like this all over the country, but more  
13 particularly and more importantly for our purposes. Dan  
14 Brock has nearly 20 years experience as a barge captain  
15 pushing barges through this Evansville bend. He knows every  
16 inch of that order and every piece of the current and is --  
17 has prepared this report for your identification.

18 MR. BROCK: Thank you, Steve. Good  
19 afternoon. In August of 1994, MV Marina Consultants with  
20 expertise in navigational safety issues was requested by  
21 Player's International to conduct an area risk analysis  
22 focusing on the various safety aspects of the gaming vessel  
23 operated on the Ohio river at Evansville. The video that he  
24 presented is a supporting document for that analysis, and it  
25 identifies downbound commercial vessel alignment above and

1 passing each of the proposed sites. Several graphics were  
2 presented to further highlight important points.

3 Downbound vessel alignments were chosen to  
4 both vessels proceeding with the flow of the current plus  
5 maintaining certain position in the river and perform  
6 precise navigational maneuvers at specific times to safely  
7 navigate through Evansville bend, one of several critical  
8 areas in the Ohio river. The graphic identifies each of the  
9 three proposed sites. They are Inland Marina, Dress Plaza,  
10 and Riverfront Park. The Inland Marina site is located  
11 about 791.5.

12 The camera is positioned three-tenths of a  
13 mile downstream from the site, viewing upstream. The  
14 commercial vessel approaches the site on the parallel course  
15 with the Indiana shore and must navigate within the channel  
16 marked by red and green buoys. Passing the site, the vessel  
17 begins navigational maneuvers positioning for the upper  
18 approach to Evansville bend. Approximately 900 feet remains  
19 between the tow and the Indiana shore, providing sufficient  
20 area for a gaming vessel to operate compatibly with  
21 commercial navigation.

22 The Dress Plaza site is located at mile  
23 792.3. The camera is positioned directly atop the proposed  
24 site, viewing upstream. The downbound vessel is now  
25 approaching one of several critical points in the navigation

1 of Evansville bend. The arrow identifies a key channel  
2 marker. No, it's a turning buoy. The buoy is critical in  
3 the boat's navigational course change to correctly align the  
4 tow, to pass Dress Plaza, and prepare the tow for the next  
5 critical area of Evansville bend directly adjacent to the  
6 Riverfront Park site.

7 Traditionally, you will note the distance  
8 between the tow and the channel markers. The same bar  
9 marked on the buoys historically approaches into the  
10 navigation channel. The vessel demonstrates a healthy  
11 respect for the occurrence by allowing sufficient distance  
12 between the tow and the buoys. As the pilot maneuvers the  
13 tow to achieve direct alignment, a sliding effect occurs.  
14 This means the tow is not only moving parallel with the  
15 current, but transversely also; in other words, sideways.  
16 The arrow on the right side of the tow indicates this  
17 effect.

18 The graphic depicts the dynamic effects of  
19 the river upstream of the Dress Plaza site. Boat arrow is  
20 now placed on the shore in a stationary position to to  
21 further demonstrate how, as the pilot maneuvers the tow, it  
22 continues to move sideways through the water. The sliding  
23 effect is a controlled maneuver by the pilot and does not  
24 compromise navigational safety. When correct alignment is  
25 achieved, the pilot will apply full power and overcome the

1       sideways motion. Why is the possible encroachment of a  
2       sandbar into the channel and the tow handling dynamics  
3       important in the operation of a gaming vessel?

4                 The channel wedge is between mile 793 and  
5       792. It is approximately 800 feet wide. Due to these two  
6       factors and the precise navigational maneuvers that must be  
7       employed, the usable channel width is significantly reduced  
8       by as much as one half, and as a result, Evansville bend is  
9       considered a one way traffic area, meaning vessels cannot  
10      meet or pass in the area safely. A gaming vessel operating  
11      from Dress Plaza would be required to remain moored, but it  
12      didn't. A vessel passes, and then travels approximately  
13      three-tenths of a mile upstream before entering an area  
14      where it can navigate safely with other commercial traffic  
15      in the vicinity as demonstrated in the Inland Marina  
16      segment.

17                The vessel pilot is continuously aligning the  
18      tow for the next critical navigational maneuver above the  
19      Riverfront Park site. Again, note the distance between the  
20      tow and the buoys. You will notice as the vessel passes  
21      Dress Plaza, minimal wave action is created. In fact, you  
22      will see a recreational craft create more wave action than  
23      the passing tow. Both items in the area are parallel with  
24      the shore and tend to dissipate the disturbed water or carry  
25      it past the site before the impacts to the shoreline. The

1 commercial vessel pilot is now applying full power and has  
2 aligned the boat to pass parallel with the Indiana shore at  
3 an approximate distance of 400 feet away from the Dress  
4 Plaza site.

5 The tow and vessel in this scene is  
6 approximately one quarter mile long and contains  
7 approximately 22,000 tons of product. The Riverfront Park  
8 site is located on mile 792.6. The camera is positioned  
9 directly atop to the proposed site, viewing upstream. Of  
10 the three sites analyzed, Riverfront Park presents the  
11 highest degree of concern because of navigational safety  
12 issues, downbound vessel approach alignment, current flow  
13 patterns and location. The public access area immediate  
14 upstream from this site is used by area residents to launch  
15 a significant portion of the 3,000 recreational crafts  
16 registered in the area. The pleasure craft itself presents  
17 minimal risks to the gaming vessels, but the potential for  
18 such a craft to become a contributor to an incident is  
19 present.

20 If a craft loses power or becomes disabled in  
21 front of a commercial tow, as the jet ski you see  
22 highlighted in the circle, and not be able to recover, the  
23 vessel pilot must now employ emergency maneuvers to avoid  
24 a serious incident. Approximately three quarters of a mile  
25 would be required to stop this tow, and coupled with current

1 flow patterns in this area and because of the near head on  
2 tow alignment with this site, the is vessel and tow may be  
3 carried into the shore at or near the site with serious  
4 results.

5                   If a barge break away were to occur upstream,  
6 as did recently, current flow patterns may carry the  
7 drifting barges directly into the site. Wave and wake  
8 action from passing vessels impacts the shoreline directly  
9 in the area. The gaming vessel must remain moored, but it  
10 didn't. The vessel passes, travels three quarters of a mile  
11 upstream, twice the distance as a vessel operating from  
12 Dress Plaza before entering an area where it can safely  
13 operate for the commercial traffic in the area. On an  
14 annual average, 19.4 vessels per day transit the Evansville  
15 area, given the significant commercial traffic activity,  
16 site location and the distance the gaming vessel must travel  
17 upstream to operate competitively with commercial vessels.  
18 Navigation delays may occur to both the gaming vessel and  
19 commercial traffic, possibly sparking controversy.

20                   In conclusion, as a result, we have  
21 recommended to Player's International that they should not  
22 pursue development of the Riverfront Park site. Dress  
23 Plaza, if approached with operating policies and procedures  
24 that address navigational safety, is a feasible project.  
25 The Inland Marina site presents the least concern from a

1 navigational safety prospective of the three sites  
2 analyzed. Members of the Commission, thank you for your  
3 time.

4 MR. PERSKIEE: My name is Steven  
5 Perskiee, vice president and general counsel for Player's.  
6 Briefly, I want to turn now to the third element of the  
7 presentation that I described at the outset, in which time,  
8 we wish to discuss how our proposal and our company are  
9 designed and intend to interact with the community and it's  
10 people and it's interests. We start with a focus on our  
11 relationship with the business community. We asked Lori  
12 Frary, who recently joined the staff of the Chester  
13 Development Corporation as it's community development  
14 coordinator to present this section, and Lori was  
15 responsible for assisting downtown Evansville businesses and  
16 the neighborhood associations.

17 MS. FRARY: Thank you, Steve. My  
18 name is Lori Frary. For the past five years, I have been  
19 actively involved in downtown revitalization as a business  
20 woman, property owner and developer, and the first resident  
21 on Main Street. When the oportunity presented itself to  
22 serve as deputy campaign manager on the upside of the  
23 referendum, I jumped at the chance because the issues that  
24 most compelled the people of Vanderburgh County to vote yes  
25 were jobs, economic development and the revitalization of

1 downtown. Since revitalization has been the focus, it's  
2 been the cost, a lot of you want to see the license go to  
3 the one company that can do the most. All of the applicants  
4 before us will bring hundreds of jobs and millions of  
5 dollars in economic development; however, that's where the  
6 comparison ends.

7 Player's location at the foot of Main Street  
8 will surely provide the lengthy redeveloping in the four  
9 business districts; after that, the conscious effort not to  
10 overbuild and pull business away from Main Street. Player's  
11 clearly has the plan to pull downtown Evansville out of the  
12 moth balls. What has happened at their other locations? In  
13 Evansville, Player's was the first to arrive and the first  
14 to reach out to the business community. The city is  
15 committed to downtown revitalization with 20 years of  
16 planning and spending.

17 By virtue of locating, their merchants and  
18 residents have committed part of their lives. Player's has  
19 committed to assisting both. Because of that dedication,  
20 the merchants and residents have committed to Player's. But  
21 don't just take my word for it, please listen to a sample of  
22 downtown business people have to say about Player's.  
23 Player's found the support by the merchants and residents  
24 downtown. I enter this petition as proof positive. Thank  
25 you very much.

1 MR. PERSKIEE: Thank you, Lori.  
2 Beyond the, I guess you would call lay opinion of the  
3 merchants of Main Street, Player's has reached for some  
4 professional analysis with respect to precisely that same  
5 question, and we asked Steven Rittvo, our assistant, to  
6 examine the situation and to give us and you an evaluation  
7 of the impact of our proposal and the other proposals with  
8 respect to Main Street development. Steve's report, again,  
9 is in your red book, and I hope that you refer to it. In  
10 the meantime, he and I will review in a discussion some of  
11 the highlights of that report. Steven why don't start.  
12 Several references are ready to the concept of anchors. Why  
13 don't you start by explaining to the Commission your concept  
14 of that.

15 MR. RITTVO: Thank you Steve. My  
16 name is Steven Rittvo, and I am president of Urban  
17 Assistance. Again, Steve, in sort of response to your  
18 question, anchors are the major projects that you want to  
19 have downtown to attract people. The intent is to have  
20 anchors at both ends of your development and you use the  
21 attractiveness to in fact bring people somewhere to help  
22 develop an inflow of activities.

23 MR. PERSKIEE: Why does having two  
24 anchors at either end help to develop the inflow of  
25 activities?

1 MR. RITTVO: Well, you need things  
2 that bring people, and what you're really looking for is  
3 communication between those two anchors.

4 MR. PERSKIEE: What kind of  
5 communication?

6 MR. RITTVO: Well, predominantly  
7 pedestrian activity. What we're really looking for are  
8 anchors that are, generally not more than a quarter of a  
9 mile or three-eighths of a mile apart.

10 MR. PERSKIEE: Why?

11 MR. RITTVO: Why? Basically  
12 because we've shown that pedestrians don't walk longer than  
13 that distance. The other landings, which is -- which I  
14 guess is the major research on the real estate developments  
15 in the community, given a number of studies, and they show  
16 is that that's really the maximum length that they'll walk  
17 between activities. It's also sort of an overwritten  
18 criteria in the design of shopping centers. It's very rare  
19 that you see the anchors separated by more than a quarter of  
20 a mile a piece.

21 MR. PERSKIEE: Well, then why does  
22 it make a lot of difference if a -- one anchor is located at  
23 Dress Plaza or it's located at Riverfront Park?

24 MR. RITTVO: Well, truly,  
25 Riverfront Park, while it might be a very short distance to

1 the foot of Main Street, when you look at the counterbalance  
2 in the anchor of Victory Theater, it really is exceedingly  
3 far away. It probably pushes almost three quarters of a  
4 mile. That's too far for people to walk in the weather, in  
5 the hot weather, in the cold weather, and the wind and the  
6 rain, and also you have a problem where you need site  
7 distance to have that sort of interaction. People don't go  
8 where they can't see. And really what you have is a hole in  
9 the middle of -- at the foot of Main Street right now.

