

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION

OCTOBER 17, 1995

BE IT REMEMBERED that the following proceedings
were had before me, RUTH GRISSMAN, Court Reporter, on
Tuesday, October 17, 1995, at the Hammond Civic Center,
5825 Sohl Avenue, Hammond, Indiana.

KAREN M. PRICE & ASSOCIATES
COMPUTER-ASSISTED REPORTERS
P.O. BOX 11270
MERRILLVILLE, IN 46411
(219) 756-0702

APPEARANCES:

On Behalf of the Indiana Gaming Commission:

ALAN I. KLINEMAN, Chairman

ANN MARIE BOCHNOWSKI, Vice-Chairperson

DONALD VOWELS, Secretary

THOMAS F. MILCAREK

ROBERT W. SUNDWICK

ROBERT SWAN

DAVID E. ROSS, JR., M.D.

JOHN J. THAR, Executive Director

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INDIANA GAMING COMMISSION
REGULAR BUSINESS MEETING

October 17, 1995
Commencing at 10:15 a.m.

1 MR. KLINEMAN: The meeting of the Indiana Gaming
2 Commission will come to order. First, I think I want to
3 say a word about the hospitality that we are being shown up
4 here in Lake County in Hammond and East Chicago. We had an
5 occasion to tour the sites yesterday, and it was a
6 beautiful day. And I'm glad you ordered the weather for us
7 because we enjoyed the tour thoroughly. As has been the
8 practice of this Commission, rather than staying in
9 Indianapolis when we are in the process of hearing
10 applicants for licenses, we go to the localities where the
11 licenses will in fact exist in order to get a full picture
12 of what needs to be done and what can be done. So we are
13 here in Hammond today, and we will be in East Chicago later
14 in the week. And we are pleased to be here and want to
15 thank all of those people here in Lake County who have
16 helped arrange for our meeting here.

17 The first item is a regular business meeting. We will
18 then go into the presentations and the other things which
19 we have scheduled. So the business meeting will take place
20 presently, and we'll go into the rest of the activities for
21 these days that we're up here.

22 First, let the record show that all of the
23 Commissioners are here, and we therefore have a quorum.
24 And the first item on our agenda is the approval of two
25 sets of minutes. The minutes of the September 8 meeting

1 which was held in Indianapolis; do all the Commissioners
2 have copies of those minutes?

3 (Commissioners responded
4 simultaneously.)

5 MR. KLINEMAN: Do I hear a motion to approve the
6 minutes of September 8, 1995?

7 MR. SUNDWICK: I'll move.

8 MR. KLINEMAN: It's been moved by Mr. Sundwick.
9 Is there a second?

10 MR. MILCAREK: I'll second.

11 MR. KLINEMAN: Second by Tom Milcarek. Is there
12 any discussion? Hearing none, all those in favor of the
13 approval of the minutes say aye.

14 (Commissioners said aye.)

15 MR. KLINEMAN: Contrary?

16 (No response.)

17 MR. KLINEMAN: The ayes have it, and the minutes
18 are approved. The next set of minutes are for the meeting
19 of October 10, which was a telephonic meeting concerning
20 the approval of certain proposed rules. You have copies of
21 those minutes?

22 (Commissioners responded
23 simultaneously.)

24 MR. KLINEMAN: Is there a motion to approve the
25 minutes of October 10, 1995?

1 MR. SWAN: I'll move.

2 MR. KLINEMAN: Moved by Mr. Swan. Is there a
3 second?

4 DR. ROSS: Second.

5 MR. KLINEMAN: Seconded by Dr. Ross. Any further
6 discussion?

7 (Discussion was held off the
8 record.)

9 MR. KLINEMAN: Okay. Commissioner Vowels is
10 going to abstain from the approval because he did not
11 participate in that telephone conference call. All those
12 in favor say aye.

13 (Commissioners said aye.)

14 MR. KLINEMAN: Contrary?

15 (No response.)

16 MR. KLINEMAN: The minutes are approved. We are
17 now ready for the report of Mr. Thar, the Executive
18 Director, of the activities since we last got together.
19 Mr. Thar.

20 MR. THAR: Thank you, Mr. Chairman and members of
21 the Commission. I'm going to try to keep this report
22 brief. The first item is concerning applicants for
23 suppliers' licenses. As of October 13, 1995, the
24 Commission had received 24 applications for suppliers'
25 licenses. Recommendations for the issuance of temporary

1 licenses to some of the applicants will be made during the
2 new business.

3 Secondly, updates on the Certificate of Suitability
4 holders with regard to Gary. As a result of the September
5 29, 1995 deadline, an operational agreement was arrived at
6 between the Trump and Barden organizations. An agreement
7 was reached with the City of Gary to pay 10 million dollars
8 to the City rather than deeding over of the land and a
9 lease back to the developers. The developers have chosen
10 the option of a 5 million dollar payment up front, which
11 payment I've been advised has been made, and the remaining
12 5 million dollars due and owing 90 days after the opening.
13 Under that option, there was to be no interest on the
14 second 5 million dollars.

15 The development agreement between the two developers
16 for the City of Gary is being worked on. The latest report
17 I had was as of Friday, things were progressing. No
18 problems have been reported, and it is anticipated that the
19 agreement should be finalized by the end of the month. The
20 Corp of Engineers permit was being reviewed for signature
21 last week, and it is anticipated that the final permit
22 should issue early this week, if it hasn't already. So
23 significant progress has been made in Gary since September
24 8, 1995.

25 Evansville. The progress being made by both Aztar and

1 the City of Evansville continues to be smooth and
2 productive. The litigation brought by Mr. Mottley was
3 resolved in favor of the defendants, meaning that the
4 administrative law judge dismissed the suit at the
5 conclusion of the plaintiff's case. Indications are that
6 it will not be appealed and that issue is over.

7 It is presently anticipated that the Aztar opening and
8 movement of the boat are on the same schedule as previously
9 reported, which was the movement of the boat in early
10 November and an opening sometime early to mid December.
11 Electronic gaming devices were received by Aztar at Jeff
12 Boat starting October 2, 1995, and were inventoried and
13 commission registration numbers were placed on the machines
14 during the course of delivery of those electronic gaming
15 machines.

16 In Rising Sun, there is really nothing additional to
17 report beyond what was reported on September 8, 1995. In
18 Lawrenceburg, Indiana Gaming Company also remains as
19 reported on September 8, 1995, with the primary update
20 being that the public notice on the Army Corp of Engineers
21 permit application has finally issued.

22 Preparations for opening of the casino boats,
23 primarily focusing on Aztar. Again, the primary focus of
24 the staff remains on the preparation of rules as well as
25 attempting to do as many backgrounds on the suppliers as

1 are necessary to get that boat open.

2 The final item is with hiring. Most of the Commission
3 members had an opportunity to meet Janine Hooley yesterday.
4 Janine, nobody escapes us. You're going to have to stand
5 up so people know who they're dealing with.

6 (Ms. Hooley stood briefly.)

7 MR. THAR: Janine Hooley has been hired by the
8 Indiana Gaming Commission as the public relations, slash,
9 legislative liaison person, which means all future phone
10 calls are to be directed to Janine Hooley. That would
11 conclude my report, Mr. Chairman, members of the
12 Commission. Are there any questions?

13 MR. KLINEMAN: Any questions of Mr. Thar?

14 (Discussion was held off the
15 record.)

16 MR. KLINEMAN: Yes, there is an echo, at least up
17 here. I don't know if it is out in the audience or not,
18 but there is an echo. It must be because the mic --

19 MS. BOCHNOWSKI: It's probably because when we're
20 listening to the -- well, so that's fine.

21 MR. KLINEMAN: Okay. Well, hearing no questions
22 for Mr. Thar, thank you for the report and thank you for
23 the -- thank the staff for all the work that's been done in
24 the past month.

25 There are no items of old business. New business: We

1 have requests to withdraw as applicants for Indiana
2 Riverboat Owners' Licenses for the following: One is
3 Player's Michigan City; two is Eldorado Riverboat, LLC;
4 three is Jackpot Indiana Riverboat; and four is Harrah's
5 Southern Indiana Riverboat. Also, there's an item of a
6 withdrawal, I think, for Grand Casinos, Inc. You want to
7 present these matters to us, Mr. Thar?

8 MR. THAR: Yes, Mr. Chairman. Do you want to
9 take them as a group?

10 MR. KLINEMAN: Well, I guess we have to take them
11 separately because there are separate resolutions, I
12 believe.

13 MR. THAR: Okay. The first one is with regard to
14 Player's Michigan City, Inc. Player's, who the Commission
15 is familiar with from Evansville, has decided to withdraw
16 as an applicant in Michigan City. They're also in a new
17 business item because they intend to pursue again a license
18 on the Ohio River. So the resolution with regard to
19 Player's simply, in its pertinent part, says -- this is
20 Resolution 1995-30. Section two states very simply: "The
21 request to withdraw the application for Riverboat Owner's
22 License to be docked in Michigan City, LaPorte County,
23 received from Player's Michigan City, Inc., on September 8,
24 1995, is hereby granted effective October 17, 1995." If
25 the Commission disagrees with that, we'll simply change it

1 with pen to "denied." But the resolution before you is No.
2 30, which is drafted to grant the request.

3 MR. KLINEMAN: Okay. We have the Resolution
4 1995-30. You have heard Mr. Thar's report. Any motion to
5 approve Resolution 1995-30?

6 MR. SUNDWICK: I so move.

7 MR. KLINEMAN: Okay. Mr. Sundwick made the
8 motion. Is there a second?

9 MR. MILCAREK: I'll second.

10 MR. KLINEMAN: Mr. Milcarek seconded the motion.
11 Any further discussion? Hearing none, all those in favor
12 say aye.

13 (Commissioners said aye.)

14 MR. KLINEMAN: Contrary?

15 (No response.)

16 MR. KLINEMAN: Resolution is approved. Next item
17 is Eldorado Riverboat. Mr. Thar.

18 MR. THAR: Eldorado, Jackpot, Harrah's, and Grand
19 Casino will all fall into the same category. They're all
20 groups that had applied originally for Floyd or Clark
21 County. The referendum down there did not pass. Each of
22 these groups sat basically in limbo with decisions to make
23 as to whether they wanted to go to a different county or
24 wait for a new referendum. These four particular groups
25 have all decided they no longer want to pursue a Riverboat

1 Owner's License nor do they want to pursue the referendum
2 in Clark or Floyd County.

3 So with regard to the first one, it's Resolution
4 1995-31. It pertains to Eldorado Riverboat, Limited
5 Liability Company. Section Two simply states: "The
6 request to withdraw the application for Riverboat Owner's
7 License to be docked in Floyd County, received from
8 Eldorado Limited Liability Company, received on September
9 27, 1995, is hereby granted effective October 17, 1995."

10 MR. KLINEMAN: Okay. This is really a matter of
11 cleaning up our records. These were people who had applied
12 and participated in a previous referendum, and there's
13 going to be an additional referendum in a couple of weeks.
14 And we're just cleaning up the records to see who are real
15 applicants down there because, as you know, we have the
16 provision that all the applicants must share the cost of
17 the referendum. And there's going to be some additional
18 costs with the new referendum coming up, and we needed to
19 know who exactly were going to be active participants. So
20 the Resolution 1995-31 on Eldorado, do I hear a motion to
21 approve this resolution?

22 DR. ROSS: I'll make that motion.

23 MR. KLINEMAN: Okay, Dr. Ross. Is there a
24 second?

25 MR. VOWELS: I'll second.

1 MR. KLINEMAN: Mr. Vowels. Any further
2 discussion? Hearing none, all those in favor say aye.

3 (Commissioners said aye.)

4 MR. KLINEMAN: Contrary?

5 (No response.)

6 MR. KLINEMAN: Resolution 1995-31 is approved.
7 Resolution 1995-32, which is Jackpot, is there a motion to
8 approve that resolution?

9 MR. VOWELS: I'll move.

10 MR. KLINEMAN: Mr. Vowels moves. Is there a
11 second?

12 MR. SUNDWICK: Second.

13 MR. KLINEMAN: Second by Mr. Sundwick. Any
14 further discussion?

15 MS. BOCHNOWSKI: I just have a question. In
16 their letter, they're requesting a refund of their
17 application fee? That does not --

18 MR. THAR: We have advised them -- I personally
19 contacted them by phone and told them our statute prohibits
20 that. They would have to sue us to get that back. They
21 said they understood. We followed up by a formal letter.
22 But they are unable to get their application fee back.

23 MS. BOCHNOWSKI: Thank you.

24 MR. KLINEMAN: Any further discussion? Hearing
25 none, all those in favor say aye.

1 (Commissioners said aye.)

2 MR. KLINEMAN: Contrary?

3 (No response.)

4 MR. KLINEMAN: Resolution 1995-32 is approved.

5 Resolution 1995-33 is Harrah's Southern Indiana Riverboat,

6 LP. Is there a motion to approve that resolution?

7 MR. SWAN: I'll move.

8 MR. KLINEMAN: Moved by Mr. Swan.

9 MR. MILCAREK: Second.

10 MR. KLINEMAN: Seconded by Mr. Milcarek. Any
11 further discussion? Hearing none, all those in favor say
12 aye.

13 (Commissioners said aye.)

14 MR. KLINEMAN: Contrary?

15 (No response.)

16 MR. KLINEMAN: Resolution 1995-33 is approved.

17 Resolution 1995-34 deals with Grand Casinos, Inc. Mr.

18 Thar.

19 MR. THAR: Yes. The only reason Grand Casinos is
20 shown differently on the agenda where we show it as "Action
21 concerning Grand Casinos, Inc.," is we had sent a letter to
22 all of the people we had not heard from in Clark and Floyd
23 Counties. At the time we put the agenda together, we had
24 not heard from Grand Casinos. We put them on the agenda
25 the way that they are to determine whether or not a letter

1 be dictated that the staff would recommend that they be
2 considered withdrawn.

3 After the agenda was completed, they did send us a
4 letter, so they're identical to Eldorado, Jackpot, and
5 Harrah's. They've also requested to withdraw as an
6 applicant. And again, that Section Two reads the same as
7 the others, that we have received a request to withdraw
8 from Grand Casinos on October 12. And it is already
9 prepared as it is here, by grant effective October 17.

10 MR. KLINEMAN: Okay. Approve the resolution; is
11 there a motion to approve the resolution?

12 MR. SWAN: Move.

13 MR. KLINEMAN: Move by Mr. Swan. Is there a
14 second?

15 MR. SUNDWICK: Second.

16 MR. KLINEMAN: Seconded by Mr. Sundwick. Any
17 further discussion? All those in favor say aye.

18 (Commissioners said aye.)

19 MR. KLINEMAN: Contrary?

20 (No response.)

21 MR. KLINEMAN: Resolution 1995-34 is approved.

22 Now we have Resolution 1995-35 on New Albany Landing
23 Company, LLC. Mr. Thar, can you tell us about that?

24 MR. THAR: New Albany Landing Company, LLC, was
25 originally 100 percent owned by an individual by the name

1 of Plato Foufas. It is a riverboat application that was
2 transferred to Harrison County some time ago.
3 Subsequently, there have been negotiations between
4 Mr. Foufas and Player's. And to make a long story short,
5 Player's has submitted an extensive amendment to the
6 existing application, which for all practical purposes is a
7 new application, which shows Player's as the 100 percent
8 owner. And they are asking that the amendment would show
9 them as the 100 percent owner and a new project for
10 Harrison County be approved by this Commission.

11 The Resolution captioned 1995-35 explains in Part One
12 and Part Two at the top: "One: Aspen Casino Corporation,
13 Aspen, filed an application for a Riverboat Owner's License
14 in Harrison County in the name of New Albany Landing
15 Company, LLC, New Albany Landing. Two: On September 29,
16 1995, the Commission received a letter requesting approval
17 of the transfer of the ownership of the applicant, New
18 Albany Landing, to Player's International, Inc., Player's."
19 Player's also submitted amendments to the application filed
20 by New Albany Landing, which takes the form of a new
21 application. And the agreement between Player's and Aspen
22 setting forth the terms of the transfer is in the letter, a
23 copy of which is attached. The resolution then defines the
24 scope and the definitions. And then Section Three sets
25 forth the action. It reads as follows: "Section Three:

1 Action under request for amendment. The amendment of the
2 New Albany Landing Company, LLC, application requested by
3 Player's International, wherein the ownership of the
4 applicant will be transferred from Aspen Casino Corporation
5 to Player's International, submitted on September 29, 1995,
6 is hereby" -- and there's a line for either granted or
7 denied, with an effective date for a resolution of today,
8 signature lines for Alan Klineman as the Chair and Donald
9 Vowels as the secretary.

10 From a staff perspective, this amendment will not in
11 any way slow down the process for Harrison and Crawford
12 Counties, as Player's has already been looked at and no
13 investigations are started in those areas. From a
14 competition standpoint, it makes the application of New
15 Albany Landing Company, LLC, a competitive applicant, where
16 it was questionable whether or not they would have been a
17 competitive applicant in the past.

18 The question that has not been presented to this
19 Commission that this resolution does present is this is the
20 first time that a non-competitive application has been
21 taken over 100 percent by a group that makes that
22 application competitive.

23 MR. KLINEMAN: Okay. You've heard the Resolution
24 1995-35. Is there a motion to approve that resolution?

25 MS. BOCHNOWSKI: I would so move.

1 MR. KLINEMAN: Ms. Bochnowski. Is there a
2 second?

3 MR. VOWELS: I'll second.

4 MR. KLINEMAN: Mr. Vowels. Any further
5 discussion or questions?

6 MR. VOWELS: I have a question. Mr. Thar, when
7 we've dealt with these situations before, it appears that
8 one of the essential elements that we've had to consider is
9 the investigative process. And from what you've told us,
10 this will in no way impede the investigation if we grant
11 this; is that correct?

12 MR. THAR: That is correct. No time lines have
13 presently been set by staff or the Commission. Presently,
14 the Commission at the September 8 meeting indicated the
15 final deadlines for the changing of any applications in
16 Harrison, Crawford, Perry, or Switzerland would be accepted
17 at a date not yet set but after the results of the
18 referendum. In terms of the timeliness of this request, it
19 is not the same type of issue faced by the Commission
20 before. This request is plenty early for any of the time
21 lines that they have down the line as they would go with
22 regard to Harrison County. As I indicated, the only
23 difference in this particular one is it's the first time
24 that an application which was not -- it was basically owned
25 by one person. We don't know what would have happened with

1 that application. It's now being purchased basically by an
2 applicant that will make that application competitive.

3 MS. BOCHNOWSKI: I guess I would be in favor of
4 this just because of the advantage to Indiana of having
5 another competitive application. To me that seems like a
6 benefit, especially if there's no real time problem.

7 MR. THAR: There's no time problem.

8 MR. KLINEMAN: Okay. I have the resolution made
9 and seconded. I forgot that we need to amend the
10 resolution to insert the word either "granted" or "denied"
11 in Section Three.

12 MS. BOCHNOWSKI: When I made the motion, I was
13 intending to make it "granted."

14 MR. VOWELS: My second was based upon our
15 telepathy; the same.

16 MR. KLINEMAN: So the motion 1995-35 as it would
17 read now has the word "granted" in Section Three. Any
18 further discussion? Hearing none, all those in favor say
19 aye.

20 (Commissioners said aye.)

21 MR. KLINEMAN: Contrary?

22 (No response.)

23 MR. KLINEMAN: Resolution 1995-35 is approved.

24 Now we have an item of business: Temporary suppliers'
25 licenses. And we have before us Resolution 1995-36, which

1 I think Mr. Hannon is going to tell us a little bit about.

2 MR. HANNON: Yes, Mr. Chairman. We've completed
3 preliminary investigations on the Old Philadelphia Mint, a
4 group out in Haverstown, Pennsylvania that makes tokens and
5 chips; also on the Bud Jones Company out in Las Vegas that
6 makes a variety of materials for games and gaming activity.

7 MR. KLINEMAN: And you recommend to the
8 Commission that we grant temporary suppliers' licenses to
9 those two entities?

10 MR. HANNON: Yes, sir.

11 MR. KLINEMAN: Okay. Is there a motion to adopt
12 Resolution 1995-36 granting temporary suppliers' licenses
13 to Old Philadelphia Mint and Bud Jones Company, Inc.?

14 MR. SUNDWICK: I'll make the motion.

15 MR. KLINEMAN: Made by Mr. Sundwick. Is there is
16 a second?

17 MR. VOWELS: I'll second.

18 MR. KLINEMAN: Second by Mr. Vowels. Any further
19 discussion? Hearing none, all these in favor of Resolution
20 1995-36 say aye.

21 (Commissioners said aye.)

22 MR. KLINEMAN: Contrary?

23 (No response.)

24 MR. KLINEMAN: The resolution is adopted. Next
25 is a resolution granting the Executive Director authority

1 to grant IEP, Limited a temporary suppliers' license.
2 Mr. Hannon, you want to tell us a little bit about that?

3 MR. HANNON: Yes, sir, Mr. Chairman. IEP,
4 Limited is the company who has been contracted to put
5 surveillance cameras on the Aztar boat. Because of the
6 timing involved, we can't get the investigation -- a
7 complete temporary investigation completed to allow for
8 those to be placed on the boat in a timely manner. We'd
9 ask permission for us to be able to conduct a
10 preliminary-preliminary investigation where we feel
11 comfortable, and at that time allow them to place the
12 cameras on board. Both the company and Aztar have agreed
13 that if we thereafter find a problem, they will remove the
14 cameras. The problem is we will not have any of that done
15 before our next meeting, so we'd like for the Executive
16 Director to be able to grant that license once we reach
17 that level of comfort.

18 MR. KLINEMAN: Okay. We have before us
19 Resolution 1995-37, which under certain circumstances
20 grants our Executive Director the authority to issue
21 temporary suppliers' licenses to the company outlined by
22 Mr. Hannon. Attached thereto is a letter from the Casino
23 Aztar, which I think sets forth some of the facts,
24 including that the company has previously been investigated
25 by a number of states. And it's just a matter that we have

1 not completed our investigation, which of course is
2 important to this Commission. But by this resolution, we
3 would not be granting them a license, but just giving Mr.
4 Thar the authority to grant the license under certain
5 circumstances.

6 MR. SWAN: Move to approve, sir.

7 MR. KLINEMAN: Beg pardon?

8 MR. SWAN: Move to approve.

9 MR. KLINEMAN: Move by Mr. Swan. Is there a
10 second?

11 MR. VOWELS: I'll second.

12 MR. KLINEMAN: Second by Mr. Vowels. Any further
13 discussion of Resolution 1995-37? Hearing none, all those
14 in favor say aye.

15 (Commissioners said aye.)

16 MR. KLINEMAN: Contrary?

17 (No response.)

18 MR. KLINEMAN: Resolution 1995-37 is adopted.

19 That brings us to items of other business. Is there
20 anything else that should come before the Commission, any
21 member or Mr. Thar?

22 MR. THAR: No. Only the resolution we just did
23 would have been the other business.

24 MR. KLINEMAN: I'm sorry?

25 MR. THAR: We have concluded the other business

1 with that resolution.

2 MR. KLINEMAN: Okay. I guess we will be
3 announcing our next meeting at the conclusion of the
4 application hearings, which will be sometime in the latter
5 part of this week, at which time we will set another
6 meeting. And we will -- I guess at this point we would
7 take a very short recess in order for the applicant Bally's
8 Indiana, LP, to get ready for their presentation.

9 (Discussion was held off the
10 record among Commission
11 members.)

12 MR. KLINEMAN: Are we in recess or should we
13 adjourn? Anybody have any idea what we should do?

14 MR. THAR: We should adjourn the business meeting
15 and then start the public hearings.

16 MR. KLINEMAN: Okay; all right. Then with that,
17 the Chair would entertain a motion to adjourn the business
18 meeting, and we will then go into the presentation phase.
19 Is there a motion to adjourn?

20 MR. SUNDWICK: I move.

21 MR. KLINEMAN: Okay; Mr. Sundwick moves. Is
22 there a second?

23 MR. MILCAREK: Second.

24 MR. KLINEMAN: Mr. Milcarek. All in favor say
25 aye.

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(Commissioners said aye.)

MR. KLINEMAN: All right. The meeting is adjourned, and we will reconvene in -- is five minutes enough? Ten minutes? Okay. It's about five minutes of 11:00 now.

(Recess was taken, and the proceedings reconvened at 11:00 a.m.)

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BEFORE THE INDIANA GAMING COMMISSION
OPENING COMMENTS BY THE CITY OF HAMMOND

October 17, 1995

Commencing at 11:00 a.m.

1 MR. KLINEMAN: Excuse me; could we come back to
2 order. The first item on our agenda now is opening remarks
3 from the City of Hammond. Is the Mayor here? I think I
4 saw him earlier. Oh, there you are, Mayor. Welcome.

5 MAYOR DEDELOW: Good morning. It is indeed a
6 pleasure to welcome all of you here to Hammond today. On
7 behalf of the citizens of Hammond, I extend a warm welcome
8 to the members of the Indiana Gaming Commission, gaming
9 applicants, members of the press, business and community
10 leaders, interested citizens. I thank you all for joining
11 us here on this important occasion.

12 This is an exciting era and an exciting moment for
13 Hammond. We've been looking forward to this day for a long
14 time. Hammond is in a period of intense achievement as
15 many projects come to fruition: park renovations, new
16 schools, new roads, new businesses coming to town and
17 hiring our residents, a downtown overpass just finished,
18 and very soon the new federal courthouse as a cornerstone
19 of our downtown revitalization project.

20 And now we are here for two days to focus on the
21 development on the lakefront. With this new project, we
22 continue with our plans for building Hammond's future, and
23 the future looks bright indeed. I want to emphasize that
24 Hammond is looking not only at the lakefront; we are
25 looking at improvements for every neighborhood, every block

1 on every street in this city. Our plan is to make life the
2 best that it can be for everyone who lives and works in
3 Hammond. This opportunity to complete our lakefront
4 development is one piece of our larger plan to secure a
5 prosperous future for our families today and tomorrow.