10 Other than locations, an important aspect is  
11 the Player's application that you've reviewed in this  
12 pamphlet. Again, I think some of the merchants discovered  
13 that it's the way Player's has addressed the development  
14 project. What they've really attempted to do is rely upon  
15 the existing merchants, the restaurants, the retail  
16 establishments on Main Street to fulfill some of their  
17 activities. They have a much lower development program in  
18 the sense of retail activities on site in the sense of  
19 restaurant facilities on site. I think if you look at it,  
20 the \$20 million difference that I saw on accountable costs  
21 in the Aztar project really relates to the creation of their  
22 sort of self-contained type of project.

23 MR. PERSKIEE: What will the result  
24 be from Player's decision to -- to limit that type of  
25 development?

1 MR. RITTVO: Well, I think if we  
2 look at it, and we're anticipating about 4.4 visitors a year  
3 from the riverboat complex, if half of those, 700,000 spend  
4 \$10 off site, \$10 is pretty much the dollar level that we  
5 expect, we're looking at about \$7 million of retail sales  
6 that come in this community as opposed to be spent in  
7 somebody else's terminal pavilion. That \$7 million probably  
8 translates to a demand of 20,000 square feet for additional  
9 restaurants and additional retail activities, more than  
10 enough to fill all the vacancies on Main Street that they  
11 have plus the development -- redevelop the other areas of  
12 downtown.

13 MR. PERSKIEE: Thank you.  
14 Commissioners, Player's has an operating history, but we are  
15 forced into a position to make the representations about  
16 what we will do with regard to hiring and what we will do  
17 with respect to purchasing in the community, what we will do  
18 with regard to obligation to purchase from minority and  
19 women businesses, and while all of those are critically  
20 important, what frankly we believe is more important is what  
21 we have done, and we're very proud of what we have done in  
22 respect to all of those areas, and we've asked Barbara  
23 Eckenberg, who is our director of Human Resources at our  
24 Metropolis, Illinois project, to come and to give you the  
25 data with respect to both our hiring and our purchasing

1 policies in both of our existing operations. Barbara.

2 MS. ECKENBERG: Thank you, Steve.

3 Good afternoon, Commission members. I am Barbara Eckenberg,  
4 and I am the director of Human Resources in Metropolis.

5 Many of you have asked each applicant today what they can do  
6 for the community of Evansville in respect to minorities and  
7 females. Well, I've been asked to present a somewhat short  
8 but important part of Player's philosophy but an important  
9 regarding this subject. The input of local residents has  
10 been a major goal at each of our properties.

11 We have successfully accomplished that goal  
12 by employing 95 percent local residents in Metropolis and 98  
13 percent in Lake Charles. But in addition to fulfilling our  
14 commitment of hiring local residents, we have also stayed  
15 consistent in our hiring of minorities. In Metropolis, we  
16 exceeded the overall expected percentages of work minorities  
17 by two percent, and in Lake Charles, by 5 percent.

18 Combining both operations, Player's employs over 26 percent  
19 minorities. Player's employs a majority of women as well  
20 with percentages of 52 percent in Metropolis and 54 percent  
21 in Lake Charles. Again these numbers represent a higher  
22 percentage than were reported by each county during the last  
23 census.

24 All of Player's operations have demonstrated  
25 our ongoing commitment to be an equal opportunity employer,

1 offering promotional advancements in all job classifications  
2 including management. Player's currently employs more than  
3 20 percent minority in supervisory and management positions,  
4 and we can continue to work with minority committee  
5 organizations to increase our recruitment within both  
6 communities.

7           The next issue I'd like to present is our  
8 commitment to minority- and female-owned businesses. Within  
9 the last reported quarter of '94, Metropolis purchased 14  
10 percent of total dollars spent from minority- and  
11 female-owned businesses. In Lake Charles, we purchased 28  
12 percent of total dollars spent with minority-, female-owned  
13 businesses. And during our most recent quarter alone, our  
14 combined properties paid more than \$4.7 million to local  
15 businesses in Louisiana and Illinois, greatly increasing the  
16 economic development throughout both states.

17           As I've presented these facts and figures to  
18 you today, I will ask that you consider the solid history of  
19 Player's corporate philosophy towards women- and  
20 minority-owned businesses as well as equal opportunity  
21 employment. I can assure you that Player's will continue  
22 this philosophy in Evansville as we have in our other  
23 locations, providing opportunities to all people interested  
24 in pursuing a vendor relationship or seeking employment  
25 within the Player's organization. Thank you for your time.

1 MR. PRESKIEE: Thank you, Barbara.  
2 Player's technique, if you will, or style when it comes to a  
3 community is to seek out local interests and local people  
4 and talk to them first before we develop a plan in any  
5 respect for that community. That attains as well with  
6 respect to our relationship with the business community,  
7 with the minority community, with the kinds of commitments  
8 we wish to make to the people and the institutions of -- of  
9 the city. In Evansville, we found Wayne Crowe of AIM  
10 Management who -- Wayne founded that company with a goal of  
11 assisting Evansville minority businesses with their  
12 marketing opportunities and to produce publications about  
13 minority business needs. Wayne and his staff have been very  
14 helpful in working with us to shape a series of initiatives  
15 that we have offered to the city and that are included in  
16 the original applications that you have. Wayne.

17 MR. CROWE: I'm not just here as a  
18 paid consultant to assess needs of the intercity  
19 neighborhood, but I'm here as proof of Player's minority  
20 plan. As a member of a group, who along with Player's, have  
21 taken on the mutual responsibility to plan an initiative to  
22 provide opportunity for the fourth and sixth wards that are  
23 not based on Welfare. When we looked at both Player's  
24 locations and talked to the minority vendors that Player's  
25 had already heard, we were then asked by Player's to present

1 the practical additions of assistance this community needs.

2 Let me tell you, Commissioner Vowels,  
3 Player's shared our vision. And invest -- in Evansville  
4 Player's begun by hiring the minority consultants, listening  
5 to minority leaders, and investing in minority  
6 organizations. It took a combination of our community seal  
7 and Player's corporate seal to develop a process that can  
8 diminish the 90 percent attrition rate, a substantive  
9 increase to numbers of Evansville minority businesses. In  
10 the past as minority businesses, we've had no reason to  
11 celebrate.

12 Tri-State companies have maintained they  
13 would use their best efforts and utilize the MEBs and WEBs.  
14 There was one problem. These efforts do not work. But by  
15 treating minorities not merely as a goal, Player's doesn't  
16 merely claim to meet Indiana statutory goals. They would  
17 exceed them by 50 percent. Player's would do disciplinary  
18 minority development programs which has proven very  
19 successful in both of their other locations. But there is a  
20 larger obstacle.

21 Because of the inability of Evansville  
22 minority to gain financing for our ventures, Player's is  
23 committed beyond any requirement to the establishment of a  
24 minority enterprise small business investment corporation,  
25 and to raise and exceed money which requires that for the

1 SPA fund. Player's plan is the only plan that could mean a  
2 direct investment of 12 to \$25 million into our community.  
3 This is just one of major financial tools that Player's will  
4 use to revitalize the fourth and sixth wards.

5 We have also showed Player's that the  
6 positive funds of local banks can help establish a link  
7 deposit program. As you can see by the Citizens National  
8 Bank letter furnished to you in the red book, link deposits  
9 will enhance the types and terms of loans made by banks to  
10 minority business. It is equally important to point out  
11 that Player's has provided for the establishment of a  
12 revolving loan fund of \$1 million to provide credit  
13 enhancements to any new or existing small business. We are  
14 aware that most small businesses struggle with the time it  
15 takes to receive payments. Player's quick pay program can  
16 pay small businesses within 10 to 15 days or pay a portion  
17 of the invoice up front.

18 We did not forget about Player's employees  
19 because many employees will require day care services during  
20 times when most day care centers are closed, Player's will  
21 assist in setting up additional day care businesses and  
22 Player's office of cooperative van service to transport  
23 those employees who might not own personal vehicles to and  
24 from work and their children to and from day care, and a  
25 Player's loan fund to assist employees in purchasing their

1 own vehicles.

2           The last commitment provides for brighter  
3 futures for disadvantaged Evansville youths with the  
4 establishment of the Dr. Charles E. Shaw scholarship fund  
5 with an annual contribution of \$100,000. Player's has  
6 accepted our proposals to assist the Evansville minority  
7 community with forward planning solutions, not the Welfare  
8 type program. These commitments will be administered by the  
9 Player's minority advancement board whose members come from  
10 our most deserted neighborhoods. At this time, I would like  
11 to introduce Jim Landers, the only black executive city  
12 official, a member of the Mayor's Riverboat Selection  
13 Committee, and the only minority board member of the Center  
14 City Corporation.

15           MR. LANDERS: To the Commissioners,  
16 and thank you Mr. Crow for that introductions, I'd simply  
17 like to say that the first contact the first and only  
18 contact I've had by one of the candidates or any of the  
19 candidates before us for this licensing was by Player's. In  
20 that discussion, my concern was, what would be the attitude  
21 toward the hiring and training of minorities, and  
22 particularly those persons at that would be within the  
23 fourth and sixth wards? Arrangements were made and I met  
24 with them and the problem was that if they would just  
25 initiate and carry out a program of projects that would

1 train and recruit from the minority groups. They have done  
2 that. You have evidence here today from Wayne Crowe and Bob  
3 Chester who are both consultants for them and who have a  
4 program by which they are recruiting already and arranging  
5 for day care services in both these wards and also are  
6 trying to develop the transportation system which will  
7 provide for the -- transporting for children from -- to and  
8 from day care, also some respective employees to and from  
9 work.

10 On the basis of my association with Player's  
11 and the programs that have been outlined, I would highly  
12 recommend them as the person to whom to this license would  
13 be issued. Thank you.

14 MR. PERSKIEE: Thank you very much,  
15 Wayne. Councilman, commissioners, we know where we are  
16 according to time later in the proceedings to have  
17 endorsements, if you will. We also understand that if we  
18 choose, we have the right to do so now. Because the next  
19 two presentations are about people and because this part of  
20 our presentation is about people, we have agreed the request  
21 of two individuals to speak today. First, I'd like to ask  
22 Roy Mabrey of the Central Labor Council to come forward.

23 MR. MABREY: Thank you.  
24 Commissioners, I am Roy Mabrey, president of the Central  
25 Labor Council here in southwestern Indiana. It amazes me

1     how many special interests groups that came out of the  
2     woodwork after the passage of the riverboat gaming  
3     referendum. But I have reservations about the motives of  
4     some of these individuals and the organizations they  
5     represent. But as a labor representative of southern  
6     Indiana and a resident of the city, I also have a special  
7     interest in the selection of an operator for the gaming boat  
8     in southern Indiana. That interest is the welfare and  
9     well-being of the Hoosiers that will be employed in this new  
10    industry.

11                 Long before the referendum was passed in this  
12    county, we at Organized Labor were called all over the  
13    country trying to find out which of the companies applying  
14    for the license in Evansville treated their employees with  
15    the dignity, the respect, working conditions and fair wage  
16    package just that we expect in southern Indiana. During  
17    this process we found that some of these companies that came  
18    into the community were telling us -- told lies, others  
19    wouldn't even respond to our questions about the well-being  
20    of their employees.

21                 Player's riverboat casinos, on the other  
22    hand, encouraged us to check out the promises and the  
23    commitments that they have made in other communities, and we  
24    found that these commitments have been lived up to. In  
25    conclusion and after months of investigation on my part and

1 recommendations from other reputables, labor leaders across  
2 this country, Player's riverboat casino seems to be one of  
3 the best choices for the license in Vanderburgh County.