6 I want to thank each of you who has a role to play in
7 the presentations these two days. I know that a great deal
8 of effort has gone into preparing for this moment, and we
9 appreciate that. For myself, I look forward to sharing
10 with you at the appropriate time our vision for Hammond and
11 how gaming can work with us to achieve our goals. I want
12 to say at the outset, as I will reiterate in our formal
13 presentation, that there are several priorities for us in
14 this new development. Those priorities were not set only
15 by me, but also through a process that included
16 participation from neighborhoods, business, labor, and
17 government.

18 We look forward to the revenue that gaming will bring
19 to our community; but more important than that, it is a new
20 opportunity to achieve the priorities that we have set for
21 ourselves. Let us not delay this proceeding any longer.
22 Let's get on with building Hammond's future. Thank you.

23 MR. KLINEMAN: Thank you, Mayor.
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BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY BALLY'S INDIANA, LP

October 17, 1995

Commencing at 11:05 a.m.

1 MR. KLINEMAN: We're ready for the Bally's
2 Indiana, LP presentation.

3 MR. BOYD: Thank you, Mr. Chairman. We would
4 like to open our presentation with a brief video
5 introduction to Bally Entertainment Corporation.

6 (Video presentation was shown
7 at this time.)

8 MR. BOYD: Chairman Klineman, members of the
9 Commission, staff and counsel, I am Jay Boyd of the
10 Indianapolis law firm of McHale, Cook and Welch. My firm
11 and I are proud to represent and be associated with Bally
12 Entertainment Corporation, one of America's leading gaming
13 companies, and with Bally's Indiana, Limited Partnership,
14 the applicant before you today.

15 Bally's is a New York stock exchange company with its
16 corporate headquarters in Chicago near O'Hare Airport. The
17 oldest name in the gaming industry, Bally's has been
18 transformed into a one billion dollar company, now totally
19 focused on gaming, entertainment, and lodging. Bally's
20 competes successfully in the world's two most competitive
21 gaming markets: Atlantic City and Las Vegas. Bally's also
22 operates riverboat casino properties in Mississippi and
23 Louisiana, a casino property in Washington state, and two
24 racetracks in Maryland. The video just shown has given you
25 a glimpse of the people of Bally's, its properties in Las

1 Vegas, Atlantic City, and elsewhere, and the power and
2 excitement of what we call the Bally advantage.

3 What we want to do today is not to look back on
4 Bally's 60 years in the gaming and entertainment industry,
5 but to look forward to Bally's vision to turn the Hammond
6 lakefront into an exciting entertainment destination for
7 northwest Indiana and the Chicagoland region, and to do so
8 in a safe, convenient, and aesthetically pleasing manner.

9 This morning we will demonstrate to you the advantages
10 to the City of Hammond and to the State of Indiana
11 presented by Bally's. The Bally advantage is reflected in
12 the conception and design of the Bally's Lakehouse project.
13 The Bally advantage will be demonstrated by Bally's
14 financial power and it's dynamic work force. The Bally
15 advantage comes to you through the Chicagoland roots of
16 Bally's and the participation in this project of northwest
17 Indiana's premiere construction firm as both a builder and
18 an owner. Bally's also offers a competitive edge to
19 Indiana and its skilled workers through innovation and
20 commitment in marine design and operations. We give you
21 real vision and the resources, experience, and local flavor
22 to make that vision reality.

23 To explain this vision and to demonstrate firsthand
24 the Bally advantage, it is my pleasure to introduce to you
25 my friend Arthur Goldberg, a lawyer by training who

1 practiced in Philadelphia before his successes in business.
2 Arthur is the visionary who has overseen Bally's dramatic
3 growth and financial success in the five years since he
4 assumed control of the company. Arthur is the Chairman,
5 President, and Chief Executive Officer of Bally
6 Entertainment Corporation. Arthur.

7 MR. GOLDBERG: Thank you, Jay. Mr. Chairman,
8 distinguished Commission members, and staff, I always
9 thought that Indiana presented some unique gaming
10 opportunities. None, however, in my opinion, surpassed the
11 challenge and potential of the Hammond market. Frankly, it
12 has only been within the past couple of months that I've
13 really become excited about this project. Until then, we
14 simply felt compelled, out of deference to the City, to
15 constrain our response. We thought it made some sense
16 or 18 months ago to go along with the City's plan to build
17 generically. Bally's did not want to stand in the way of
18 the economic upswing that is assured the City of Hammond by
19 this gaming license and business opportunity. But today we
20 believe the real question is: Will the upswing be
21 long-term or short-lived?

22 The fact is the City's plan, although well conceived,
23 has not resulted in early completion of infrastructure
24 necessary to relieve the traffic and other pressures which
25 are certain to occur with a development of this size. As

1 it became more and more unlikely that completion of the
2 road and bridge work would coincide with the license award,
3 it became clear that the so-called advantages of the City's
4 preferred developer's generic plan had become entirely
5 artificial and in fact restrained the potential economic
6 development of the Hammond waterfront. Being the operator
7 with the first boat in the water does not necessarily
8 equate to being the best plan for the City's, region's, and
9 State's economic development and the long-term competitive
10 environment that will surely characterize this northwest
11 Indiana market. Bally's has a plan, Mr. Chairman, that
12 will provide more jobs, greater economic impact, and a
13 sense of civic pride and accomplishment that none of our
14 worthy opponents can offer.

15 But before we present our vision for the Hammond
16 advantage, I must pause and admit to you that on paper, our
17 proposal is, after all, just bricks and mortar, glass and
18 iron, paint and equipment. Bally's Lakehouse, however,
19 will be people -- putting people first, the cornerstone of
20 Bally's success across this great nation. We believe that
21 when you deal fairly with people, employees, customers,
22 vendors, regulators, whoever, integrity and honesty,
23 courtesy and dependability must follow.

24 To amplify this point, I'd like to ask our
25 Vice-President of Governmental Relations and Planning at

1 Bally's Park Place, my partner, Redenia Gilliam-Mosee, to
2 take a few moments and address the quality of our work
3 force and its importance to our corporate character.

4 Redenia.

5 MS. GILLIAM-MOSEE: Good morning. Having been in
6 the Midwest and attended Wilverforce University, I had not
7 had the opportunity to prepare for gaming. However, I'm a
8 city planner by profession. Atlantic city is my home. I
9 grew up there. I made beds and worked as all the other
10 young people did. But the opportunity after graduating
11 from school and from a Master's at Rutger's was the
12 opportunity to return home and see the development of my
13 city. I take those few moments to say that because the
14 credibility which is very important to myself personally is
15 the ability to deliver to communities with a very strong
16 sense of sensitivity.

17 Bally's, when it built its initial property in
18 Atlantic City, is located across from a hospital, a school,
19 and a church. All of those facilities had to continue
20 operating. My job with Bally's as Corporate Vice-President
21 of both Park Place and The Grand is to be involved with the
22 community aspect on external affairs; that means from city
23 council people to working with understanding public policy
24 initiatives to being involved on various boards from JTPA
25 and chairing the Private Industry Council, chairing the

1 local Chamber of Commerce, and being very pleased to see
2 only a block from here the Hammond Boys and Girls Club, of
3 which I have been president of the Atlantic City Boys and
4 Girls Club for thirteen years. I give you that background
5 only to say that our company has supported the kinds of
6 activities that I feel are very important for us to
7 demonstrate corporate commitment. Involved with United Way
8 campaigns, community based organizations, NAACP, the Urban
9 League, our record is just that you pick up a phone, call
10 your counterpart in Atlantic City or any of our
11 communities, and ask them about Bally's.

12 We have employees of over 7,000 in the Atlantic City
13 area, representing 45 percent of minorities and women; and
14 in the upper echelon, two executive vice-presidents who
15 have distinguished themselves in that career.

16 Bally's has allowed me to be a part of understanding,
17 being a city planner by profession, how I am then able to
18 interact with our corporate policy. I have been doing that
19 now for 17 years, and I look forward to answering any
20 questions you have as how we have demonstrated our
21 corporate commitment and what we look forward to bringing
22 here to Hammond in terms of competitive wages, benefits;
23 but more so than that, becoming an active part of our
24 community by being on boards, attending churches, as many
25 of us do as part of our entire livelihood, and welcoming

1 here to this part of Indiana the opportunity for your young
2 people to stay home, to come back home, and to grow with
3 this economic development project. Thank you.

4 MR. KLINEMAN: Thank you.

5 MR. GOLDBERG: Thank you, Redenia. Now,
6 Mr. Chairman, I'm proud to introduce to you the Bally's
7 team that will work with the leadership and community of
8 Hammond on behalf of Bally's and our local partnership to
9 shape our vision for a waterfront project that will
10 succeed, despite competition, instill a sense of renewed
11 civic pride, and guarantee participation by the workers,
12 the residents, and entrepreneurs of this city in a
13 once-in-a-lifetime opportunity.

14 Kim Goluska is an architect and urban planner of
15 unmatched experience and an unyielding dedication to the
16 principle that urban development requires a vision for the
17 future and not simply a solution for the present.

18 Rich Gardner, the President and Chief Executive
19 Officer of Calumet Construction, is clearly a leader in his
20 field and in dealing with the realities of rebuilding
21 America's cities. He is one of Hammond's own, a resident
22 of this area, and we believe he will bring to the Bally's
23 project not only the strength and capabilities of one of
24 this country's foremost builders, but also the insight
25 necessary to fully understand Hammond and its needs.

1 Also, Norman De Jong. Mr. De Jong is our naval
2 architect and has extensive experience in nautical and
3 marine construction. He has been at the forefront of the
4 riverboat construction industry since its inception, and we
5 believe he has an unparalleled understanding and practical
6 knowledge of the shipbuilding industry.

7 I also have with me today our local partners and
8 several of our senior corporate officers from Bally's who
9 will be available for your questions subsequent to our
10 presentation. Kim.

11 MR. GOLUSKA: Thank you, Arthur. What I would
12 like to do now is just take a few moments and share with
13 you the vision of Bally's Lakehouse. Bally's Lakehouse is
14 as much, if not more, about urban development and community
15 building as it is about casino gaming. From my
16 perspective, the opportunity to leverage the growth in
17 gaming and entertainment that's sweeping this country in
18 order to put in place a long-term investment in the
19 portfolio of a community is the real potential that we
20 bring to this project.

21 Therefore, in order to begin crafting an appropriate
22 development for Hammond's lakefront, what we did at the
23 outset was establish four simple objectives. First, the
24 project should provide a symbol of celebration and civic
25 pride for this community, something they can be proud of

1 for centuries and generations to come, something they see
2 as a part of the portfolio of their community. Second, in
3 an increasingly competitive environment, it needs to
4 respond to that competition. And in an increasingly
5 ever-changing marketplace, it needs to stay at the top of
6 the competition. Thirdly, it needs to put in place and
7 create a long-term economic development framework since
8 that's really what this is all about. And finally, there
9 needs to be a sense that this is a long-term investment
10 strategy.

11 As you'll see in here about our projects, over 70
12 percent of the capital investment we're talking about goes
13 into land based development, not into boats that can float
14 away or go to other communities. We want this to be a
15 long-term investment in the community. The slide that's on
16 your right (indicating) gives you and certainly gives me a
17 perspective of where Hammond sits in the Chicago regional
18 marketplace. I think as you look at Hammond from that
19 perspective and realize it's about 15 minutes from downtown
20 Chicago, there are incredible opportunities that I think
21 other communities around the region don't have in front of
22 them.

23 We then set out three planning principles. The first
24 really is to build on the history and legacy of northwest
25 Indiana. I think rather than seeing volcanoes and western

1 themes and theme park type elements, there is a legacy and
2 history in northwest Indiana from world famous restaurants,
3 such as Phil Smidt's right down the street from the site,
4 to the old Maduras Danceland that used to exist right on
5 the site where Benny Goodman, Tommy Dorsey, and other name
6 entertainment played back in the 30's, 40's, and 50's, to
7 the world class quality of recreation that the whole
8 crescent corridor along the shore of Lake Michigan
9 represents, from Route 12 to the Oasis Resort in Michigan
10 City, the old Red Lantern restaurant, The Spa, which still
11 exists in Chesterton today. Northwest Indiana and the
12 crescent corridor really has been for the region a
13 recreational heartplace, and I think that's our intention
14 to reinforce that legacy and build upon that.

15 Second, we want to leverage the existing investment in
16 the marina. The City has put a tremendous investment in
17 the Hammond Marina, and I think it's an opportunity to
18 leverage that and enhance that and increase it. While
19 Hammond is certainly not Baltimore's inner harbor and
20 certainly not Monte Carlo in Europe, clearly there's an
21 opportunity to create an inner harbor character to the
22 scale and appropriate size of Hammond and really create an
23 active and exciting place along the waterfront that people
24 from the region will come to visit as they have in the
25 past.

1 And finally, the third principle is really to position
2 Hammond; Hammond really has a unique position. Many people
3 come across the border to buy cigarettes and gas because of
4 the cheaper tax rate. We'd like to position Hammond really
5 as the gateway to Indiana's Lake Michigan south shore and
6 this whole recreational corridor and really start bringing
7 some economic development back into the State as people use
8 this city and this region as a gateway to the area.

9 While we'd love to claim that the credit for this
10 vision is all ours, it really comes from within the
11 community. Back in 1984, I had the chance to spend time
12 with Congressman Visclosky when he unveiled what he called
13 the Marquette Project. It's really a vision to recapture
14 the south shore of Lake Michigan, much in the spirit and
15 character of Daniel Burns' famous plan for the Chicago
16 lakefront. I was impressed with it then. I was impressed
17 with what the Congressman was able to achieve in terms of
18 recapturing what is really a glorious piece of lakefront.

19 In fact, just recently, back in July, the Robertsdale
20 community completed a study undertaken by the City that
21 specifically looked at riverboat gaming as it came to
22 downtown Hammond. And if you'll look carefully at that
23 study, what you find is they really think of this as --
24 riverboat gaming as really part of a total development
25 plan, rather than merely as a boat and a parking facility.

1 I think this notion from the Robertsdale study speaks well
2 to Congressman Visclosky's earlier vision and certainly the
3 enthusiasm of what the Hammond lakefront could be.

4 I'd also note the slide on the right (indicating)
5 really suggests that, in my opinion, open and undeveloped
6 harborfront does not necessarily achieve an accessible,
7 usable, and open-to-the-public waterfront, as today's
8 conditions at the Hammond waterfront illustrate. A chain
9 link fence and a parking lot does not give public access to
10 the waterfront. People, activity, Baltimore's inner
11 harbor, really shows you how you can get active, exciting
12 waterfronts.

13 Bally's Lakehouse, which I'd like to kind of walk you
14 through briefly -- and the name itself really is suggestive
15 of responding to this heritage and looking beyond that to
16 the future and returning a quality of entertainment to the
17 shores of Lake Michigan and northwest Indiana. Bally's
18 Lakehouse really has four components. First, the casino
19 lake boat, a high quality lakegoing vessel with casino
20 amenities, a full complement of gaming facilities, and a
21 full complement of casino amenities. And you'll hear more
22 about the boat and some unique plans to build the boat in a
23 few moments.

24 The second is what we call the Lakeside Hotel and
25 Conference Center, a 200 room hotel on the lakefront. I

1 think if the slide I showed you of Hammond's position and
2 the harbor's position and relationship to downtown Chicago
3 doesn't convince you, I think if you talk to local business
4 leaders and people who stay in Valparaiso or in Chesterton
5 or down in Merrillville or downtown Chicago instead of here
6 because of a lack of lodging will show you the demand for a
7 hotel in downtown.

8 Also the opportunity for -- I think the World Cup
9 German team, when they came to Chicago, I believe stayed in
10 Merrillville. The opportunity to capture business, capture
11 conference business, convention business, again on a scale
12 and character appropriate to Hammond, is a real opportunity
13 we see with the Lakeside Hotel and Conference Center. The
14 ballroom and entertainment hall, as I mentioned before,
15 you'll see no volcanoes, no pirate ships, but you'll see
16 high quality entertainment much as you saw back at Maduras
17 Danceland. And the notion here is a 55,000 square foot
18 entertainment hall along the waterfront, really drawing
19 from the region, not just Indiana, but certainly Michigan,
20 Chicago, Illinois, as well as from throughout the country,
21 and bring back to the shoreline not Benny Goodman and Tommy
22 Dorsey, but certainly the name entertainment you see
23 appearing at Bally's facilities and entertainment hubs
24 across the country.

25 The final piece of it is the harborfront promenade.

1 It's really an opportunity to take what was proposed as a
2 nine-story garage along the lakefront and put it back on
3 the land side of the harbor and create an edge along it of
4 retail and activities along the harbor. It really was an
5 effort trying to create an inner harbor much like
6 Baltimore's or some of the other great harbors around the
7 country and activate that for the benefit of the marina
8 users, the harbor users, the public, the general public who
9 just want to come down and put their feet in the water, the
10 opportunities for engaging local businesses to put
11 facilities in there rather than bringing them in from the
12 outside area.

13 When you compare the plan -- the site plan here at
14 Bally's Lakehouse with an aerial photograph, you get a
15 little bit better sense of how things fit together. Off to
16 the left of both these slides (indicating) is the bird
17 sanctuary, the migratory bird sanctuary, which is clearly
18 not being impacted by the project. And in fact, there's an
19 opportunity here to enhance that and include some
20 interpretive programs inside the retail along the edge of
21 the harbor and the harborfront promenade.

22 But I think what you find when you compare these two
23 pictures together (indicating), that by resolving the
24 access problem -- and if I could just take a moment and
25 pause with the pointer, if I can do this -- the original

1 intention was to use this three-lane wide road (pointing),
2 about a 30-foot wide road which is between the filtration
3 plant and the harbor, to access the entire 1,200 car
4 parking facility, as proposed in the generic plan. By
5 taking that parking facility and putting it out here
6 (pointing), as we've done, in a three-story, four-level
7 deck, and putting the hotel in the prominent position here
8 (pointing), allowing access to several points along here to
9 segregate marina traffic and gaming-going traffic and
10 freeing up the lakefront really for the quality hotel, much
11 similar to what I talked about earlier, it does several
12 things. It solves what we think is a very difficult access
13 problem by placing the garage on the land side. It also
14 creates, we believe, a far more powerful and aesthetically
15 appropriate design. It also allows us to start creating an
16 inner harbor and responding to Congressman Visclosky's and
17 others' suggestions to really think about the lakefront as
18 a place for the public and a place for activity.

19 And just as Phil Smidt's, if you look at their place
20 cards, has a reputation of being known the world over, we
21 think it's appropriate that that sort of reputation and
22 character should accrue to Hammond from its gaming operator
23 and its gaming development. We'd like this development to
24 be known the world over. We'd like -- similar to Phil
25 Smidt's, Hammond deserves a gaming operator that's known

1 the world over and has a reputation that can bring in name
2 entertainment and quality development.

3 I am personally very proud of this vision. I think
4 it's appropriate for the City of Hammond. I think it's
5 appropriate for the region. I also think it responds
6 directly to what the Commission has set out from the
7 legislation for riverboat gaming in Indiana. However, it
8 requires one other element: local stewardship. Therefore,
9 Bally's sought early on local investors, not for financial
10 wherewithal, but rather to act as community stewards to
11 make certain that this investment is built on time with the
12 quality and character that these area businessmen and civic
13 leaders would be proud to have as part of the community's
14 portfolio.

15 Heading up this group of local investors and local
16 stewards is Rich Gardner of Calumet Construction. I'd like
17 to ask Rich to come up and talk a little bit about the
18 local stewardship and also about the construction schedule.

19 MR. GARDNER: Thank you, Kim. As mentioned
20 earlier, I was raised in Hammond and am a product of the
21 Hammond school systems. I am the president of Calumet
22 Construction Corporation, which was started right here in
23 Hammond by my father over 50 years ago. Since completing
24 military service 25 years ago, I've been totally immersed
25 in northwest Indiana, both in the construction industry and

1 in service to my community. I am standing here today
2 representing Bally's International -- Indiana Limited
3 Partnership, which includes educators and businessmen from
4 right here in northwest Indiana.

5 Bally's approached us seeking a local flag bearer for
6 their project in Indiana. Bally's sought a local steward
7 which would ensure that their project would meet or exceed
8 the expectations that our legislators had down state back
9 when they addressed the subject of gaming here in Indiana.
10 We understand that our legislators passed gaming to provide
11 much needed development for us Hoosiers. Bally's wanted
12 assurance that their facilities here in Hammond would meet
13 or exceed our legislators' goals by providing the most
14 positive impact on our community from an economic, social,
15 and developmental standpoint. Certainly, Bally's wanted
16 our civic representation rather than our investment of
17 money.

18 Now I'd like to introduce Calumet Construction
19 Corporation because it is our mission and our
20 responsibility to design and construct the project that
21 we're presenting before you this morning. We were
22 incorporated approximately 50 years ago here in Hammond and
23 have signed labor agreements with the building and
24 construction trades unions here in northwest Indiana that
25 go back even further than that. We employ in excess of 400

1 union craftspersons. We have in existence active mentor
2 prodigy programs with DBE's here in Hammond, Gary, and
3 Indianapolis. Calumet is listed in Engineering News
4 Record's top 400 contractors. And most important to this
5 project, Calumet is one of only approximately 40 both Alpha
6 and Beta test sites for the Primavera scheduling system,
7 which is by far our industry's most reliable and most
8 utilized scheduling software package.

9 While we at Calumet were establishing the budgeting
10 and scheduling models for this project and in a spirit of
11 providing more jobs here in northwest Indiana, I suggested
12 to Mr. Goldberg that perhaps if we could build the boat
13 right here in northwest Indiana, we could provide more
14 union labor jobs here in our community. I further
15 suggested that perhaps we should discuss this subject with
16 Chicago Bridge and Iron, a firm that my firm has done
17 business with in the past. Mr. Goldberg liked the idea,
18 and Bally's is now working with CB&I to determine if a
19 local construction site for Bally's boat could be
20 established here locally, similar to the site used for the
21 construction of the Elgin boat.

22 To discuss this very, very exciting concept with you
23 further, I would like to introduce Mr. Norman De Jong,
24 Bally's naval architect.

25 MR. DE JONG: Good morning. I was first asked by

1 Bally's to evaluate the proposal that one of the southern
2 shipyards made to Bally's, which was based on the
3 construction time of nine months. I was asked if that was
4 a reasonable and practicable thing to do. We evaluated it
5 and, having the engineering in place, we don't see that
6 there's a problem with that.

7 Then Bally's asked me to look into the possibility of
8 building the vessel on site, and then we really got
9 excited. We've been involved in a lot of projects where
10 vessels were built on site. We designed the Hollywood
11 boats, the City of Lights I and II. We were involved with
12 recently Kenny Rogers' Branson boat. The 240 foot boat was
13 built on site with local people, local craftsmen. We
14 recently completed the expansion of City of Lights I in
15 Aurora on site, working for the second time with Chicago
16 Bridge and Iron Works. We've worked with the Calumet
17 people. We know them. We've seen what the local craftsmen
18 can do, the electricians, the pipe fitters, the iron
19 workers.

20 Quite frankly, in the beginning, we were a little
21 hesitant to think that they could build ships, not being
22 familiar with that part of the industry. We found out over
23 the years, over the last three years, I guess, that the
24 talent is definitely there. It's as good as anyone else,
25 if not better. And quite frankly, I think a project of

1 this size and magnitude should be built locally. We've
2 seen tremendous pride by the people that worked on those
3 projects, local projects, and we're excited to be involved
4 in it. Thank you.

5 MR. GARDNER: Thank you, Norman. You'll notice
6 from the chart on the screen (indicating) that this
7 building of the boat on site, we project that an absolute
8 minimum of 200 additional jobs, full-time construction
9 jobs, will be provided. In addition, over 200 million
10 dollars will be funneled into our local economy through the
11 purchases of goods and services in that endeavor.
12 Obviously, those numbers can be escalated and enhanced upon
13 by the time they turn within our community. We are very
14 excited about this concept and are eager to bring it about.

15 Now I would like to put on my constructor hat. As you
16 can see from the schedule that is shown on the screen
17 (indicating), we are showing all overall schedules, for the
18 construction of the bridge linking Indianapolis Boulevard
19 to the marina, the schedule for Bally's parking garage and
20 promenade, Bally's hotel and convention center, and Bally's
21 boat. Please note that this schedule, along with an
22 expanded version of it, is included in your briefing book
23 for later review.

24 No matter how these schedules are formulated, the
25 critical path does not just run through the bridge; it is

1 the bridge. There's all sorts of ways to put together
2 schedules, but the schedule for this project is the bridge.
3 The completion of the bridge is the single factor
4 controlling when a gaming boat can become operational in
5 Hammond's marina. This is giving the access to the site.
6 There's no other way to get there without the bridge. You
7 will note from the schedules that Calumet can complete the
8 bridge within the same time frame that it would take CB&I
9 to complete a boat. Conversely, it takes the same time to
10 complete the boat as the bridge. They are both on the same
11 time line. We have explored many "what if's" scenarios in
12 an effort to shorten this time frame. We have not been
13 able to do it. There are many constraints, engineering and
14 construction-wise, that dictate this schedule. This
15 schedule is extremely aggressive, but Calumet can and will
16 complete it on time.

17 You'll note also that the parking facilities, the boat
18 boarding facilities can be completed and operational before
19 the bridge can be opened. They are not a constraint on
20 opening the boat. Looking at the schedule further, the
21 finishing work for the hotel and convention center and the
22 tenant finish for the promenade lag behind the completion
23 of the boat, the bridge, parking structure, and the
24 boarding facilities. However, these parts of the project
25 are not a constraint on getting the boat in the water and

1 operational by August 11, 1996.

2 In conclusion, we at Calumet and the other local
3 owners of Bally's Indiana, Limited Partnership are here to
4 assure you that the Bally's boat will have the greatest
5 impact of any of the proposers on the economy and jobs here
6 in northwest Indiana. However, as an added insurance, the
7 Bally corporation itself has already pledged that should
8 the infrastructure be ready for the boat and the boat not
9 be ready itself, they will reimburse the City of Hammond
10 one million dollars a month until the boat becomes
11 operational. We believe that that is insurance that
12 probably will not be needed. We are very excited about
13 this project and are eager to get started on it.

14 MR. GOLDBERG: Thank you. Mr. Chairman, I know
15 that time is of the essence to Mayor Dedelow and all the
16 people of Hammond, and I hope we don't have to pay him a
17 million dollars a month. I would not have so dramatically
18 modified the City's plan and so insisted on a full
19 complement of amenities for this project if I did not
20 believe it was the right thing to do.