4 Thank you very much.

5 MR. PERSKIEE: Mark Aker of the  
6 Veterans Council of Vanderburgh County. Mr. Aker.

7 MR. AKER: Good evening, board  
8 members. My name is Mark Aker. I'm a board member and one  
9 of 12 of the Veterans Council of Vanderburgh County, Inc. I  
10 am here this evening to hopefully give you some shed light  
11 on -- on our feelings. I would like to make a presentation  
12 on behalf of the Veterans Council of Vanderburgh County,  
13 Inc., with over 15 flag organizations representing nearly  
14 25,000 veteran members and their families, which would  
15 exceed over 50,000. The Veterans Council not only supports  
16 but embraces Player's International for their proposal, the  
17 solid anchor, the Main Street walkway and the beginning of a  
18 prosperous future for downtown Evansville.

19 We support Player's not because they asked  
20 for our support, but they asked us for ideas of how they  
21 could best serve the interests of the veteran community and  
22 Evansville. We support Player's because they listened to  
23 our concerns and responded with responsible programs and  
24 proposals. We embrace Player's because they have shown  
25 themselves as integrity, because they have honored their

1 work and fulfilled their commitments. In conclusion,  
2 Veterans Council of Vanderburgh County, Inc., feels that  
3 Player's International is economy guided by the same values  
4 that we hold sacred and values we fought to preserve for  
5 which our brothers have died. We feel that Player's is the  
6 right choice. Thank you.

7 MR. PRESKIEE: Thank you very much,  
8 Mark. I want to turn now, Commissioners, to the fourth  
9 element of the presentation as I outlined at the beginning.  
10 We had asked Earnest and Young to help us present that story  
11 to you. Barry has over 22 years experience with Earnest and  
12 Young, specializing in accounting and financial analysis.  
13 In recent years, he has been responsible for the analysis  
14 and gaming venues in new jurisdictions, specializing in the  
15 identification and accounting and financial issues which  
16 effect the key elements of success for new gaming venues.  
17 Barry.

18 MR. BARRY MABREY: Mr. Chairman,  
19 commission members, my name is Barry Mabrey, and I'm a  
20 partner with Earnest and Young, which is one of the largest  
21 accounting and financial consulting firms in the world.  
22 Much of what I do focuses on analyzing both accounting and  
23 financial issues that relate to gaming as it comes to new  
24 venues such as Evansville. We've conducted studies in over  
25 12 different states and several foreign countries, and we've

1 conducted a study here on the Evansville proposal. The  
2 details of our study was included in your red book under tab  
3 nine. I won't go over all of the details today, but instead  
4 what I'd like to cover are three key issues which I believe  
5 will be of importance to the Commission.

6 The first issue deals with the financial  
7 strength of your proposers. The second issues deals with  
8 the forecasting prudence of the operators. The third issue  
9 deals with the downside risks and the upside potential to  
10 the community of the not meeting the financial projections.  
11 The first issue, the financial strength of your proposer.  
12 Without a doubt, Player's International is the most credit  
13 worthy of the proposers in the Evansville area. They have  
14 the cash and financing resources to meet the promises to  
15 Evansville, and they have the cash and financing resources  
16 to help Evansville withspan gaming competition when it's  
17 sure come to the area.

18 Player's has achieved this position of  
19 financial in two ways. First, they achieved the highest  
20 operating margins in the riverboat gaming industry. There  
21 is no one who achieved a higher profit margin in riverboat  
22 gaming than Player's International. And secondly, and this  
23 addresses Mr. Hensley's point that he's raised twice today,  
24 Player's has almost no debt. Let the me show you what this  
25 looks like in graphic form. On the left side you see

1 Player's, and comparing them to Aztar, effectively,  
2 Player's. Ninety-eight percent of Player's market  
3 capitalization comes from their own internally generated  
4 equity. Now, that's in comparison to Aztar's roughly 36  
5 percent of market value capitalization that comes from their  
6 own internal equity.

7 Now, this is important for Evansville because  
8 when you have a combination of strong cash flows from high  
9 profit margins plus very low debt, it means that Player's  
10 would be able finance a large portion of the Evansville  
11 project out of their own cash. Now, they have had  
12 borrowings, but that will come from a line of credit  
13 established with their banking facility. The best summary  
14 of the financial strength of Player's came just this past  
15 Friday in a newspaper and it was in relation to an interview  
16 with an annalist from Raymond James, which is an investment  
17 banking firm that tracks very closely the gaming industry,  
18 and I'll read you part of that article. The rest of it is  
19 in the red book.

20 "The company," meaning Player's, "had \$90  
21 million in cash at the end of September and only \$9 million  
22 in long term debt, an almost unheard bounty of cash dirt of  
23 debt in the casino industry. Many casino firms have wads of  
24 junk bonds on their balance sheets, always a threat if  
25 business does not meet its projections. But not Player's.

1 This is one of the most financially powerful companies among  
2 the emerging casino operators." Well, that summarizes this  
3 first issues, that is the financial strength of your  
4 proposer.

5 Let me move into the second issue, that is  
6 the forecasting prudence. We have looked at the proposals  
7 of the bidders from the Evansville area. One stands out as  
8 a real stretch, and that's the Evansville proposal for  
9 meeting the patronage levels they hope to achieve. You  
10 heard Mr. Glenn Schaeffer address this issue earlier, and I  
11 agree with what he said, but I'd like to take it from a  
12 different standpoint. You're probably familiar with the  
13 term capture rate from the gaming industry.

14 Well, capture rate is the amount or the rate  
15 that a casino will capture from it's target market. So if  
16 the target market is a hundred percent of potential gamers,  
17 casinos competing for that hundred percent will have a  
18 capture rate of a certain percentage, 10 percent, 20 percent  
19 of the whole market. In order for Aztar to reach their 2.3  
20 million customers a year, they have to achieve a 68 percent  
21 capture rate of the potential gaming market for the  
22 Evansville area, and that's a capture rate that's unheard of  
23 in the industry. It has not been achieved by any gaming  
24 operator, riverboat gaming operator in the country, not even  
25 the best.

1                   Let me show you what I'm talking about. What  
2 we have here on this slide is a 68 percent capture rate that  
3 Aztar would have to achieve in order to meet their 2.4  
4 million passengers. What you have on the right or what  
5 everybody is saying their capture rate would be. In the  
6 middle you actually have what's being achieved in Chicago,  
7 27 percent compared to the 68 percent. Next to that you  
8 have Player's in Metropolis, which is 46 percent compared to  
9 a 68 percent. The highest actual rate being achieved right  
10 now is Player's in Lake Charles where they have a virtual  
11 monopoly on the very lucrative Houston market, and that's at  
12 62 percent.

13                   Evansville's own consultants, the  
14 international firm of Deloid and Tousey, has pegged the  
15 Evansville capture rate for their vessel at 42 percent.  
16 Well, with that in mind, let me turn to the third issue, and  
17 that is the downside risk and the upside potential for the  
18 community. And what we're talking about here is what if the  
19 capture rate of 68 percent is not met? Well, the 68 percent  
20 achieves what's already being done in the industry. The  
21 closest is what's already been done by Player's up in Lake  
22 Charles.

23                   What we have here when you don't make your  
24 numbers, and this is what's happened in other communities,  
25 when you don't make your numbers the community suffers,

1 there are layoffs. The promises to the community are not  
2 met. If the 68 percent is not met and instead Evansville's  
3 consultants are right, Aztar would not create a profit from  
4 the Evansville project, instead it loses about one and a  
5 half million dollars a year. And as Mr. Rittvo pointed out  
6 earlier if the 68 percent is not met, although Aztar  
7 promises a million dollars a year more to the community,  
8 that would be off set by a lack of development in other  
9 areas. Well, the Evansville project may very well be the  
10 first riverboat to come on string from Indiana. It will be  
11 the stocking haws of the Indiana riverboat gaming industry.  
12 It will be the project that the industry focuses on, and  
13 from a financial standpoint, it would be much better to have  
14 the upside potential of exceeding what the industry experts  
15 believe will happen, rather than the downside risk of not  
16 achieving the 68 percent. Thank you.

17 MR. CHAIRMAN: Steve, we're in the  
18 position where we've got about ten more minutes.

19 MR. PERSKIEE: That's exactly what  
20 I have except that remember that I lost maybe a minute and a  
21 half half or so.

22 MR. CHAIRMAN: Duly noted.

23 MR. PERSKIEE: I think we're fine,  
24 Mr. Chairman. We're moving right now to the fifth and final  
25 at element of the presentation that I described at the

1 beginning, and that is to tell you something about what we  
2 are that's unique, or at least what we feel is unique, and  
3 that of course involves a little bit of our history and our  
4 background. It is my pleasure and honor to present to you  
5 the chairman of the board of Player's International, Ed  
6 Fishman.

7 MR. FISHMAN: Mr. Chairman,  
8 Commissioners, thank you very much for allowing us to  
9 present today. My name is Ed Fishman, chairman and CEO of  
10 Player's International. In the last hour you've heard from  
11 some of my colleagues why we believe Player's is the right  
12 choice for Evansville. I'll have to take a moment to tell  
13 you a little about our history, where we began and where  
14 we're going. We began as an entertainment marketing company  
15 20 years ago. In 1976, we produced one of our game shows  
16 call Dealer's Choice direct from Las Vegas, and during that  
17 time, we decided to take some of our greater talent and  
18 create the very unique promotion in the gaming industry  
19 which would put more entertainment in the casinos, and thus  
20 give those casinos a competitive edge.

21 The first was a 1977 tournament game. It's a  
22 competitive event which now most casinos around the world  
23 use. We have produced 250 blackjack, craps, and slot  
24 tournaments all over the world and have had over one million  
25 people draw to attend our events. Next, we started with a

1 casino marketing consulting division which has worked with  
2 most of the major casinos throughout the industry, Harris,  
3 Caesar's Resorts, Samsonite, et cetera. We innovated  
4 marketing programs who bring in customers, whether by bus,  
5 driving market, air programs, especially in the highly  
6 competitive. Through creating unique tour and travel  
7 promotions, we have moved millions of people to the gaming  
8 communities during the last 18 years, thus giving our  
9 clients the competitive edge.

10 Next, we created the most well recognized  
11 gaming club in the world call Player's Club with my friend  
12 the late Telley Sevalis. We had over 300,000 members. We  
13 were were on national TV. For seven years we had  
14 approximately 50,000 calls a month from gaming enthusiasts,  
15 and through Player's Club, we developed the largest gaming  
16 database in the country. We have over 6.2 million names of  
17 people who enjoy gaming. That's the heart of our research  
18 and marketing efforts in all these new jurisdictions.

19 Several years ago we began our casino  
20 operation experience by running several cruise ship  
21 casinos. While that, we used our marketing efforts to  
22 double the profitability of the previous operators by  
23 running our special events and using our database to promote  
24 cruises. Three years ago we began our first riverboat hotel  
25 project in Metropolis, Illinois followed later that year by

1 Lake Charles, Louisiana. We designed, built and opened both  
2 riverboat hotel casinos within a one year period. They were  
3 ahead of time and on budget. As you've already heard  
4 because of our strong marketing and entertainment  
5 background, both of these projects have been extremely  
6 successful. Today we are the only applicant before you with  
7 an extensive proven track record in the riverboat industry  
8 serving mid America. In Illinois, our goal is the only  
9 operation to show increases over the last year in all four  
10 critical categories measured, that admission, gaming  
11 revenue, win per mission, and win per position.

12 In Louisiana, our Lake Charles operation  
13 consistently showed the highest winning per passenger of any  
14 riverboat in the country since it opened 14 months ago. For  
15 the last two years we have been studying the Evansville and  
16 the missions it will face and the special marketing skills  
17 that were acquired to succeeding. We are also very realistic  
18 about the amount of passengers that we predicted of 1.3, 1.4  
19 million people. Our proven success in two markets similar  
20 to Evansville and our unique marketing and promotional  
21 skills make us expert enough and experienced enough to  
22 ensure the long term success of this operation. What  
23 differentiates Player's from all other riverboat operators  
24 is our proven ability to make gaming into a full  
25 entertainment experience both for the patrons and for the

1 city for which we've served and our partners. And no one  
2 says entertainment better than my long time friend, partner,  
3 Player's largest shareholder and major reason for our  
4 success I introduce Mr. Merv Griffin. Thank you.