21 My company is one of only five companies licensed and
22 operating in the two most regulated and competitive markets
23 in the gaming world: Las Vegas and Atlantic City. We know
24 the importance of full service, of name recognition, and
25 early identification of a project with its customer base.

1 Put another way, both the project and its operator must
2 have an identifiable character and focus. You may hear
3 some skepticism today and tomorrow that Bally's plan will
4 not work or that it will delay the opening of gaming in
5 Hammond, thereby denying much needed revenue to this city.

6 At the same time, we believe you will detect a
7 movement toward the fundamental philosophies that have been
8 the essence of our proposal from day one. That nine-story
9 garage just does not belong on the lakefront, and this
10 project deserves and needs a hotel to compete in this
11 market. We are convinced that our plan will spawn a harbor
12 project to be proud of and not just a gaming dock. I would
13 implore you not to sell out the long-term viability of this
14 license for a mere 60 or 90 days of revenue that may,
15 however remotely, result from licensing a company with a
16 boat already in the water. It's just irrelevant to the
17 ultimate success of this location.

18 Bally's has brought the very best that Indiana has to
19 offer to the development of this project. Calumet
20 Construction knows its business and labor market, and I
21 would suggest that no one has a greater interest in making
22 this work within the time frame set forth today than they
23 do. At the same time, Calumet will not build and forsake
24 safety for speed, nor will they make promises they cannot
25 keep.

1 While we see no time differential in the boat and land
2 based building necessary for safe and well patterned access
3 to the site, I would suggest that the additional local
4 economic and job enhancement of the Chicago Bridge and Iron
5 plan coupled with our vision for Bally's Lakehouse far
6 outweigh the remote benefits of a boat ready but with no
7 place to go. And in trade, the Hammond waterfront will
8 become a standard for gaming, and it will include a 1996
9 model boat complete with the 1996 technology which is now
10 available.

11 Let me just take a few moments to review for you the
12 Bally advantage. Essentially, you can see our point on the
13 name recognition and our commitment to a long-term
14 investment here. The short term is not our interest. The
15 economic benefits which are outlined in your book and which
16 we've outlined before. The 102 million dollar capital
17 investment is an estimate; it might go a little bit more,
18 depending on the boat being built on site. The jobs, the
19 annual attendance, etc., I think are very conservative
20 numbers that we'll have no problem hitting.

21 The Bally advantage is summed up in what I call the
22 three C's: competence, competitiveness, and capital. In
23 terms of competence, all of your Hammond proponents possess
24 the skills and organization to run a gaming facility. None
25 save Bally's has more than 60 years experience in this

1 business or the worldwide name recognition that Bally's
2 brings to this development.

3 You'll see what I mean when we switch to the
4 competitive slide (indicating). If you take a look at that
5 slide, you can see the Bally performance, competing on a
6 boardwalk with eleven other casinos. Bally's has led the
7 industry in margin and in absolute earnings for the last 24
8 months, and actually the growth has been somewhere around
9 13 percent in a competitive environment. Now, if we could
10 take a look at the slide on the Chicago numbers
11 (indicating), you can see when a casino came into the
12 Illinois market with name recognition what happened. They
13 quickly went to number one on the charts, and there was
14 some erosion with some of the other participants.
15 Competition separates and makes competence become very,
16 very viable as an entity in evaluating this proposal.

17 And lastly, capital. Bally's has the ability to write
18 the check. No financing is necessary; no restructuring of
19 funds; no contingencies or supplementations required; no
20 phase one, phase two, phase three. There is a letter from
21 LaSalle National Bank attesting to the current and
22 unrestricted funds available for this project. And we have
23 a copy of a check, the original of which is in my pocket,
24 for the full amount of our investment. That check is ready
25 to be deposited today in the sum of 102 million dollars,

1 and the letter from LaSalle Bank attests to good funds on
2 deposit. That check would clear this afternoon.

3 Thank you, Mr. Chairman, and members of the Commission
4 for your time and attention. Bally's has been in
5 Chicagoland for over 60 years, and we have long employed
6 residents of Indiana and particularly northwest Indiana.
7 You must know by now that I am proud of this plan and our
8 people. We're equally proud to be associated with Hammond
9 and Indiana. And if you allow us to invest in this
10 project, we intend to live up to our commitment to the
11 people of this community that have supported Bally's and
12 our vision. Thank you.

13 MR. KLINEMAN: Thank you, Mr. Goldberg. Does
14 that conclude your presentation?

15 MR. BOYD: That concludes our presentation, Mr.
16 Chairman.

17 MR. KLINEMAN: Okay. Well, thank you. You
18 finished early. That goes to your credit.

19 MR. BOYD: Thank you, sir. That was in our plan.

20 MR. KLINEMAN: Under our schedule, we were to
21 take a lunch break and then come back with questions and
22 answers. Does anyone feel that we should start off now or
23 should we have an early lunch?

24 (Discussion was held off the
25 record among the Commission.)

1 MR. KLINEMAN: It seems to be the consensus of
2 the Commission that we do at this time adjourn for our
3 lunch, give us a little extra early time. Do you want to
4 take more than an hour? Do you want to come back at the
5 scheduled 1:00 time, or do you want to come back earlier
6 than that?

7 (Discussion was held off the
8 record among the Commission.)

9 MR. KLINEMAN: All right. I think we'll just
10 take a little extra lunch break and we'll come back at
11 1:00. That will put us on the same schedule that our
12 outline calls for, and I think that will make things work
13 out better. So we'll be back at 1:00.

14 (Lunch recess was taken at
15 11:45 a.m., and the
16 proceedings resumed at 1:00
17 p.m.)

18 MR. KLINEMAN: I guess we can come back to order.
19 Mr. Boyd, I guess you'll be the moderator for this?

20 MR. BOYD: Under an agreement I've reached with
21 the reporter, Mr. Chairman, I'm going to identify the
22 subject of responses to the questions.

23 MR. KLINEMAN: Well, I'm going to start the
24 questioning off, and I don't know who wishes to respond.
25 We, of course, have a situation where the project and

1 proposal that you submitted in accordance with the
2 deadlines set by this Commission is not the project we see
3 here today. And the project we see here today was first
4 made available in any form to the staff about the middle of
5 September of this year. My question is: When and under
6 what circumstances did you decide to revise, basically
7 completely, your proposal, and what was the thinking that
8 went into it and so forth?

9 MR. BOYD: Mr. Goldberg talked about that this
10 morning. I think Mr. Goluska, Kim Goluska, will embellish
11 on that in some detail as to the rationale for the change
12 in configuration; although the components of the project, I
13 would note for the Commission, are the same as we had
14 originally proposed to the Commission in the earlier
15 filings, and the capital expenditures for the project
16 remain the same. So it is more -- we would cite it as a
17 change of configuration.

18 MR. KLINEMAN: Give us the details. Compare the
19 old with the new. And the time; the time frame is fairly
20 important to this Commission, when these decisions were
21 made.

22 MR. GOLUSKA: Right. The key -- as Mr. Boyd
23 mentioned, the key issue in terms of the difference between
24 this proposal and what was submitted in the original
25 application relates to the positioning of the hotel and the

1 parking garage. All of the building components, the
2 garage, the hotel, the size of the gaming facility, are all
3 identical to the original submittal, both in terms of scope
4 as well as in terms of capital costs. So all the
5 financials, all the projections, all the property issues,
6 capital costs, remain essentially as they are in that the
7 overall investment of 100 million dollars bottom line
8 remains the same.

9 Essentially, the change -- and if I could step over to
10 the board, the main change from the submittal is taking the
11 generic plan the City put together for the parking garage
12 over here and the hotel over here (indicating), and
13 flipping those two. The intention of that really was
14 primarily driven by our concern, as I indicated on the
15 slides, of not being able to solve the access issues of
16 bringing all your traffic into a garage on the lakefront,
17 in addition to the fact that we just don't feel that kind
18 of solution is appropriate to the site and the opportunity
19 that Hammond has here for a development. So we're really,
20 in very simple terms, from our proposal taking the same
21 size hotel we proposed, putting it -- taking it from this
22 location and putting it over here, taking the garage and
23 putting it over on this side (indicating). All the
24 building components remain the same, as I mentioned. All
25 the capital costs, all the financial projections remain

1 essentially the same as in the proposal.

2 MR. KLINEMAN: And when was it that you decided
3 to make this change, and was it presented to the City when
4 you were thinking about it or does it just come as a
5 surprise?

6 MR. BOYD: Jim Montana, Vice-President and
7 General Counsel for Bally Entertainment Corporation, will
8 respond to this question.

9 MR. MONTANA: The decision was contemporaneous
10 with the awareness on our part that the generic plan that
11 the City had that we were going along with, that there
12 wasn't any need for it anymore because the infrastructure,
13 which was the basis for the generic plan, that is, the
14 overpass, hadn't been started in terms of its construction.
15 And we were at a point where it was apparent that that was
16 not going to happen. When we realized that, we saw that
17 there was no necessity to stay with the generic plan. We
18 began to look at it from our perspective and realized that
19 this was a better plan. That's when we met with -- around
20 the time that we met with Mr. Thar about that subject.

21 MR. SUNDWICK: I'm trying to just understand,
22 because I'm not so familiar with the preliminary plan you
23 changed. The reason you made the change from what you term
24 as the generic plan only has to do -- when that didn't come
25 about in the time frame that you expected, you just said,

1 "Well if that's the case, we can just readjust these
2 facilities around the same geographic location or
3 environment"?

4 MR. MONTANA: Exactly. Two things prompted us.
5 It became apparent that the basis for the generic plan to
6 get the infrastructure done was not going to happen in a
7 timely fashion. It caused us to look at the plan and say,
8 "What would be better?" And that's why we came up with
9 this plan, because this plan we believe is clearly better.

10 MR. SUNDWICK: If in fact they would have started
11 that project, your original plan would have stayed in
12 place, and that would only have been the flip-flop of the
13 hotel and the parking garage?

14 MR. MONTANA: If the City had stuck with their
15 time schedule in terms of the generic plan and the
16 infrastructure and the overpass would have been constructed
17 in a timely fashion, we would have probably stayed with the
18 generic plan. But when it became apparent that that was
19 not going to happen, we looked at it and said, "What's the
20 best thing to do?" This plan seemed to us to be far
21 superior to anything that had been proposed.

22 MR. SUNDWICK: The question is -- and that is a
23 question just to follow up on one -- is that of all the
24 proposals, you're the only one that has a hotel. Whether
25 you have it in one location or the other, you're the only

1 one with a hotel. Why a hotel?

2 MR. GOLUSKA: And you're correct. The proposal
3 has had a hotel in it from day one, as Mr. Goldberg has
4 mentioned. I think the first issue on the hotel is the
5 slide that's on the screen behind me, and it's on hard copy
6 form in front of you in the middle of the stage
7 (indicating). We think the opportunity for creating an
8 inner harbor in downtown Hammond and having a hotel as part
9 of a competitive advantage, if you will, is critical to the
10 success of this project, critical most importantly to the
11 long-term success. We think it's important to the
12 long-term success. We think it's important that there be a
13 long-term land based investment beyond the boat, beyond the
14 parking, something that we feel in our performance can make
15 money and remain as a long-term investment.

16 We think the market from downtown Chicago, from tying
17 into the Chicago Chamber of Commerce of which Hammond is a
18 member, tying into the whole network from Valparaiso,
19 Chesterton, on back to Merrillville and up into Chicago, we
20 think there's a tremendous market for a hotel. Clearly, I
21 think those photos show that this site on Lake Michigan
22 would offer the only lakefront hotel anywhere within 100
23 miles of Chicago. We think that's a unique aspect. We
24 also think it's not really a new idea. The idea of that
25 was part of Maduras Danceland and the old Maduras Hotel,

1 the Oasis Ballroom and a whole series of hotels that used
2 to be along the shoreline of Indiana along this area. So
3 we feel fairly strongly that the hotel has a strong market.

4 I think you also need to recognize Bally's operates, I
5 believe, over 4,500 hotel rooms. They're both owner and
6 operator of over 4,500 hotel rooms. They're also, I think,
7 the second largest convention business user in terms of
8 meetings market in Las Vegas, perhaps the largest in
9 Atlantic City. And I think that expertise lends very
10 strong credibility to the potential for a hotel on this
11 site. Clearly it's the site and location, its proximity to
12 Chicago, that gives it the market.

13 MR. SUNDWICK: That's normally the reverse, I
14 guess. Normally, we're always looking for land based
15 operations, and you're the only one that now proposes one.
16 That's kind of a change for us.

17 MR. GOLUSKA: I think that represents certainly
18 my personal philosophy as well as, I think, Bally's
19 philosophy. I think there -- as you look at the expanse of
20 entertainment and gaming across the country, more
21 importantly, as you look at it coming into downtowns,
22 whether it's Hammond or Boston or Chicago, you're talking
23 about real places very different than Las Vegas or Atlantic
24 City, very different economies. We think the opportunity
25 there is to leverage the tourist industry. Now, if you

1 notice in your package there's a small postcard; that's
2 intentional. I think the opportunity here is to treat this
3 as a tourism destination. I think that's what the
4 legislation had in mind, and that's clearly what we'd like
5 to do here.