5 MR. GRIFFIN: Commissioners, nice  
6 to meet you all. I created Wheel of Fortune and Jeopardy.  
7 And I'm very proud of that fact. These are two shows that  
8 have broken every record in television and they are now they  
9 are all over the world as you know. Not our particular  
10 game, but they licensed it from us and they produced their  
11 own. It's long past the \$2 billion market in revenues and  
12 is climbing very quickly. Been on the air longer than any  
13 game show. I think Wheel of Fortune is in it's 27th year  
14 and Jeopardy is really about in it's 22nd or 23rd. Both  
15 shows we're very proud of and both shows have played an  
16 important part in the marketing of the riverboats and for  
17 the company I had in Atlantic City, opposite Aztar, just  
18 thought I'd throw their name into it, a resort.

19 I've been able to have contestants and  
20 searchers from these various jurisdictions. The one in  
21 Atlantic City, Mr. Fishman and I decided that we would see  
22 how it worked if 41,000 people drove in to be tested for  
23 that show. Broke every record from Atlantic City for a  
24 marketing device. My company is separate. My company is  
25 the Griffen Group, and we are in entertainment, we are in

1 hotels, and we are in gaming. Yes, I am Mr. Fishman's  
2 partner and, yes, I was so convinced that he was about the  
3 best man I knew in marketing.

4 We both -- we both opposed each other in the  
5 game show business. We were competitors, but I knew how  
6 good he was because I worked with him at -- at resorts sorts  
7 in Atlantic City, and together we bought television shows,  
8 we brought everything there and it's worked. And now  
9 resorts. It's well on it's way and will be one of the most  
10 exciting hotel/casinos very shortly in Atlantic City.

11 When he brought me to Metropolis, I gave him  
12 the money and said let's do it. And I went, after giving  
13 him the money and saw Metropolis and my heart stopped.  
14 There was nobody home. And I said Ed, where are they?  
15 There's nobody here. He said they'll come. And the town  
16 was asking the same questions that I was. Who are these  
17 people here? This is a scam. And then I saw what they call  
18 Merv's Landing that was built first and I said, "Geeze, Ed,  
19 after a distinguished career of 23 years and a talk show I  
20 have a landing in Metropolis?"

21 He said, "Wait." And then one day that boat  
22 came around the bend and under the big bridge and  
23 everybody's mouth dropped. And there came one of the great  
24 centerpieces for a city I've ever seen, and from then on, it  
25 was just uphill all the way. We devised, we brought in fact

1 last week on Wheel of Fortune there was a contestant from  
2 Metropolis. We've been able to -- it's been a discovery for  
3 us on those two those shows because we've been able to fine  
4 players from all over America, mid America instead of just,  
5 you know, Los Angeles and waiting for the players to come to  
6 us.

7 We built the theater and built the hotel  
8 there. The theater was one of the most exciting nights I  
9 ever went to. It was one of the funniest and most  
10 entertaining shows that I've ever seen. So the people are  
11 coming there and they're having an experience, and that's  
12 what Evansville has to be. It has to be a tourist  
13 experience where we can't say, oh, come to Evansville, you  
14 know, leave your money. You have to get the full  
15 entertainment value for it, and we project all kinds of  
16 entertainment, things that we've tried in Lake Charles.

17 My company brought Lake Charles to Player's,  
18 and that was an extraordinary operation. We have done  
19 everything from turning tournaments. We've done every kind  
20 of event you could imagine there. We've brought in stars  
21 Burt Reynolds, little Metropolis.

22 I said, "How are we going to sell this to the  
23 national press?" We'll, we talked Robin Leach into bring  
24 Lifestyles of the Rich and Famous to Metropolis. It was  
25 extraordinary, let me tell you.

1 Robin kept saying, "Well, where is it?" And I  
2 said, "You know, Robin, it's going to be okay. Now, we'll  
3 start on the shot of superman."

4 He said, "Well, why is there holes in the  
5 city square?"

6 "Well, the kids all go by in their trucks and  
7 shot at to see if it was faster than a speeding bullet."  
8 Since then the town has put up major a superman and it is  
9 impressive. So they're in tourist business, and it's doing  
10 well. Lake Charles is a similar story. I've never seen  
11 such crowds in my life. And it's fun to cruise around that  
12 lake and all the entertainment dockside and the hotels that  
13 we have there now. It too is an entertaining experience.  
14 In all the companies, there's two things that are important  
15 and I stress them to all my people. And one of them is keep  
16 the promise. Keep the promise to the customer, keep the  
17 promise to the community. You have to keep the promise to  
18 the customer. You can't promise them something and then  
19 they don't get it.

20 The other one is play by the the rules. I  
21 said, "Ed you are famous, but I'm more famous than you are,  
22 so if anything goes wrong, I'm the one that gets a call,  
23 because we hadn't played by the rules." We've never had  
24 that call. It's been a glorious experience to be with this  
25 unusual group of executives and people who know the gaming

1 business. A terror of a man that's sitting here, that Steve  
2 Perskiee, would call me one day and say, what are you doing  
3 over there because the Gaming Commission that are in New  
4 Jersey are tough.

5 My licensing was one of the great experiences  
6 of my life. I told people, I said, "I'm now Mother Teresa."  
7 They went through my closets, they went back through my  
8 checks for 20 years. They went through everything, my  
9 shoes, my socks. And then one day they said, "You're  
10 licensed." So it's a good -- it's an honest company, but  
11 it's a company devoted to gaming and entertainment and  
12 that's really what's got to be, because that's the purpose  
13 sparked down there. And you'll be amazed too when the boat  
14 comes around again and you'll see Main Street and the  
15 shopping district up there, which is now being mauled come  
16 to life and it's exciting, and it's something I know you'd  
17 be very proud of. I hope it's us. I hope you select us to  
18 do it because we're going to do the best job for you, and  
19 thank you for allowing me to speak to you today.

20 MR. CHAIRMAN: We will -- we will  
21 now take a moment, one of our patented 15 minute breaks, and  
22 we'll come back with some questions.

23 (Thereupon, a break was taken;  
24 after which, the proceedings  
25 continued as follows:)

## QUESTION AND ANSWER SESSION

1  
2  
3 MR. CHAIRMAN: Ladies and  
4 gentlemen, if you could come back to order, please. The  
5 same request that we've made of the other people that the  
6 speakers who answer the questions please try to identify  
7 themselves so that the court reporter can get that  
8 information before they go into the answer. And the same  
9 problem with the microphones, if you'd stay back about six  
10 to nine inches. Apparently it works a little better than it  
11 does trying to swallow it as we all are tempted to do. To  
12 start off, I'll ask a question. How far is Metropolis from  
13 Evansville?

14 MR. PERSKIEE: A hundred miles.

15 MR. CHAIRMAN: And I guess as to  
16 the Ellis Park discussion that we had, it bothers me a  
17 little bit that competitive or lack thereof by awarding new  
18 people a license so close to your other operation whether  
19 you would, as I would perceive, some operator going in new  
20 venture, put their full weight behind the developing of the  
21 Evansville operation. So if you could give me -- give me  
22 some insight programs to your thinking, why you want  
23 Evansville rather than Michigan City and not cause me this  
24 problem?

25 MR. PERSKIEE: Mr. Chairman, as you

1 might have imagined, we sort of anticipated you might have  
2 ask that question.

3 MR. CHAIRMAN: You anticipated  
4 everything else, haven't you?

5 MR. PERSKIEE: We're going to ask  
6 the chairman in just a minute to give you substantive  
7 response, but let me make a couple of other points. First,  
8 because we purchased a small track right out of the  
9 Metropolis on the Kentucky side, the Bluegrass Downs, we can  
10 give you a different answer with respect to a land-based  
11 base facility at Bluegrass Downs. We'll give you ten, we'll  
12 give you 20, we'll give you permanent. We don't want  
13 land-based casino at Bluegrass, and that's why we bought  
14 it. And we have no interest in having a land-based or any  
15 other form of gaming in Kentucky, particularly and obviously  
16 if we were licensed here.

17 The second point I would make, again as in  
18 way of introduction to what you're going to hear from Ed  
19 about the competition, that it isn't all that meets the  
20 eye. You should keep in mind that our commitments,  
21 financial commitments, investments in Evansville will, by a  
22 margin of several times, exceed our cumulative investment in  
23 Metropolis, even though we continue to reinvest in  
24 Metropolis and to up and expand that property so that from  
25 our point of view, if in fact we are licensed here,

1 Evansville becomes the senior -- the senior property if they  
2 -- if they were to get the license. So for your  
3 substantive response, Ed.

4 MR. FISHMAN: Ed Fishman. Mr.  
5 Chairman, after two years, actually two and a half years of  
6 marketing Metropolis, Illinois we have approximately 12  
7 percent of our market that comes in Indiana. We've seen  
8 approximately 2.7 million people in the two years that  
9 entered our casino in Metropolis. We have found that  
10 talking to a lot of our tour operators we have approximately  
11 40,000 of us that service our area from Nashville to St.  
12 Louis, Missouri, 12 percent in Indiana; that putting  
13 together in this market overnight packages, putting together  
14 with the packages, they stay in Metropolis.

15 They can do absolutely what they want. You  
16 have seen in other communities when you have clusters. We  
17 have a market base of approximately 340,000 players,  
18 preferred members, people who carry around in cars and come  
19 to Metropolis and put money into slot machines gaming  
20 tables, et cetera so they get the frequent flyer plans for  
21 planes when flying. We feel that because we know the  
22 market, because the market knows us, that we, through our  
23 tour and travel experience, through our television exposure  
24 and direct mail exposure, that we can bring at least as  
25 people as we do in Metropolis, 1.3 to 1.4 million people

1 here. And again, a lot of our people, they'll game in an  
2 extra gaming visit when they have another place to go. When  
3 we first came here was -- Merv and I came two years ago for  
4 Thunder on the Ohio, and we looked at our market and  
5 discussed with our market people and that's when we decided  
6 that we would like Evansville as a market if ever Indiana  
7 did pass gaming. And again, we think that can generate  
8 through our database, through our good name to people who  
9 visit us, the tremendous number of people in Evansville, in  
10 the project, and faster than any other competitor that's  
11 been here.

12 MR. PERSKIEE: Yeah, I think there  
13 are a couple of things that really need to be looked at when  
14 we you talk about, you know, the interaction for these two  
15 casinos. The first, is when you look at the market  
16 themselves the market composed of both the local and  
17 tourist. The ring theory that I guess Aztar presented  
18 earlier this morning. Is the theory valid? The most  
19 intense activity occurs in the 50 mile radius, and actually  
20 it's nice that we're a hundred miles apart so that our 50  
21 mile radius doesn't intersect with each other, and that's  
22 sort of when you get a very heavy proportion of the  
23 residents in that community coming to the markets. The  
24 closer are you in, the greater percentage of your population  
25 that comes.

1                   When I look at that secondary ring the  
2                   Evansville market really travels much further north and much  
3                   further sort of southeast in the areas that it picks up, and  
4                   Metropolis goes much further west. So there's a lot of  
5                   synergy that we will get in there when the markets really  
6                   don't overlap because of that hundred mile area. So what we  
7                   have learned in being in places like, to start with, Las  
8                   Vegas and Atlantic City and then moving to some of the other  
9                   markets, are gamers like the authority to visit multiple  
10                  casinos. In Atlantic City gamers visit somewhere like 3.5  
11                  casinos over the course of their stay. In Las Vegas I think  
12                  the number is even slightly higher. The Mississippi Gulf  
13                  Coast, when gamers come to the coast, they visit somewhere  
14                  in the range of 2.5 to 2.8 casino in each state because they  
15                  are tourists. What we would need by having two casinos that  
16                  are able to be stirred from the same tourist market and the  
17                  same basis, is that we can cross market tourists and bring  
18                  new real dollars. And where this community wins is when  
19                  tourist dollars come in. If we just recirculate the  
20                  existing population dollars, it's not a tremendous win,  
21                  which are often good. With the Player's networking, and  
22                  essentially with Metropolis, the ability to bring in these  
23                  tour operators that are coming through this portion making  
24                  multiple stops and giving them the multiple gaming  
25                  experiences. Actually, we have the ability to grow the

1 market.

2 MR. CHAIRMAN: So your answer is  
3 that one plus one does make two.

4 MR. PERSKIEE: No, it actually  
5 makes a little bit more than two in our opinion because you  
6 can't attract those people who just want to stop --

7 MR. CHAIRMAN: You think it makes  
8 two and a quarter.

9 MR. PERSKIEE: Two, 2.1.

10 MR. CHAIRMAN: That --

11 MR. PERSKIEE: 2.1. All right.

12 MR. CHAIRMAN: Anyone else?

13 COMMISSIONER: Yeah, I've got a  
14 question. I've asked it about four times and maybe you'll  
15 give me a different answer or a better answer. We've heard  
16 from two different organizations who wants to put a hotel up  
17 and another one says there's not enough room for another  
18 hotel. And you propose to put a hotel up.

19 MR. PERSKIEE: We also got quoted  
20 as to why we shouldn't. The answer is this, when we first  
21 came to Evansville and looked at the proposal, as we  
22 referred to actually earlier today, it was our view that a  
23 hotel shouldn't be a part of the project at the outset. And  
24 I should tell you that our experience again in our other  
25 locations has helped to form that judgement, and that

1 Metropolis started without a hotel, but I will tell you that  
2 before the project was a year old, we built a hotel. In  
3 Louisiana we leased the space behind the hotel at the  
4 beginning, and now just last week we have signed the  
5 agreement to purchase that hotel and we plan to enlarge it  
6 and make significant improvements to the original property.

7           So that our theory in the other two  
8 properties and originally when we came to Evansville was to  
9 start with what we knew with the boat and the immediate  
10 facilities and to build the hotel at a later date. Through  
11 the dialog with the city, it became very clear that the city  
12 had made a policy, it's leadership had made a policy  
13 determination and that they wanted a hotel. We took another  
14 look at it. We decided that without compromise to our  
15 thinking of who could financially work that we could  
16 incorporate a hotel, and in represent to the city's strong  
17 desire to have that as an element, we decided to do so.

18           It is our proposal as you see it, here it  
19 contemplates a 250 room hotel. We think it's real. We  
20 think it's an interval that we can -- we can design it and  
21 build it and run it as an interval part of the Main Street  
22 experience. We don't expect, frankly, to be honest with  
23 you, to make a lot of money on the hotel, but we don't  
24 expect to lose any either.

25           COMMISSIONER: I guess I -- maybe I

1 didn't get my point across. There is another hotel up the  
2 street that has 400 rooms, and I've have heard that if we  
3 put a another hotel in, 400 rooms is going to be fatal. Is  
4 that -- is that right now? Somebody's right and somebody's  
5 wrong here, and I'm going --

6 MR. PERSKIEE: I think --

7 COMMISSIONER: -- to ask somebody  
8 to stand up and tell me about that. I want to hear it from  
9 him.

10 MR. PERSKIEE: Well, I'm going to  
11 sit down and tell you.

12 COMMISSIONER: Is somebody in the  
13 hotel business here?

14 MR. GRIFFIN: I'm in the hotel  
15 business.

16 COMMISSIONER: Okay.

17 MR. GRIFFIN: I'll be glad to  
18 answer that. I've got a few businesses.

19 MR. PERSKIEE: This was the  
20 principal of the company that was going to run our hotel.

21 MR. GRIFFIN: For the record, my  
22 prideship hotel is the Beverly Hilton in Beverly Hills, and  
23 although that's a franchise, the hotel, we use their name  
24 and we use their reservations, but we manage the hotel.  
25 This year I've bought three hotels in situations very

1 similar to Evansville. One in Albuquerque, I bought  
2 Scottsdale, and I've bought Deerfield Hilton, which is in  
3 Octraton, Florida. I think the more business that comes  
4 here the more excitement and the more the tourist  
5 attraction, the more rooms you're going to fill. There is a  
6 great synergy between the hotel and the gaming casino.

7           There is a thing called -- if you have an  
8 attractive hotel that will bring in the kind of gaming that  
9 you want. At my hotel in Atlantic City we're running 80 to  
10 86 percent occupancy all year long, now, where in the old  
11 days we didn't. But there's -- the casino is given a  
12 certain number of rooms in the hotel and that's how you --  
13 that's how you entice your big players, and no operation  
14 wants to be without big players, but with they want  
15 combinations. And everything and everybody will benefit by  
16 it. The more tourists you have coming in, the more they're  
17 going to stay.

18           Oh, good Lord, we only have 12,000 rooms in  
19 Atlantic City, Las Vegas has 120,000 rooms and we keep them  
20 filled all the time. It will be amazing the attraction of  
21 gaming to this community.

22           MR. RITTVO: Okay. Can I add one  
23 other thought to that, Commissioner? Evansville has a  
24 Visitors and Conventions Bureau which is, of course,  
25 interested in promoting the convention industry. Arming

1     them, the bureau, as a market tool with the kind of an  
2     excitement and kind of entertainment package that we believe  
3     that Player's riverboat will provide, particularly if you  
4     glance away from the Executive Inn, we believe by enabling  
5     the convention groups, that it will be more successful than  
6     perhaps it has been, and market Evansville as a convention  
7     center, and that will also answer, as that Mr. Griffin  
8     indicated, it will answer the question of where the rooms  
9     are going to get filled.

10                   The issue really is, would a hotel nine to  
11     ten blocks away from a riverboat actually benefit from the  
12     riverboat. I haven't seen that anywhere. When I went to  
13     Atlantic City the casino was near the riverboat, all right,  
14     via the casino. When I went to Las Vegas the hotel was --  
15     I'm sorry, on top of the casino. In all the new venues that  
16     I've experienced around the country the hotel needs to be --  
17     it has been proximate to the riverboat. I think you're  
18     really looking at two different activities. Riverboat  
19     patrons want to be near their facility. I think that what  
20     will happen is they will still be out there, you know, as we  
21     look at it, we look at the number of patrons that will come  
22     in, it will suffice to make the Player's Hotel solvent, you  
23     know.

24                   As Steve said, it's not going to be highly  
25     profitable because of the interaction with the casino, but

1 we will generate more activity than just a hotel can  
2 accommodate, and that will allow for out flow, you know,  
3 into the other hotels in the community. Conventions  
4 generally come to communities even if they don't gamble, but  
5 they come to the community because it's an amenity that will  
6 attract people. The placing of the riverboat in Evansville  
7 will have some positive impact even on -- even on the  
8 Executive Inn where it's located, but more for convention  
9 activity. I don't know that you can mix those two  
10 activities as easily as it sounds.

11 MR. PERSKIEE: For the record, that  
12 was Mr. Rittvo.

13 COMMISSIONER: Well, how do I ask  
14 you? Will we have an opportunity to visit with everybody  
15 tomorrow and ask all the questions of everybody at the same  
16 time? I would ask you all to come prepared because I think  
17 the people from Hyatt are pretty -- pretty well prepared on  
18 this room occupancy thing. So be -- be prepared to answer  
19 some questions or talk about their numbers.

20 MR. FISHMAN: Commissioner, Ed  
21 Fishman. I'd like to say the history so far over four years  
22 of riverboats and the hotels are an open era. Like I said,  
23 on the weekends our hotels are both -- midweek they're  
24 running in the 60, high 60 percent, and most of that is --  
25 well, as Mr. Griffin said, it counts. We feel, in other

1 words, why that we want to put our hotel there is that  
2 working with our 47 plus and our association with Greyline  
3 Tours, who work out of Nashville and St. Louis, that's where  
4 you hope that they do business after you book the overnight  
5 business.

6 So I think he can do it, and I think that a  
7 hotel that is four or five blocks away has to work with  
8 conventions to do so. It won't be similar to the casino  
9 picture. As Mr. Griffin said, that they want to stay as  
10 close as possible, and in order to be -- have a nature of  
11 what's coming, what we have to go against here in  
12 Evansville. You need a new hotel will add to that  
13 property. So in Metropolis we have a small, a hundred and  
14 twenty room hotel that runs approximately 87 percent  
15 occupancy right now with almost a hundred percent on  
16 weekends, high 60s in midweek, and that's what the -- very  
17 similar to the other boat committees that opened the  
18 hotels.

19 MR. PERSKIEE: Mr. Sundwick, you  
20 just have a look on your face that suggests that we haven't  
21 quite answered the question. Are you asking us if opening  
22 the riverboat will hurt the Executive Inn; is that what your  
23 asking?

24 COMMISSIONER: No. I've heard a  
25 lot of numbers about how many, you know, occupancy -- the

1 rate of occupancy of how many hotels. I also heard not only  
2 one suggested having a hotel and then you said, well, we  
3 initially did and now we do and it's because the city said  
4 really we need to do that. So now you think it's a good  
5 idea. I have -- I have hotels that -- yeah, we really don't  
6 think it's a good idea to be going in, but, even if you've  
7 got to refurbish over 400 rooms, and then we've got -- you  
8 know, you got enough hotel space.

9 MR. PERSKIEE: It's not that we  
10 didn't think it was a good idea and did it only because the  
11 city asked us to do it. That was the renovation to go back  
12 and relook at it and redesign the project to include a hotel  
13 that we feel now is -- is appropriate for this project. It  
14 is also our view, and this is one thing that Mr. Rubeli said  
15 this morning, if we do -- that if we do indeed this kind of  
16 project and we bring what Merv Griffin and the Player's  
17 history suggests that we can to this city and whether it's  
18 Hyatt or somebody else, somebody is going to take that  
19 Executive Inn and do what Hyatt has suggested today to do  
20 and is going to make a lot of money. That is our view.

21 MR. FISHMAN: And also in most of  
22 the markets where hotels are not recorded and the operators  
23 that have come back include Mississippi. Part of the reason  
24 is that the city is not reaching the numbers that its  
25 anticipated to reach, and why people are shifting to other

1 markets are that the hotels weren't there. The casinos are  
2 now slanted, and the Mississippi Gaming Commission has now  
3 mandated that each casino invest 25 percent of its  
4 activities and its capital gross in non-gaming,  
5 predominantly hotel activities. I think the industry learns  
6 over time, and I think that's a real significant thing to  
7 deal with. Every casino that I've seen that has not started  
8 a new hotel has added one basically within a year.

9 COMMISSIONER: Are you saying that  
10 there is going to be an overflow of occupancy in Player's  
11 hotel that would help -- that the Executive Inn could  
12 sustain with the people that couldn't come to your hotel?

13 MR. PERSKIEE: To some degree.  
14 What we're suggest is that beyond that notion that the kind  
15 of a facility that the riverboat hotel will be will bring  
16 enough people to the community so that there's a little bit  
17 of that, but also that the city's other activity, such as  
18 the marketing of itself as a convention site will also be  
19 assisted, and the synergy affect of those will help to fill  
20 places like the Executive Inn.

21 COMMISSIONER: Okay. If we assume  
22 you the Executive Inn goes down the tubes in February if we  
23 don't grant license to Evansville Landing, do -- will  
24 Player's Hotel have sufficient convention space, convention  
25 room space?

1 MR. PERSKIEE: Yeah.

2 COMMISSIONER: Do you have any  
3 convention room?

4 MR. PERSKIEE: Yes. We have -- we  
5 can give you design of that and I'll be happy to in just a  
6 second, but understand our concept. Our concept is that the  
7 last thing that we want to do is to go into competition with  
8 the convention facility that already exists in Evansville.  
9 We want to bring more people here, but not necessarily to  
10 limit them to experience on our property.