6 MS. BOCHNOWSKI: Now, I -- are you done?

7 MR. SUNDWICK: Yes.

8 MS. BOCHNOWSKI: Okay. I have a question more or
9 less regarding this change in configuration. I'm a little
10 concerned because the City of Hammond had this plan and
11 this vision of what the marina should be, and you have
12 changed that. Now, how do you think that makes your being
13 a good neighbor, a good corporate citizen to not be going
14 along with what the City plan is?

15 MR. GOLUSKA: I think just to continue on that
16 discussion, the original intention, we understand, in the
17 generic plan, the City's plan, was expediency. And I think
18 if indeed the overpass and the other infrastructure was in
19 place today or substantially in place, I think we'd be
20 remiss in proposing this. On the other hand, it's our
21 contention that both from an aesthetic standpoint in
22 talking to people in the neighborhoods and talking with
23 Congressmen and other people, the opportunity's really
24 missed here by staying with the generic plan.

25 It's also the fact that this plan really does not

1 modify the components of the proposal. It really just
2 swaps those two pieces out. By doing that, one very
3 important technical point is solved. There is a 35-foot
4 wide right-of-way that is required to access the parking
5 garage which is in our plan. Jay, you might want to point
6 that out.

7 (Mr. Boyd pointed to
8 presentation.)

9 MR. GOLUSKA: That 35-foot right-of-way has
10 water, the harbor on one side, has a filtration plant on
11 the other side; two very immovable objects. To bring 1,200
12 cars into there we believe will only happen once because
13 the congestion will get so bad that people will go
14 elsewhere. They'll go to East Chicago. They'll go to
15 outside of Chicago where there's a gaming boat. They'll go
16 to other locations throughout the region. It's becoming a
17 very competitive marketplace without a monopoly. We think
18 you've got to think not for the next five years; you've got
19 to think for the next 50 years. It's solving that traffic
20 issue both from a standpoint of traffic generation and
21 ingress and egress as well as the aesthetic issue of taking
22 a nine-story garage which is required on the lakefront and
23 transforming that into a four-level, three-story base that
24 actually contains the harbor space, instead of creating
25 essentially an element of missed opportunity on the

1 lakefront.

2 MS. BOCHNOWSKI: Okay. Now, the other part of
3 that is that the City has already submitted an application
4 to the Army Corp of Engineers. This would be a totally
5 different application. In terms of -- and I don't know
6 exactly what the Army Corp of Engineers is looking for.
7 But in terms of public use, public ability to view the lake
8 from the harbor, ability to view the land from the water,
9 how do you think that you would fare in an Army Corp of
10 Engineers application?

11 MR. GOLUSKA: First of all, we believe, and I
12 think we're accurate, that this project can be built as
13 part of the existing permit process. There are elements
14 such as the Milwaukee Clipper, the boat ramps, and other
15 issues that this project can be flexible enough to modify
16 and change to fit into the existing permit process. So
17 fitting into the existing permit process, which we
18 understand has not been yet issued, we believe we can fit
19 into that.

20 Our discussions through Jim Knue, who is our
21 environmental consultant who I will ask to speak in a
22 moment, in his discussions with the Corp and other
23 technical experts, has suggested some of these things we're
24 suggesting in this plan actually are enhancements to help
25 the permit go along. For example, the boat ramps; there

1 are a series of boat ramps that exist right at the entrance
2 to the area where the boat would be under any condition.
3 These boat ramps exist right here (indicating). We think
4 the problem with having this boat and perhaps the Clipper
5 and those boat ramps together and access to the facility
6 creates a congestion problem; so we've relocated the boat
7 ramps here (indicating). It's our understanding in
8 discussions with the Corp that's a concern they have as
9 well, and they may actually need to be asking for that to
10 be modified in any plan. So we think there are
11 enhancements to this that the Corp will respond to
12 positively. But nonetheless, the plan is flexible enough
13 to respond to those if not.

14 The other issue I believe you raised was dealing more
15 with the public, not the permitting side of it. From a
16 public side, we went back and looked at the Robertsdale
17 plan, talked to people, as I mentioned, talked to the
18 Congressman. And I believe there's one interesting aspect:
19 If you go out to the Hammond lakefront today, you really
20 can't get to it. If you want to go out there as a citizen,
21 unless you own a boat and you come from somewhere else, you
22 hit a chain link fence. So a parking lot, an open parking
23 lot, does not necessarily provide public access.

24 What we're suggesting here is to create somewhat like
25 an inner harbor, create an edge of activity so that on

1 approaching this, you have a facade which happens to be a
2 three-story garage, but it actually has activities on the
3 ground floor. In fact, I've been talking to and trying to
4 convince -- I've approached Phil Smidt's to put in a
5 microbrewery that ties to this whole project. Put those
6 kinds of activities in the base of the garage and then a
7 facade on the garage that actually invites you into the
8 harborfront whether you want to gamble, whether you want to
9 come there for Sunday brunch at the hotel, whether you want
10 to just come and put your feet in the water.

11 We think this project should make the lakefront
12 accessible. And the notion of the promenade as you see on
13 here, this whole area along here (pointing), is publicly
14 accessible and secure, mainly because there's people and
15 activity. Clearly, there will be a need for security for
16 the marina and for the particular needs of the harbor. We
17 think there's also an opportunity for enhancements to that
18 as well. We think, from a public perception standpoint and
19 a public access standpoint and an activities standpoint,
20 Baltimore's inner harbor is a much better example to follow
21 and certainly a much more successful example.

22 MS. BOCHNOWSKI: Yes, that was another question.
23 For the existing boat owners there, I'm sure that they
24 appreciate having the locked gates to protect their
25 property, so you'd really have to continue something.

1 MR. GOLUSKA: Correct. And clearly, they are one
2 of multiple users. And I think, again, as the Robertsdale
3 plan suggested, don't focus on one user, not the gambler,
4 not the boat owner. Let's look at this for all the people
5 and see how it can work together. From a parking
6 perspective, what the parking garage on the inland side
7 does is it allows us to replace one for one the existing
8 boater parking, in this case under cover. So essentially,
9 their parking that exists today will be there tomorrow
10 except they'll happen to have a cover on when they come
11 into it. It's also possible to segregate that so they have
12 separate key cards. But then having more parking will take
13 care of both the gamers and people coming to the gaming
14 boat as well as coming to the hotel as well as coming just
15 to the waterfront.

16 We include here a suggestion in the three-level garage
17 for -- well, it's a four-level garage, a three-story
18 garage, about 2,300 spaces. Six hundred of those replace
19 the parking for the marina, and the other 1,700 or so are
20 for the boat and for the hotel. We think there is probably
21 going to be a demand for anywhere from 1,500 to 1,700
22 spaces because we're hopeful that this will be a successful
23 waterfront development.

24 MR. SUNDWICK: On your facade that you talk about
25 going around your parking facility, somebody alluded to

1 that it would have stores, and you just said a
2 microbrewery. That wasn't in the original plan, was it?

3 MR. GOLUSKA: The original plan always had a
4 component for retail. What we're suggesting really from
5 this is that the facade of the garage -- first of all, the
6 garage is three stories. So what we're suggesting is that
7 there's a false facade on the upper two stories. We've met
8 with the yacht club and suggested perhaps in the center of
9 this, we might actually put a yacht club -- their
10 facilities in there looking out over the harbor, and also
11 providing security and access to the marina.

12 But on the ground floor of this, as you get closer to
13 the hotel and casino, would be a series of year round type
14 venues in terms of retail and food. As you get further
15 away, we're thinking it's probably a more seasonal thing;
16 bait shops. We've met with the people who would like to
17 enhance the bird sanctuary next to it, talked about
18 interpretive programs that might occur in here much like
19 the Dunes National Lakeshore has in place. As I mentioned,
20 bait shops, the ships' stores, harbor master's office, and
21 the like. Those would tend to be more seasonal. As you
22 get closer here (pointing), some more permanent elements.

23 All told, we're looking at probably 25 -- 40 on the
24 upside -- but probably more like 25,000 feet of retail
25 activity. It's really meant to enhance the edge of the

1 harbor. So the retail that's in there is not -- it's just
2 in the base of the garage because the garage was put there.

3 MR. SUNDWICK: You also mentioned that you'd
4 expect that local merchants would have that opportunity to
5 participate?

6 MR. GOLUSKA: We'd certainly like to. I think,
7 again, with the philosophy that we're espousing here, it's
8 easy to bring in someone from downtown Chicago, someone
9 from New York, someone from elsewhere. Bally's clearly has
10 the opportunity to bring in a national operator. We'd much
11 rather count our gamers at Phil Smidt's or down the street
12 at one of the other restaurants and tie in -- a cross
13 marketing, if you will.

14 There's an easy opportunity for a project of this
15 magnitude -- we're talking about over a hundred million
16 dollars of investment in a community. There's an
17 opportunity for a project of this magnitude to overwhelm a
18 community in the process and put people out of business.
19 Our intention would be to take Phil Smidt's, take the
20 retail establishments and find a way to integrate them into
21 here, whether it's through expansion in their present
22 location, whether it's through enhancements in their
23 present location, or perhaps having a buffet or an element
24 in here run by a local entrepreneur. We'd much rather do
25 that than bring in outside food or retail.

1 MS. BOCHNOWSKI: What do you think this does --
2 if you have a retail area there, what do you think this
3 does to, for example, downtown Whiting, which depends a lot
4 on Robertsdale residents and Whiting residents to shop
5 there?

6 MR. GOLUSKA: First of all, the nature of this
7 kind of retail really responds more to the marina. It's
8 much more like a Marina Del Rey, service retail that really
9 appeals to someone as they're having a boating experience
10 or a marina or waterfront experience. It's really meant to
11 activate that water's edge. I think it's very different
12 than what happened to downtown Whiting. Downtown Whiting
13 is probably one of the best kept secrets and one of the
14 most wonderful downtowns certainly in the Midwest.

15 One of the things we'd like to do, and you'll notice
16 on the plan, is that Calumet is actually suggested to even
17 stay open or certainly stay open as a local access piece.
18 We think to bring two and a half million people here and
19 not let some percentage of them experience downtown Whiting
20 would be inappropriate. So whether it's through a rubber
21 tired trolley system in conjunction with the
22 Robertsdale/Whiting Chamber of commerce or other kinds of
23 programs, we'd like to find a way of bringing that traffic
24 into the area in terms of retail merchants and food and
25 beverage.

1 MR. MILCAREK: I'd like to ask some questions
2 about the Milwaukee Clipper. Yesterday I thought I saw
3 faint markings of "Father Marquette go home" on the side of
4 that; it's so old. What do you plan to do with that? And
5 I believe that one of the other competitors has at least;
6 have you given it any thought?

7 MR. KLINEMAN: Tom, you want to turn the mic
8 around a little bit?

9 (Mr. Milcarek did so.)

10 MR. GOLUSKA: First of all, the important thing
11 in that is you referred to it as the Milwaukee Clipper. It
12 was indeed once a Milwaukee ship. I believe it spent some
13 time in Chicago. It's now berthed in Hammond. There's
14 been some suggestions perhaps it's going to continue on
15 elsewhere. I think if there's -- as we talked to the civic
16 leaders, we didn't find a very strong outpouring of civic
17 pride in that facility. I think if there is, this plan
18 could easily accommodate that. The Milwaukee Clipper can
19 stay in place in berth. It can be renovated, restored, and
20 can operate along with the gaming boat.

21 It's our sense that it's probably better to relocate
22 it. And I know Milwaukee is talking about wanting it back.
23 Perhaps they could put a name back on it instead of
24 Milwaukee. I think it's really a decision for the
25 community. I think the plan we've got here can remain in

1 place if the community desires. If it would like to ship
2 it back out to where or whence it came, I think that's also
3 possible as well.

4 MR. MILCAREK: You mentioned the fact that you
5 were considering building the ship on site. How practical
6 is that and what kind of timetable would you have? When
7 would you decide that it would actually be built here;
8 before the licensing, or when would you make that
9 commitment?

10 MR. GOLUSKA: Let me introduce that, then I'd
11 like to ask both Norm De Jong and the folks at CBI, Chicago
12 Bridge and Iron, to embellish this. The notion of building
13 on site is really one of saying why take these jobs and
14 give them to Florida or Louisiana in terms of the ship
15 building industry when you've got the world's largest steel
16 industry based right here in northwest Indiana, and
17 certainly the best boilermakers and best craftsmen
18 anywhere, certainly in this country if not in the world.
19 So the idea is very compelling to us. It's exciting and it
20 fits, we think, the philosophy we bring to the table.

21 As this notion was presented to Bally's, the first
22 question was: Is it feasible? Then we found out that's
23 exactly what Hyatt and Circus Circus did in Elgin with the
24 same kind of benefits. It's what, I believe, the Aurora
25 casino did for their expansion in Hollywood Casinos in

1 Aurora. So we started to find that there's a trail of
2 complete building through the wintertime in both those
3 scenarios. Both in Aurora and in Elgin, those were built
4 through the winter, and fairly harsh winters. So we think
5 we've got a very feasible way of doing it. I think there's
6 an opportunity for embellishing it in the sense of leaving
7 behind a permanent economic development opportunity in
8 terms of a ship building type facility or marine place for
9 ship repair.

10 But let me ask Norman and perhaps Brian from Chicago
11 Bridge and Iron to step up here for a moment, just because
12 I think it's an issue that's quite compelling and certainly
13 worth some discussion.

14 MR. BOYD: This is Brian Goedken from Chicago
15 Bridge and Iron.

16 MR. GOEDKEN: Yes, I was the project manager for
17 CBI on the Elgin project. We started that in January in a
18 harsh winter, and it opened on October 6, which actually
19 was nine days ahead of the very original plan. So we built
20 a 400 by 114 foot boat in nine months up in this area. So
21 yes, it's very feasible.

22 MR. SUNDWICK: When you say "feasible," I mean,
23 I -- you know, "feasible," that means this is what you're
24 going to do? Or is feasible, "Jeez, we may do this, we may
25 do something different"?

1 MR. KLINEMAN: Well, and wasn't that a
2 requirement that that -- because of a configuration that
3 that boat had to be built on site, or am I mistaken and it
4 was some other location in Illinois?

5 MR. GOEDKEN: Yes, it had to be built on site.

6 MR. KLINEMAN: So they didn't have the option of
7 going to a regular -- we'll call it a regular ship building
8 plant?

9 MR. GOEDKEN: Yes, but that didn't negate the
10 fact of the economic benefits it brought to the City of
11 Elgin, which would be also brought to here.

12 MR. KLINEMAN: Well, okay. But one of the
13 questions that we're having now is do we understand that
14 Bally's is making a commitment to build the boat on site,
15 or is that one of the possibilities?

16 MR. BOYD: Arthur Goldberg would like to answer
17 that question.

18 MR. GOLDBERG: Mr. Chairman, thank you.
19 Definitely the boat will be built on site. It's going to
20 cost us a few bucks more. We think the upside is
21 definitely worth it, so the boat will be built here.

22 MS. BOCHNOWSKI: That's a firm commitment that
23 you're making today?

24 MR. GOLDBERG: That's a firm commitment that I am
25 making today, along with the check in my pocket.

1 MR. KLINEMAN: By the way, we also decided at
2 lunch that we could write a 102 million dollar check and
3 keep it in our pocket; everything would be fine.

4 (Mr. Goldberg walked up to
5 Commission table and gave
6 check to Mr. Klineman.)

7 MR. KLINEMAN: Arthur, I told you small bills.
8 And you didn't spell my name right.

9 MS. BOCHNOWSKI: Okay; back to the boat. As
10 you're building this, what does this -- I mean, as this
11 boat is being built, where exactly are you going to be
12 building this? Right in this marina? Or I mean, how are
13 you going to do this without disrupting everything that's
14 going on?

15 MR. GOEDKEN: You're right; it would disrupt the
16 marina. What we've done is we've talked to the Port of
17 Indiana Commission over there, Pete McCarthy and Mark
18 Honeke, about the possibility of leasing some of the land
19 they have available. They also want to get a ship repair
20 facility in that port there; and if they have some funding
21 through the State, the government, to establish that. So
22 this is a real kick for them to actually build a new boat
23 there. And then after we leave, they'll have a facility
24 that they can do ship repairs.

25 MS. BOCHNOWSKI: So it will be in the Port of

1 Indiana then?

2 MR. GOEDKEN: Yes, that's where we'd build it.

3 MR. THAR: Has that been agreed to or is that
4 something that there's talk about?

5 MR. GOEDKEN: The Port of Indiana has space
6 available where we could build it, but we don't have a firm
7 lease with them, but the lease is available.

8 MR. THAR: You don't have a spot yet; is that
9 right?

10 MR. GOEDKEN: It's basically available, but no
11 firm commitment.

12 MR. MILCAREK: Would you commit that this boat
13 would be built in Indiana and not in Illinois or Michigan
14 or something like that?

15 MR. BOYD: Absolutely.

16 MR. KLINEMAN: The infrastructure that you
17 referred to, that would be the access? You're not talking
18 about other items, are you? You're just talking about the
19 access, that the access has not been created, and therefore
20 you feel free to make the changes you're proposing?

21 MR. GOLUSKA: Correct. The infrastructure that
22 we're referring to is really the overpass, primarily the
23 overpass. And I think the Mayor has said, and we happen to
24 agree, it would be impossible to open this facility without
25 that access in place because of the congestion that would

1 be occurring on Calumet. So the overpass is the key
2 infrastructure item. Clearly, there are the utility
3 requirements, other harbor improvements. None of those are
4 anywhere near as critical or reflect a critical path as
5 much as the overpass.

6 MR. KLINEMAN: And you first presented this
7 proposal to our office and not to the City of Hammond; is
8 that correct?

9 MR. GOLUSKA: I believe that it was both to -- it
10 was meeting with Jack Thar and his staff; and then
11 subsequent to that, the next day, a public presentation as
12 well as presentations to the City staff.

13 MR. KLINEMAN: And what was the reaction of the
14 City when it was presented to them?

15 MR. GOLUSKA: Bernie, you might want to --

16 MR. MURPHY: Well, we -- I'm Bernie Murphy,
17 Vice-President of Corporate Affairs for Bally
18 Entertainment. We've had dialogue with the City ongoing
19 for the entire process, and it's been our intention all
20 along to do as much as we could to stay within the
21 parameters of what the City desired, not -- the ground
22 rules, as we understood them, at least insofar as the City
23 was concerned, was that we had to stay within those
24 parameters. And as long as we did, it was okay by them.
25 You'll see from -- or I think you heard earlier from Kim

1 that while we would, in an ideal situation, move the boat
2 ramps, for example, we designed this project so that it
3 doesn't have to move the boat ramps, again in deference to
4 the City's plan, so that we could stay within it.

5 MR. GOLUSKA: I believe, if I remember correctly,
6 the City's two main issues that were brought up were the
7 two that you discussed already, the boat ramps and whether
8 the plan is flexible enough to accommodate that so we don't
9 short circuit or possibly short circuit the Corp permit;
10 and the Milwaukee Clipper, whether or not this could live
11 and could co-exist in harmony with the Milwaukee Clipper.
12 And we explained to them that both those are possible. We
13 think there are better ways. If we have an opportunity to
14 work with them to conceive a better way, I think we would
15 find that that would be the case. But certainly the plan's
16 flexible to accommodate that.

17 MR. KLINEMAN: And what's been the City's
18 reaction to this presentation, so far as you know?

19 MR. MURPHY: Well, Mr. Chairman, the City has a
20 preferred developer, so I would suspect that they're going
21 to continue to back that preferred developer and that
22 preferred developer's plan. But certainly this plan fits
23 within the general parameters of what we've been
24 discussing.

25 MR. GOLDBERG: Mr. Chairman, I met with the Mayor

1 yesterday --

2 MR. KLINEMAN: You want to identify yourself?

3 MR. GOLDBERG: Arthur Goldberg.

4 MR. KLINEMAN: Yes, thank you.

5 MR. GOLDBERG: I met with the Mayor yesterday,
6 and we had a very cordial conversation, and he pledged
7 total support to whomever the winner of the process is.
8 And I would assume there's no reason for the -- the City
9 wants to get it built, and whomever wins would get the same
10 cooperation.

11 MR. GOLUSKA: That would be the same response we
12 got from the City staff.

13 MR. SUNDWICK: And in that same conversation, was
14 it you would commit to the same -- the City's commitments
15 that the other -- what do I want to say?

16 MR. KLINEMAN: Incentives.

17 MR. SUNDWICK: -- incentives, I guess, to use the
18 word, to the City?

19 MR. MURPHY: We have our own incentive plan --

20 MR. KLINEMAN: Would you identify yourself for
21 the record.

22 MR. MURPHY: Yes. Bernie Murphy, Vice-President
23 of Bally's. We have our own incentive plan, which I think
24 you'll see up there on the economic benefits chart
25 (indicating). Of course the capital investment, but also a

1 little less than 10 million dollars in annual revenue
2 sharing to the City of Hammond, our annual revenue sharing
3 to the Port Authority, and our total state and local taxes
4 of nearly 35 million dollars. We have -- I think that each
5 of the proponents has their own set of revenue sharing, and
6 we have committed to that, and it's consistent. And we
7 believe it's better; that our revenue sharing plan in fact
8 exceeds the other two proponents. So while it may be
9 distributed a little differently, it is equal or greater
10 than the other two proponents.

11 MS. BOCHNOWSKI: Well, now, I have -- maybe the
12 list I have is wrong, because I had turned my book to this.
13 I have that over -- your local economic development plan
14 over a five-year period was 47 million dollars, which
15 includes 2.6 million for the Hammond public schools, 15.9
16 million for the Hammond lease, 9.6 million for the Port
17 Authority fee marina passenger tax, 8 million plus for
18 parking fees, and 10.9 million for the overpass, which
19 comes to 47 million. And in fact, your amount for the
20 overpass is less than what Boyd and Lake Michigan Charters
21 had planned, so I don't know how there can be a difference
22 in that.

23 MR. GARDNER: This is Rich Gardner, Calumet
24 Construction. We have taken the plans for that that were
25 developed for the City with American Engineering and we've

1 priced out that overpass. I have no idea where their
2 figures came from, but Bally's figures are construction
3 figures, and we'll build it for that amount of money. If
4 there's any other figures or costs that are in there other
5 than that overpass, we're unaware of them, for the other
6 proposers.

7 MS. BOCHNOWSKI: Okay. And --

8 MR. THAR: That's not --

9 MS. BOCHNOWSKI: Oh, go ahead.

10 MR. THAR: That's not present value.

11 MS. BOCHNOWSKI: Oh, well, I know, but it's all
12 the same. I mean, I'm comparing apples to apples here.

13 MR. THAR: Okay. But if their figure's a little
14 higher, that's because they project it over five years and
15 that's reduced to that present value.

16 MS. BOCHNOWSKI: I know, but it's still this to
17 this to this (indicating). I'm looking at --

18 (Discussion was held off the
19 record between Mr. Thar and
20 Ms. Bochnowski.)

21 MS. BOCHNOWSKI: All right. Oh, I see. Okay.
22 The other thing is that the other two applicants have 3.7
23 million dollars for police and security that they are going
24 to pay the City. Have you considered helping the City with
25 police and security?

1 MR. MURPHY: Well, again, the money that goes to
2 the City certainly can be used any way that the City wants.
3 We have, for example -- and it's a question of priorities.
4 We'd certainly be in a position to discuss at any point in
5 time how those things ought to be distributed, but we think
6 that that's a much more appropriate issue for the City to
7 determine. We have, however, a half percent of the gross
8 gaming revenues going to public schools in Hammond. We
9 think that that's an issue. Some others think that perhaps
10 it ought to be a law enforcement issue. All of those
11 things obviously need to be addressed, but we believe that
12 the City can spend and do the things that it wants to do.
13 And if there are additional incentives that are required,
14 we're certainly willing to discuss that as well. But it's
15 just a question of priorities and where do you want to put
16 it.

17 MS. BOCHNOWSKI: Okay. I see, yes, because the
18 other two don't have money for the schools.

19 MR. MURPHY: Right.

20 MS. BOCHNOWSKI: The other thing is you have down
21 for your lease -- and I just want to make sure I've got the
22 correct numbers here -- 15.9 million plus almost 16 million
23 dollars for the Hammond lease, where Boyd has it down for
24 34 million, and Lake Michigan Charters for 25 million. I
25 can't imagine why there would be any disparity. It would

1 seem to me it would be the same.

2 MR. BOYD: Jeff Wadley, C.P.A., would like to
3 respond to that. I think it relates to the manner -- the
4 numbers and assumptions that go into those computations on
5 leasing revenues.

6 MR. WADLEY: My name is Jeff Wadley. I'm a
7 C.P.A. and partner in Bally's Indiana, Limited Partnership.
8 Our proposal is to give the City of Hammond 3 percent of
9 the adjusted gross receipts with a minimum of 3 million
10 dollars. In addition, we will construct the overpass, as
11 you're aware. And then we're also going to give them \$2
12 for every car we park in the parking garage. We estimate
13 that to be approximately 2.4 million dollars a year. Over
14 and above that, we're going to give a half a percent to the
15 schools of Hammond, which will be -- there will be a board
16 forum to determine how that gets allocated. And then above
17 that, we're looking at giving \$1 per admission to the
18 Hammond Port Authority. If that does not break the Hammond
19 Port Authority even during any given year, we'll also
20 contribute additional money to help subsidize that
21 operation so that there's no shortfall of funds. Beyond
22 that, as you are probably aware, we're going to purchase
23 the migrant bird tract which is presently owned by NIPSCO,
24 I believe, and donate that to either a foundation, the City
25 of Hammond, or whoever the local citizens of Hammond would

1 deem appropriate.

2 MR. MILCAREK: Each applicant has agreed to
3 purchase that site, I believe.

4 MS. BOCHNOWSKI: I just wanted to clarify some of
5 those numbers and make sure that I'm looking at the right
6 numbers.

7 MR. MILCAREK: Speaking of that NIPSCO site, when
8 would you purchase it? And it says it must be cleaned up.
9 Who would pay for the cleanup of the lot -- of the acreage?