11 COMMISSIONER: Well, my question  
12 would be that I've heard all of this about the walkway and  
13 how it's going to help the walkway because it will be  
14 situated at the end the the walkway. I have a really good  
15 feeling there's going to be a big, empty hotel and an empty  
16 parking garage and an empty convention center if -- if  
17 Evansville Landing doesn't get the license. So what we'll  
18 have is if you get the license, we'll have programs things  
19 going on the walkway that you will contribute to based on  
20 what we heard, and a block over is going to be to a 470 room  
21 flop house that's going to be more and more more  
22 deteriorated. And -- and not hearing an answer of why we  
23 shouldn't care about that --

24 MR. PERSKIEE: Well, --

25 COMMISSIONER: -- because it's

1 going to be -- it's going to be terrible to have that a  
2 block away from the wonderful walkway.

3 MR. PERSKIEE: Commissioner, to be  
4 very frank with you, we don't share your premise. The  
5 premise is if anybody other than Landing gets the license  
6 that the -- that the Executive Inn will go under. And as I  
7 said to you, Mr. Rubeli disagreed with that, and it may be  
8 the only thing he said that we agreed with him on. We don't  
9 think this particular deal obviously will go under. I have  
10 -- I don't know what their plans would be for that part if  
11 they don't get the license, but it is our view that if you  
12 -- if you inject the kind of business and the kind of  
13 tourism volume and the kind of excitement and entertainment  
14 and of all the other amenities that we're talking about into  
15 the city of Evansville, you arm the other institutions of  
16 the city, in particular the Convention Bureau with the kind  
17 of marketing tools they need to bring people here for other  
18 things.

19 No matter who gets the license, let me assure  
20 you that no matter which of the companies gets the license,  
21 the lesson we learned in Atlantic City, no matter who gets  
22 the license, that company cannot by itself no matter what it  
23 does, no matter what it invests, no matter what it does, it  
24 cannot by itself, rebuild the economy of the city. What it  
25 takes, an this is again with the lesson in Atlantic City,

1 what it takes is a synergistic effect, the riverboat being a  
2 greater magnet by way of the facilities involved, by way of  
3 the entertainment involved, by way of the tour packages that  
4 you've heard about to bring people here.

5           You have to have a couple of other things.  
6 You've got to have non-gaming attractions in the city for  
7 people to do and to see when they get here and things to do  
8 other than spend a few hours in front of a slot machine.  
9 You've got to have hotel facilities, you've got to have Main  
10 Street shops, you've got to have a very active and capable  
11 convention bureau. We would be. We have been in other  
12 areas enthused and capable about working with that kind of a  
13 convention bureau to do their share of bringing people  
14 here. That's what's going to save the Executive Inn.

15           COMMISSIONER: So there would be  
16 some sort of trade in that hotel.

17           MR. FISHMAN: I think the best way  
18 to answer that is what we've done in Metropolis. There were  
19 practically no motels, hotels. There have been two more  
20 hotels that have opened in Metropolis. There have been six  
21 more hotels that have opened up of a hundred to a hundred  
22 and twenty-five rooms in Paducah, Kentucky, nine miles  
23 away. We started out, which we planned to do here with the  
24 Executive Inn, the same as we did in the Executive Inn in  
25 Paducah which was ten miles away on acting and without tour

1 and travel experience.

2 We have packaged that hotel, which is close  
3 to 500 rooms as a convention center, again ten miles away  
4 from our boat. We worked with seven or eight hotels in  
5 Paducah, just like the one being built. So the answer to  
6 your question of whether or not the hotel will go under, I  
7 don't think so. I think that the marketing company will do  
8 the same thing that the we have done. And our past and our  
9 history speaks for itself. We will market the property to  
10 our advantage.

11 COMMISSIONER: I have a couple of  
12 other questions not along that line. I don't know if  
13 anybody else has anything. Just quickly, the community  
14 incentives that you've all spoken about, are you willing to  
15 have a line of credit at whatever financial institution here  
16 and see that those payments would be made?

17 MR. PERSKIEE: I'm instructed to  
18 advise you that the answer is yes.

19 COMMISSIONER: And in reference  
20 employing local residents. There had been talk about that.

21 MR. PERSKIEE: We would commit to  
22 the same, we already have to some of the people you heard  
23 speak today, we've already started that process.

24 COMMISSIONER: All right. As far  
25 as training facilities for dealers, et cetera. Where would

1 that take place? Would it be locally or would it be --

2 MR. PERSKIEE: It would be here in  
3 town.

4 COMMISSIONER: All right. And  
5 would they --

6 MR. PERSKIEE: More particularly  
7 than a flip here in town, and a more particularized answer  
8 is here in town in the fourth and sixth wards.

9 COMMISSIONER: All right. As far  
10 as part-time employees. What percentage of the minority  
11 numbers that you've given us would be part-time employees?

12 MR. PERSKIEE: Barbara.

13 MS. ECKENBERG: Well, what I can --  
14 what I can tell you is the history that we've had in  
15 Metropolis and Lake Charles. And what I can tell you is  
16 what we had in the history of Lake Charles and in  
17 Metropolis, and we employ a very small number, 82 percent  
18 of part-time employees, and that is not because we don't  
19 want to. I can tell you that the majority of the people  
20 that walk into my office every day and fill out an  
21 application are generally looking for full-time employment  
22 because they need it. Either they're single parents or  
23 they're head of the household on their own. But we, because  
24 of our teamwork business as well, when we get busier in the  
25 summer, of course, there's going to be more valet parking

1 areas, more front line employees where we will employ a  
2 higher number of part-time employees as we need it.

3 COMMISSIONER: All right. And what  
4 about -- the other applicants had stated about 15 percent  
5 that would be part-time employees. Would that be similar to  
6 your situation then?

7 MR. PERSKIEE: No.

8 MS. ECKENBERG: I think that's  
9 accurate during our seasonal needs, yes.

10 COMMISSIONER: Okay.

11 MR. PERSKIEE: In general, over the  
12 course of a year, we don't average 15 percent.

13 COMMISSIONER: Also in reference to  
14 part-time employees, I would assume full-time employees  
15 would have certain benefits, health care packages, et  
16 cetera. Part-time employees, would that be -- would they be  
17 eligible for those benefits also?

18 MS. ECKENBERG: Our benefit package  
19 is based on a 32 hour work week on average, and we do  
20 average that over the year. So it is possible that some  
21 part-time employees would be eligible for the health care.  
22 Of course there's other benefits as well that we offer that  
23 part-time people are eligible for and can partake as a  
24 part-time employee.

25 COMMISSIONER: In reference to the

1 women business enterprises and minority business enterprises  
2 I believe that that was addressed earlier. Ms. Eckenberg,  
3 in reference to women within the administration of -- of  
4 Player's, do you have any superiors that are women?

5 MS. ECKENBERG: My -- you mean  
6 myself?

7 COMMISSIONER: Yes.

8 MS. ECKENBERG: No, I do not.

9 COMMISSIONER: You are the director  
10 of Human Resources?

11 MS. ECKENBERG: Yes, I am the  
12 director of Human Resources. No, my superiors are all male  
13 currently. When I started with Player's, I had a female  
14 supervisor.

15 COMMISSIONER: As far as labor on  
16 building the hotel and any other construction work, you had  
17 a union representative give some testimony earlier that it  
18 will be union labor that will be doing the work.

19 MR. PERSKIEE: Yes.

20 COMMISSIONER: Are there any other  
21 riverboats licenses being pursued in any other  
22 jurisdictions?

23 MR. PERSKIEE: Yes.

24 COMMISSIONER: Where at?

25 MR. PERSKIEE: We have an

1 application in Louisiana for a second license. We expect a  
2 decision on that application next week. We have also filed  
3 an application for a license in Missouri and for a site in  
4 the suburb of St. Louis called Marilyn Heights. That  
5 process is complicated, but --

6 COMMISSIONER: There was an  
7 explanation earlier today about Missouri.

8 MR. PERSKIEE: Yes. My rough  
9 estimate at this point is we will have a sense of that  
10 within the next, let's say four months.

11 COMMISSIONER: Okay. My question  
12 in reference to that is if it is profitable here Evansville  
13 and unprofitable in the other jurisdictions, would you drain  
14 the profits off from them or keep it in the jurisdiction?

15 MR. PERSKIEE: Two answers. The  
16 first answer is no. The second answer is how I can prove  
17 that first answer is right and that is simply to look at  
18 what we've done in the two properties where we are. We had  
19 in each instance where we had heard revenues made money in  
20 the the two properties. As I just mentioned a minute ago  
21 that we've applied for a second license in Louisiana. What  
22 that story is that you heard already, we've had an operating  
23 facility in Lake Charles that has now opened for about 14  
24 months. We've done very well in it.

25 As a result of that success we have now made

1 an application to Louisiana to allow us to invest an  
2 additional \$85 million to buy a second license, locate at  
3 the same site, buy the hotel, prove the hotel, add more  
4 rooms, build a parking garage, recreate the bar, total of  
5 about 85 or \$88 million worth of investments plowed back.  
6 That represents our earnings from Lake Charles. Similarly  
7 at Metropolis since we've started, we have put the hotel  
8 there, we've put the theater that Mr. Griffin mentioned, and  
9 we continue to reinvest in that property as well.

10 COMMISSIONER: Okay. As far as the  
11 boat in the water and the temporary facility, how soon with  
12 you anticipate that --

13 MR. PERSKIEE: September.

14 COMMISSIONER: September for the  
15 temporary facility?

16 MR. PERSKIEE: At Inland Marina  
17 where we have site control where there are already permits  
18 or the non-gaming permits, and we have the ability to be  
19 open and operating at that site we estimate, all the  
20 permitting process and what not will enable to us open by  
21 September.

22 COMMISSIONER: And then for the  
23 permanent facility. When would that be?

24 MR. PERSKIEE: John Brotherton,  
25 senior vice president for Construction and Development.

1 MR. BROTHERTON: Commissioners, I  
2 estimate that process in the application to take 12 months;  
3 however, that would be the longest record I've ever had. I  
4 built the Metropolis boat in eight and a half months, the  
5 Lake Charles boat in nine and one week. So if you want a  
6 commitment, one year. If you want the truth, probably much  
7 less.

8 COMMISSIONER: All right. The --

9 MR. PERSKIEE: The commitment, and  
10 that is the truth is on your side. I want you to understand  
11 that.

12 MR. CHAIRMAN: I would just like --  
13 when would the pavilion be finished?

14 MR. BROTHERTON: The pavilion will  
15 take 12 months to build on top of the parking garage, but  
16 the hotel will begin, and on top of all that will take  
17 another 8 to 12 months.

18 MR. CHAIRMAN: So we're talking 12  
19 months for the pavilion and 24 months for the hotel to open.

20 MR. BROTHERTON: Yes, sir.

21 MR. CHAIRMAN: Okay. You actually  
22 showed in your cash flow that the hotel was still being  
23 built in the third year. Did I misread it?

24 MR. PERSKIEE: Yeah, that our  
25 fiscal year, which is March 31 and year end. So you're

1 talking about a fiscal year. The third year, you're talking  
2 about actually starts April 1 of what you're going to call  
3 the second year.

4 MR. CHAIRMAN: You have good  
5 answers for everything.

6 MR. PERSKIEE: Thank you.

7 COMMISSIONER: All the information  
8 we're hearing here today has to do how all of the applicants  
9 are going to help the community. You've had people here  
10 testifying on your behalf about the boat being at the end of  
11 the walkway and how it's going to benefit the walkway  
12 there. The comment made earlier that you're main concern,  
13 first concern is people and then money. My question is here  
14 in reference to the situation with the DNR and the National  
15 Park Service about Aztar and Evansville Landing proposed  
16 docking site.

17 One thing as far as Player's and a couple of  
18 other people were either filing complaints or petitioning,  
19 however it works with the National Park Service. The  
20 impression that I have is that, among all the other things  
21 that the Gaming Commission has to deal with, this is  
22 something else that we shouldn't have to deal with. It  
23 doesn't seem to me to be in the best interest of this  
24 community. It seems to me to be sour grapes or at the most  
25 regarding the endorsement from the city, or possibly if you

1 don't get the license, you're going to screw that up for  
2 everybody else.

3           What I'm doing is presenting you the  
4 opportunity to change my mind or at least straighten me out  
5 on that. I'm reading this newspaper article from the  
6 Evansville Press from January 14, 1995. It states here that  
7 Player's filed a complaint, and in here it states that he  
8 has no invested interest other than the fact that he owns  
9 the land where the hotel will be. And another lady, a  
10 neighbor organizer, was honest enough to say that she had  
11 help from Player's to complete the complaint. I need to you  
12 address that because I have to be honest with you, that  
13 really bothers me. I want to know number one, how it is  
14 that Player's has standing with an non-resident to originate  
15 a claim? And why it is that you feel the need to address  
16 that? Just honestly, just tell me.

17           MR. PERSKIEE: We really appreciate  
18 the opportunity in which to respond. First, on the standing  
19 issue, I don't propose to sit here in Indiana where I'm not  
20 licensed to practice and tell you about Indiana law. I can  
21 only tell you that if it were another state, I could make an  
22 argument that as a contract purchaser of land, that would be  
23 economically impacted by the decision. I think they're  
24 standing, I'm not sure. And eventually whoever gets them,  
25 whatever people behind the investment or whatever will make

1 that decision. So that's the theory.

2 But I can tell you very specifically why we  
3 filed that objection, and it certainly has nothing to do  
4 with sour grapes and it certainly has nothing to do with  
5 screwing anything else up. Player's came to the community,  
6 as I mentioned earlier, and took a look around at the  
7 various sites, did some homework, bought to bear our  
8 experience in other jurisdictions. We had dealt with  
9 questions and park conversion before. We know that it  
10 involves the alike problems that we did not look to be  
11 involved with and did not frankly think, from our point of  
12 view, were in the best interest of city, the best interest  
13 of the city in terms of getting a project up and running  
14 quick and easily and with a broad basic community support.

15 Frankly, what has happened since then as  
16 reinforced, there has been through no initiative of ours  
17 what we consider to be a significant division in the opinion  
18 in the community as to whether or not the park should be  
19 converted. That's technically not our business. But with  
20 respect to the application to convert to the extent that  
21 that application has a direct impact on this process it is  
22 frankly, we feel not really our legitimate concern. Now,  
23 our philosophy is real simple. We're not trying to screw  
24 anything up.

25 If we don't get the license, we don't get the

1 license. And I presume it will made on whatever basis you  
2 people think is legitimate. But it certainly is not any  
3 type of a blackmail or anything like that. We spent  
4 considerable effort and quite a few dollars in acquiring the  
5 opportunity. We made an investment in that land near,  
6 adjacent to Dress Plaza for all the reasons you heard. It  
7 was because we think it's the best place to be from a  
8 variety of points of view, and we're a public corporation.

9 We have an invested in that property. It's  
10 an asset of the property. We are respectfully suggesting, you  
11 have an obligation to defend that asset and that's what  
12 we're doing. The prothesis will work their will. If we get  
13 lucky, the conversion issue, nobody needs to worry about  
14 it. And if not, we'll all cross that bridge when we get to  
15 it.

16 COMMISSIONER: Well, my question  
17 would be, say on February 10th we didn't give it to you all  
18 and the applicant who would receive the certificate and  
19 liability would receive all permits from the Coast Guard and  
20 the Corp of Engineers and everyone else except for the  
21 National Park Service because of the complaint that had been  
22 filed. How would that benefit to the residents of  
23 southwestern Indiana and the state of Indiana as a whole if  
24 that whole process of that boat being put in the water is  
25 being held up because of the complaint filed about whether

1 that park should be there or not.

2 MR. PERSKIEE: Commissioner, that  
3 -- that -- that question sort of requires us to equate the  
4 best interest of the citizens with somebody's inability to  
5 pursue what arguably is a legitimate issue. I think that  
6 the process should play itself out. I don't question  
7 anybody's authority to seek the conversion. Yeah, I don't  
8 question anybody's authority to seek the conversion. I  
9 respectfully suggest that both we and the other objections  
10 have a right to test whether that conversion meets  
11 applicable standards. If it does it does, if it doesn't it  
12 doesn't, but I -- I have -- if your question that somebody  
13 should not for -- for -- I'm not sure what reason, somebody  
14 should withhold the ability to -- to measure whether it  
15 meets statutory standards, I'm not quite sure I follow you.

16 COMMISSIONER: I don't have  
17 anything further.

18 MR. CHAIRMAN: Well, I'd like to  
19 follow-up on that.

20 MR. PERSKIEE: Sure.

21 MR. CHAIRMAN: To me the citizens  
22 of Evansville who have filed any kind of a protest can  
23 continue, you know, long into the night, until the whole  
24 process runs through. The idea, however, of you doing that  
25 yourself or sponsoring the individuals to do it strikes me

1 as it does apparently Commissioner Vowels as not being a  
2 fair way to play.

3 MR. PERSKIEE: Well, let me --

4 MR. CHAIRMAN: Your video of the  
5 barges and the things running into each other and the line  
6 of Kentucky and so forth -- I mean, that was much more  
7 impressive to me as legitimate points that -- that -- that  
8 -- than to -- to --

9 MR. PERSKIEE: If your question is  
10 if we don't get the license, are we going to pursue the  
11 objection? Is that -- that the question essentially that  
12 you're asking.

13 MR. CHAIRMAN: I guess that's the  
14 way --

15 COMMISSIONER: Let's ask that  
16 question. If you don't get the license, are you going to  
17 continue to pursue that objection?

18 MR. PERSKIEE: To pursue that  
19 objection, the answer is no. There wouldn't -- there  
20 wouldn't be any purpose. Our purpose in doing it is to --  
21 but one of our arguments against the Riverfront Park site is  
22 that it -- it's conversion violates we believe the  
23 applicable standards of the law. If in fact without a  
24 license, we don't have any interest in whether Riverfront  
25 Park is converted. We're not going to chase it, and we

1 didn't file it for any purpose other than the same reason  
2 we're here today. We're here today in radical disagreement  
3 with a number of things that you've seen the other  
4 applicants say, and they with us. There's nothing wrong  
5 with that. You're going to decide it, and when you decide  
6 it's decided.

7 COMMISSIONER: That answers my  
8 question, the complaint you filed February 11 regardless of  
9 whether you get the license or not. That -- that answers my  
10 question.

11 MR. CHAIRMAN: Any other questions?

12 MR. PERSKIEE: It might be the 13th  
13 or the 14th, but the 11th is a Saturday.

14 COMMISSIONER: I have a few. The  
15 first question is how in the world did you ever get a  
16 partner from Mercer and Young to stand up and say such  
17 positive things about your company without a -- I mean, for  
18 a CPA to do that?

19 MR. CHAIRMAN: By the way -- by the  
20 way, the letter is not that positive and it doesn't express  
21 the kind of opinions. I hope your partners know what you've  
22 said today or at least your joining people.

23 MR. PERSKIEE: These partners --  
24 these partners know precisely what we said.

25 COMMISSIONER: Did you make your

1 own independent market analysis of Evansville.

2 MR. PERSKIEE: Yes.

3 COMMISSIONER: And how close -- it  
4 compared, I assume with the one that the city made.

5 MR. PERSKIEE: As a matter of fact,  
6 it it turned with Deloid and Toush, it turned out that our  
7 analysis came out with the same projected patron base that  
8 they did. I'm not sure that the prothesis were necessarily  
9 identical, but the results were pretty close.

10 COMMISSIONER: Okay. If the  
11 problem with the Kentucky waterway is resolved, if it goes  
12 away, what location is the best one then? Still --  
13 still --

14 MR. PERSKIEE: As far as we're  
15 concerned, Dress Plaza.

16 COMMISSIONER: It's still the same  
17 order that you gave before?

18 MR. PERSKIEE: Well, we've got to  
19 be careful. From our point of view, Dress Plaza is the best  
20 location. If you're going to take it from a certain very  
21 narrow prospective as you heard Captain Brock indicate,  
22 Inland Marina is the best site. But we believe and the I  
23 think the city believes that a downtown site is the best,  
24 and that is our view. In our view, there is only one viable  
25 downtown site, and that is Dress Plaza.

1 COMMISSIONER: So that would be the  
2 case even if you didn't have the problems of reaching  
3 Kentucky's boundary problem?

4 MR. PERSKIEE: The problem with  
5 reaching Kentucky's boundary is a serious exacerbation, but,  
6 yes, it would be the same.

7 COMMISSIONER: Okay. Were the  
8 minority oriented programs that you talked about earlier, is  
9 that represented in your community investment board? That's  
10 how it's described.

11 MR. PERSKIEE: Yes, yes.

12 COMMISSIONER: And that total is  
13 \$3,743- -- \$3,750,000?

14 MR. PERSKIEE: I believe that -- by  
15 looking at these total contributational figures that -- okay.  
16 We have some subdivisions that I've just been handed, the  
17 community investment boards specific allocation. Apparently  
18 in year one it's 362,000, rising to 449 in year two, a  
19 million and 62 in year three, a million 626 in year four,  
20 and a million 838 in year five. This is under public  
21 private initiatives.

22 COMMISSIONER: Okay. Has your  
23 company had any recent placements of debt?

24 MR. PERSKIEE: No, other than the  
25 reference that's in your red book to the negotiation of a

1 line of credit which we have not yet formalized, but which  
2 is -- is -- other than that, no.

3 COMMISSIONER: Okay. Do you have  
4 the quota rate on that yet?

5 MR. PERSKIEE: We have it. Peter  
6 Alanock, whose resume is in you red book is our chief  
7 financial officer. Peter.

8 MR. ALANOCK: The rate of the bank,  
9 that varies with the amount of debt that's in the company.  
10 At the current time, as you know, we have less than \$10  
11 million worth of debt, and it would be about 8 percent. As  
12 we borrow more money, we'll probably proceed to borrow a  
13 full amount of bank line and it will go up to about eight  
14 and a half percent. If we were to go out into the market  
15 and raise large amounts of other money, then it would move  
16 up to up around nine percent.

17 MR. CHAIRMAN: Could they raise the  
18 rates of that?

19 MR. PERSKIEE: Mr. Griffin, our  
20 financial expert says they did. They raised it a half a  
21 point while we were sitting here.

22 COMMISSIONER: How much money have  
23 you spent in Evansville so far in getting to this point?

24 MR. PERSKIEE: Just over a million  
25 dollars.

1 MR. FISHMAN: Yeah, I would say  
2 around a million dollars.

3 COMMISSIONER: That takes care of  
4 me.

5 COMMISSIONER: I just have a --  
6 kind of a simple question. You went through the city  
7 process. Do you feel that the reason you didn't get city  
8 recommendation is because of the site, or was there  
9 something else about the process that eliminated you from  
10 getting the city recommendation?

11 MR. PERSKIEE: Well, it's hard to  
12 speak for the city, and -- and it should be said, it should  
13 be emphasized that we're not in a position to be terribly  
14 critical of the process, which we believe is a good process  
15 earnestly undertaken by a lot of very hard working people,  
16 because we did relatively well in that process. We were  
17 windowed in, if you will, at the first phase. We started at  
18 six and they went to the three, and we were in the three,  
19 and of course one of those three dropped out. So we're not  
20 going to sit here before you and tell you that it is a  
21 terrible process.

22 On the other hand, it's little uncomfortable  
23 from our point of view to be sitting here in effect with  
24 three adversaries. You know, we met with the Mayor a couple  
25 of months ago to assure him that before we got into this

1 active stage that we -- were going to come here and work  
2 very hard to get your approval. We hope to get it, and if  
3 we did get it we wanted him to know in advance that we would  
4 work very hard to create the kind of relationship for the  
5 city that we have in the other two municipalities. As a  
6 part of our process, given that we were one of the three  
7 preferred developers, we did have an opportunity after that  
8 first phrase selection to get into more substance of  
9 discussions with the so-called second phase. And we did  
10 enter into a series of written commitments with the city,  
11 and that you have in your application, and by which we are  
12 and will continue to be bound. I'm not sure if that fully  
13 answers your question, but I don't know what else to answer.

14 COMMISSIONER: Well, the second  
15 part of my question was do you feel that you can work with  
16 the city?

17 MR. PERSKIEE: Yes. Yes. If I --  
18 if I left any -- I would assure you of the answer. That's  
19 what I said. Mr. Fishman and I specifically came to  
20 Evansville for no purpose other than one day, I believe  
21 early December, to meet with the Mayor and Ms. Cole to tell  
22 her and to tell him just that, and and we're telling it to  
23 you today.

24 COMMISSIONER: What was the Mayor's  
25 reaction, or have you talked to him since these complaints

1 have been filed?

2 MR. PERSKIEE: I have -- I have no  
3 idea. I haven't talked to him.

4 COMMISSIONER: Okay. Do you think  
5 that that will affect your relationship?

6 MR. PERSKIEE: I think it will  
7 affect it at the moment, yeah. I think he's probably pretty  
8 annoyed, but we had tried both in the original city's  
9 evaluation process and again when we met with him to explain  
10 that we felt that there were very serious problems with the  
11 Riverfront Park site for either applicant that we saw that  
12 the city didn't see. And essentially, his response and I  
13 quote him by essentially paraphrasing, "You have your view,  
14 we have ours," and that's fine.

15 And we don't object to that and, frankly, we  
16 don't think that he should either. It's up to you to decide  
17 at the end of the day whether our concerns of both location  
18 and safety and conversion and all the others concerns that  
19 we've tried to present to you are sufficient to raise a  
20 question about whether that's an appropriate site for this  
21 boat. We hope you think that it is a non appropriate site.  
22 That's for you to decide.

23 COMMISSIONER: Thank you.

24 MR. CHAIRMAN: Anyone else?

25 COMMISSIONER: How long does it

1 take to train these people, say like a dealer or somebody  
2 like that?

3 MR. PERSKIEE: It varies according  
4 to whether, of course, they've had any experience at all to  
5 start. It also frankly varies to a certain degree from one  
6 game to another. It takes significantly longer to train  
7 somebody for example at a craps game than it does to run a  
8 big six wheel or even a -- even a blackjack game. But the  
9 range, if your interested -- Barbara, can you --

10 MS. ECKENBERG: Barbara Eckenberg.  
11 Our dealer school currently runs for six to eight weeks, and  
12 that is to teach the dealers the basic skills of how to  
13 deal. A dealer doesn't really learn how to deal until  
14 they're actually dealing on the job so that they learn that  
15 while in a introductory period, but the training itself is  
16 six to eight weeks.

17 COMMISSIONER: They don't wear  
18 trainee tags or anything, do they?

19 MS. ECKENBERG: I'm sorry?

20 COMMISSIONER: They don't wear any  
21 trainee tags or anything, do they?

22 MS. ECKENBERG: No.

23 MR. PERSKIEE: They have to be  
24 fully trained before they get out into real combat.

25 COMMISSIONER: Are they paid for

1 their time during training?

2 MR. PERSKIEE: Yes.

3 MS. ECKENBERG: During the time  
4 they're training, yes, they are paid. When they attend the  
5 schools to learn the basic skills, no, they are not paid.

6 COMMISSIONER: And what is that  
7 time it would take to -- to learn the basic skills in  
8 school?

9 MS. ECKENBERG: Six weeks.

10 COMMISSIONER: I have one last  
11 question. The Evansville Landing, they were invited back  
12 after the Gary hearings to visit with the Mayor. Have you  
13 been invited back to visit the with the Mayor?

14 MR. PERSKIEE: No, but the reason  
15 is very simple. Evansville Landing was not in the first  
16 group of three, and as I understand it, and I can't speak  
17 for them, but as I understand, it all goes back to the  
18 dialogue with the city, and those three ceased at that  
19 point. I guess I'm the only one left that will tell you  
20 that. The other three, Aztar, Jumer's and myself were  
21 invited back for a second round of discussions, which in our  
22 case resulted in the negotiating of a letter of commitment  
23 which we filed as so did Aztar. The city eventually chose  
24 Aztar and their letter of commitment before ours, but the  
25 letter of commitment that we filed with the city we consider

1 the advantage and consider it today, binding on both the  
2 city and on us and we intend to live with it.

3 COMMISSIONER: Thank you.

4 THE CHAIRMAN: Anybody else? Mr.  
5 Thar?

6 COMMISSIONER: Just a few questions  
7 and I'll do the rest tomorrow. Going back to that letter of  
8 commitment, in fact, after Aztar was endorsed, didn't you  
9 stand behind that letter of commitment when asked by the  
10 city?

11 MR. PERSKIEE: Yes.

12 COMMISSIONER: So while you were  
13 not being the endorsee of the city, you were not the loser  
14 of the process either?

15 MR. PERSKIEE: Meant to suggest  
16 that we feel that we did obviously better in that process  
17 than the three other companies and we're satisfied. We're  
18 satisfied with all the results of that process of stage  
19 one.

20 COMMISSIONER: But you were not the  
21 city's endorsee.

22 MR. PERSKIEE: Well, we'd rather be  
23 the city's endorsee, but were satisfied with the kind of  
24 commitment that we made to the city. It is in balance and  
25 fair commitment and we're prepared to comply with it.

1 COMMISSIONER: A few quick  
2 questions. First, you indicated that you'd be in operation  
3 on the temporary site by September.

4 MR. PERSKIEE: Yes.

5 COMMISSIONER: For some reason I  
6 find your application that you proposed a quicker -- like a  
7 four or five month time -- time limit.

8 MR. PERSKIEE: Give me just a  
9 second.

10 COMMISSIONER: Why is that?

11 MR. PERSKIEE: Give me just -- I'm  
12 told that we think that we told you six months.

13 COMMISSIONER: Okay.

14 MR. PERSKIEE: Exhibit 42.

15 COMMISSIONER: September 22?

16 MR. PERSKIEE: No Exhibit 42.

17 COMMISSIONER: Thank you. Mr.

18 Brothers, is it?

19 MR. PERSKIEE: Brotherton.

20 COMMISSIONER: Brotherton, I'm  
21 sorry. You indicated about the contract with the Corn  
22 Island Shipyard. Is that to construct the boat or to finish  
23 the boat out?

24 MR. BROTHERTON: To construct the  
25 full vessel, sir.

1 MR. PERSKIEE: You'll find the  
2 contract in the red book, Mr. Thar.

3 COMMISSIONER: You represent that  
4 you have the highest margins in the riverboat industry.

5 MR. PERSKIEE: Yes.

6 COMMISSIONER: Would that be in  
7 part true because you're in joining monopolies presently at  
8 both Lake Charles and Metropolis.

9 MR. PERSKIEE: To a significant  
10 extent. Actually --

11 COMMISSIONER: What do you think  
12 your margins will be once you have the competitive market  
13 there?

14 MR. PERSKIEE: There or here?

15 COMMISSIONER: Pardon?

16 MR. PERSKIEE: There or here?

17 COMMISSIONER: Well, let's put a  
18 boat here in relationship to Metropolis. There's going to  
19 be some kind of competition.

20 MR. PERSKIEE: Mr. Fishman.

21 COMMISSIONER: Thank you.

22 MR. FISHMAN: Ed Fishman. Our  
23 margin will go down here in Metropolis, is what usually  
24 happens with the competition, is that -- what's happening  
25 over the last 60 years is that people start advertising free

1 admission, free food, free shows, free hotel rooms et  
2 cetera. So awarding the good players starts playing down to  
3 the other monopoly. You don't have to go all the way.  
4 Somebody says, okay, it's free admission now, admission goes  
5 away; free drinks, that goes away et cetera, et cetera. So  
6 when -- yes, there is going to be a competition. Our  
7 margins probably will erode in Metropolis.

8 COMMISSIONER: Where -- where do  
9 you project your margins to be two years from now viewing an  
10 Evansville boat?

11 MR. PERSKIEE: You mean  
12 Metropolis?

13 COMMISSIONER: The boat in  
14 Evansville, whether it's yours or somebody else's. Where do  
15 you see the margins?

16 MR. FISHMAN: Well, good question.  
17 If we are the operators here, of course, people will enjoy  
18 the operations. We won't have to compete, and that's a very  
19 important point. All three companies standing in front of  
20 you, will make a substantial amount of money. They may have  
21 omissions in there. They have made revenues for food. They  
22 may have revenues for drinks in there.

23 If we're the operators, I would still be  
24 there. If we're in competition and if Metropolis all of a  
25 sudden starts giving away free drinks, after a while

1 customers will travel an hour to get free admission, free  
2 drinks and a free buffets than the operator here. In other  
3 words, they may start doing competition or their market. So  
4 again, if we are the operators in both places we can  
5 stabilize the market. I mean, we will bring more people  
6 in. We would increase it. We will increase towards them,  
7 but we don't have to erode our margins, so I think we will  
8 continue those margins.

9 Now, if we're not, you know, the operators, I  
10 think the margin will lower, whether it's five percent to  
11 ten percent, it depends. We have a substantial of two  
12 years, and let's say another six months of operation for the  
13 other operator. We'll have two and a half years in the  
14 marketplace in Metropolis. As I said before, we have  
15 approximately a hundred and thirty-five thousand active  
16 regular customers. We have a lot of tour operators that are  
17 very close to us, and quite honestly, we have Merv Griffin  
18 and a lot of people like coming to our properties.

19 COMMISSIONER: Do you see your  
20 margin docking under 40 percent getting closer to the  
21 industry average that -- to the extent that your exceeding  
22 it right now?

23 MR. FISHMAN: In plan 'A' or  
24 plan 'B'?

25 COMMISSIONER: Give me one for

1 each. I'm not learning any figures.

2 MR. FISHMAN: Okay. For plan 'A',  
3 we're the operator?

4 COMMISSIONER: Yes.

5 MR. FISHMAN: I think it will  
6 continue to stay where it is. For 40 percent plus.  
7 Plan 'B', --

8 MR. PERSKIEE: I should suggest to  
9 you upon working on that number that our studies show that  
10 the Evansville area portion of our Metropolis market is a  
11 relatively smaller portion.

12 COMMISSIONER: Twelve percent is  
13 the figure I remember, but that's what you margin will  
14 probably be, that's right.

15 MR. FISHMAN: The general manager  
16 tells me that they're estimating, without the other boat, a  
17 two to three percent decline.

18 MR. PERSKIEE: That's not margin,  
19 Mr. Thar, that's -- that's revenue. That's a revenue  
20 decline, that's not a margin decline.

21 COMMISSIONER: The figures that  
22 were put up earlier --

23 MR. PERSKIEE: The 68 percent? We  
24 don't operate a 68 percent margin. I wish we did.

25 COMMISSIONER: Sorry. One last

1 question.

2 COMMISSIONER: My mother claims  
3 that when she was in her 20s, you were older, that you  
4 signed -- that you signed --

5 MR. GRIFFIN: Did you sign that you  
6 were my son? I remember one night that she was singing in  
7 her band and you joined her. I'm asking if you joined the  
8 band? My question is, is she wrong?

9 MR. GRIFFIN: I mean, I did that a  
10 lot in my years. I sang around for free. What band was  
11 your mother with?

12 COMMISSIONER: I can't remember the  
13 name of it right now. It was in the Chicago suburbs.

14 MR. GRIFFIN: Oh, that was very  
15 possible because every year we played the Edgewater Hotel.

16 COMMISSIONER: That's where it  
17 would have been.

18 MR. GRIFFIN: Yes. I remember your  
19 mother well.

20 COMMISSIONER: Let's end it on the  
21 high note.

22 MR. PERSKIEE: And after all that  
23 work.

24 MR. CHAIRMAN: Well, on that high  
25 note, unless somebody else has anything else, we will call

1 it a day. Thank you very much for your presentations. It  
2 was most enlightening.

3 (Thereupon, the first day of  
4 the proceedings concluded at  
5 7:20 p.m.)  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25