10 MR. WADLEY: First of all, our commitment is to
11 purchase it when it's available for purchase. We
12 understand that the City of Hammond has entered into
13 negotiations for the purchase of it. We've committed up to
14 3 million dollars for its purchase. We've also contacted
15 some landscape architects, and we're working with people
16 that are sensitive to that migrant bird tract that have the
17 history and have studied that migrant bird tract. And
18 we're sensitive to that issue, and we will even provide
19 some landscape architects and some additional funds to help
20 replant some trees and bushes and stuff to enhance it. As
21 Kim indicated, we're also looking at putting an
22 interpretive center in the harborside promenade so that
23 people can enjoy that migrant bird tract even more through
24 education.

25 MS. BOCHNOWSKI: That's true. I think that

1 there's been some problem in that migrant bird tract of too
2 many people going in there, fires being started,
3 destruction in there. I'm not sure that the people who are
4 really interested in that migrant bird tract want a lot of
5 people going through there. I mean, that's for the birds.
6 That's not really -- you know, I think that before you do
7 any of these interpretive centers, you really need to talk
8 to the people in Lake County who have been interested in
9 that migrant bird tract.

10 MR. GOLUSKA: That is indeed the intention. In
11 fact, where the interpretive center came from was for the
12 very reason you mentioned. And in talking with some of the
13 people with the foundation and who are very well aware of
14 trying to preserve the migrant bird tract, we suggested
15 that -- exactly your very words -- that bringing too many
16 people into it at a point would trample it, not help it.
17 So perhaps one way of doing this is to pull out of that and
18 put into the promenade retail some form of interpretive
19 centers to educate and allow that to be preserved and
20 enhanced rather than trampled in the process of trying to
21 keep it. In fact, I believe -- Jim, you might want to talk
22 about some of the correspondence we've had with the
23 specialists in that area.

24 MR. MONTANA: Yes, we had meetings with
25 representatives of the group that has dedicated itself to

1 the preservation of the migrant bird tract. And we most
2 recently, on October 9, sent some correspondence to Carolyn
3 Marsh, who is, I believe, the Chairman of the Save the
4 Migrant Tract Committee. And what we did is committed, of
5 course, as has been noted, to the purchase of the property
6 or up to 3 million dollars towards the purchase of the
7 property; and then to assure them that we would do nothing
8 to upset the integrity of the migrant bird tract. And
9 thirdly, we said that we would cooperate fully in hopefully
10 getting it transferred to an agency that can act as a
11 steward and a protector of the migrant bird tract as we
12 move forward.

13 MR. KLINEMAN: It's hard to remember, but you
14 need to identify yourself, please.

15 MR. MONTANA: I'm sorry. I'm Jim Montana. I'm
16 the Senior Vice-President and General Counsel of Bally's.

17 MR. KLINEMAN: You don't have to give your titles
18 all the time, just your name.

19 MR. MONTANA: All right.

20 MR. BOYD: We would provide copies of that
21 correspondence to the Commission if you wish to see it,
22 Commissioner Bochnowski.

23 (Discussion was held off the
24 record among Commission.)

25 MS. BOCHNOWSKI: I've got financial questions, so

1 go ahead and --

2 MR. KLINEMAN: The overriding conclusion that you
3 come to when you see the site -- maybe overriding's a
4 little strong. But anyway, you come to the conclusion that
5 there is an operating marina at that location at the
6 present time. When I look at your plan, I view the marina
7 as being very, very much pushed to the side and that it
8 would certainly have a very adverse effect. For instance,
9 the parking. I mean, I'm a marina owner; where am I going
10 to park? Am I going to park in the garage and now pay for
11 parking? What do I do? And what facilities do you have
12 for long-term parking? Are you going to charge me so much
13 a day if I decide to go on my boat and ride around for a
14 couple of weeks on Lake Michigan? Tell me how you propose
15 to interact with the marina itself, in all aspects.

16 MR. GOLUSKA: Kim Goluska. I think very valid
17 questions, especially if they were coming from a boater.
18 First of all, I think the issue here is any construction of
19 this magnitude out on the site is going to have disruptions
20 during construction, and I think we have to accept that
21 and --

22 MR. KLINEMAN: Yes; lay aside the disruptions.

23 MR. GOLUSKA: Long-term, the intention here is to
24 take this and create it as an enhancement to the marina. I
25 think -- I mean, first of all, parking. The marina

1 people's most favorite thing is where his car is parked and
2 the inverse proportionate distance between that and their
3 boat and the size of the cooler. And I think the intention
4 here is to preserve that as it is intact and enhance that.
5 So for example, marina people would park today as they
6 park, except they would happen to be under cover in a
7 secure garage with a key card access that they would be
8 able to use to separate them from gaming or hotel traffic.

9 So that's a one for one replacement, with the
10 additional provision for other parking that the casino's
11 providing in excess of the requirements for parking spaces.
12 So the additional parking, one for one replacement; the one
13 for one replacement is actually under cover, simply put, on
14 the first floor of the garage in the identical location of
15 where it is today. And so I think the number one issue is
16 to give them one for one improved parking.

17 Second, other than what is required for the movement
18 of boats under any scenario, we don't find any need to
19 eliminate slips. Even though the marina, I think, is in
20 the range of 60 to 70 percent filled right now, it's our
21 hope and I think our belief that the marina will become 100
22 percent filled and probably will be able to survive if we
23 put this kind of project in place, mainly because it will
24 fare on more transient traffic coming from Michigan City,
25 coming from downtown Chicago. People will stop in here

1 because it will become a tourist attraction. We think that
2 enhances security. We think it enhances the quality of
3 space here and certainly the Bally -- marina slips for
4 those that have been in the marina.

5 Thirdly right now is the boater. Many boaters spend a
6 lot of time -- being a boater on Lake Michigan myself, many
7 boaters spend a lot of time sitting in the harbor because
8 the lake is a fairly dangerous place when squalls come up.
9 Right now you sit in this harbor and you look at the back
10 end of Lever Brothers, not exactly the same kind of view
11 you get in downtown Michigan City or in Montrose Harbor or
12 Burnham Harbor in Chicago. The notion of this, as we've
13 heard before, is to really try and create an event or by
14 making a structure much more akin to the inner harbor or
15 some of the great harbors elsewhere in the country.

16 So that instead of looking at the back end of the fine
17 Lever Brothers facility, you're actually looking at a
18 retail facility, a ship's store, have a place to go out and
19 get a drink, have a place to go out and get some -- a
20 spinnaker or some materials for your boat, as well as a
21 place that you can go and guests can stay if they're coming
22 to visit you on the boat.

23 So we think and we honestly believe there's some great
24 enhancements for the marina, both for existing users but
25 also filling up those other 30 or 40 percent and actually

1 probably creating a waiting list for users of the marina.
2 Parking is really number one. We think we've created a
3 much better parking situation for the marina people. And
4 again, we're the first to admit that during construction,
5 there's going to be a fair amount of inconveniences. We
6 think we can plan for it, but those are unavoidable.

7 MR. SUNDWICK: Do they pay for parking now at the
8 marina; do you know?

9 MR. GOLUSKA: We're checking. We don't believe
10 so.

11 MR. SUNDWICK: There's no pay for parking here,
12 is there?

13 MR. GOLUSKA: No. It would be consistent here.
14 The only difference is it would be under cover and secure.

15 MR. SUNDWICK: You said that -- would you have a
16 specific place for the slips' parking because, you know,
17 they could say, "Well, you'll be put under cover. It's the
18 same location." You'd have to say that it was going to be
19 the equal floor or, you know, make a slip parking or
20 something. You know, I hate to see these people with their
21 coolers driving around trying to find a parking spot some
22 day.

23 MR. GOLUSKA: I think the operational issue has
24 really become one of working with the harbor master and the
25 yacht club as to how best to do that. It may be best to

1 assign spaces along with your slip lease and have a key
2 card access to that. It may be better to keep it open. In
3 fact, the marina may want to, instead of having the ground
4 floor as it is today, which is spread out parking, stack
5 that and have one section of the garage secured. I think
6 there's several options we can do. We can't decide that
7 without much more detailed dialogue. We've begun that
8 dialogue with both the yacht club and the harbor master,
9 but we can't really decide that until we get their full
10 input. But clearly, from a congestion and traffic
11 standpoint, access to both the boat ramps and to the
12 parking, this configuration is going to be far superior
13 than when traffic is backed all the way up to Indianapolis
14 Boulevard because everyone is trying to get to a garage out
15 on the lakefront through that small narrow piece I
16 mentioned to you earlier.

17 MR. GARDNER: This is Rich Gardner. The one
18 thing I think should be made clear is the parking for the
19 marina, the people that have boats there, will be isolated
20 under whatever scenario we go with on the parking. The
21 question is: Where do they want them? And we have started
22 discussing that with the marina people, both the harbor
23 master and the yacht club. But the parking for the people
24 with the boats will be separate and accessible only through
25 a security card system, both in and out, so their cars are

1 safe and their boats will be safe because you can only get
2 to the boats through the parking area.

3 MR. VOWELS: If that Milwaukee Clipper remained
4 there, wouldn't you have to eliminate some slips?

5 MR. GOLUSKA: I believe under any scenario if the
6 Milwaukee Clipper remains in place, there's a need to
7 eliminate several slips because of the width of the Clipper
8 and the width of the gaming boat. They would probably be
9 slightly askew from each other, but their combined berth
10 would probably require some additional slips. One of the
11 benefits of not keeping the Clipper there is obviously
12 eliminating less slips.

13 MR. VOWELS: My understanding is that Lake
14 Michigan Charters has a lease on the Clipper. Have you
15 entered into any kind of negotiations or spoken with them
16 at all about what you would do if you were awarded this
17 license?

18 MR. MURPHY: No.

19 MR. BOYD: No, we have not.

20 MR. KLINEMAN: Want to identify yourself, Jay?

21 MR. BOYD: Jay Boyd, Counsel.

22 MR. SWAN: Have you actually looked into the cost
23 of moving the Clipper? Do you have those numbers?

24 MR. GARDNER: This is Rich Gardner again. Yes;
25 yes, we have looked into the cost. There are some

1 engineering problems of just getting it out of the harbor.
2 Leaving it there, there are some permitting problems. Yes,
3 we've looked at both. Whether you leave it there or take
4 it out, there are some permitting and engineering problems,
5 and we have looked at them.

6 MR. SWAN: Can you share those costs with us,
7 please?

8 MR. MURPHY: This is Bernie Murphy. I think we
9 have it at about 200 thousand dollars to move.

10 MR. GOLUSKA: Correct.

11 MR. MURPHY: 200 thousand.

12 MR. VOWELS: Where would you move it to? What do
13 you do with the boat, take it back to Milwaukee?

14 MR. GOLUSKA: I believe that's been mentioned
15 before. I think there are some discussions that are going
16 on that Milwaukee would like to have it back if it could be
17 moved out. It may want to find another home. I think
18 there's a lot of different things that could be done with
19 it if it isn't moved out. But clearly, that's got to be
20 discussed.

21 MR. SWAN: I know you just gave us your last 102
22 million dollars, but are you willing to pick up the tab for
23 moving the Milwaukee Clipper as well?

24 MR. BOYD: Arthur Goldberg.

25 MR. GOLDBERG: Arthur Goldberg. Yes, sir.

1 MR. GOLUSKA: Kim Goluska. And there is a line
2 item in our budget for 200 thousand dollars, as Mr. Murphy
3 mentioned; that is in the budget for the moving of the
4 Clipper.

5 MS. BOCHNOWSKI: If the Clipper had to stay
6 there, I would think that with all of this nice
7 construction that you're doing, you would certainly want to
8 renovate the Clipper because it's kind of an eyesore right
9 now. Any idea of how much that would cost? What would you
10 have to add to --

11 MR. GARDNER: This is Rich Gardner again. We at
12 Calumet worked with the City several years ago looking at
13 renovating it. And I think at that time, they decided that
14 it wasn't worth the effort and the cost. The problem is
15 that that boat environmentally is an antique, too. It's
16 covered with lead based paint. It's full of asbestos. The
17 floor to ceiling heights are poor for developing it. In
18 many cases, they're seven feet high. Getting mechanical
19 and electrical into those spaces to make it real usable is
20 very, very difficult. I believe at that time we were
21 talking 5 or 6 million dollars just to clean it up and make
22 it usable. The question is: What do you use it for?

23 MS. BOCHNOWSKI: I'm real concerned about
24 something that you just said. Is that lead based paint, is
25 that going into Lake Michigan right now? Is the asbestos

1 going in? I mean, what's going on?

2 MR. BOYD: Norm De Jong.

3 MR. DE JONG: Norman De Jong. It's not going
4 into the lake at all. It's part of the interior finishing.

5 MS. BOCHNOWSKI: Oh, it's interior. I thought
6 you meant maybe the exterior was lead. Okay.

7 MR. GOLUSKA: Kim Goluska. I believe the Clipper
8 situation is if there's a desire to keep it in place and
9 turn it into something that is a symbol of civic pride, it
10 clearly can be part of our plan. We can certainly
11 accommodate that. I think what you're hearing is it will
12 take a lot of work. And as Jim Knue, our environmental
13 consultant, has told us, apparently -- the Clipper
14 apparently today is in violation of some environmental Corp
15 permits. So there a lot of issues that would have to be
16 cleaned up, so to speak, along with that. I think we are
17 committed to working with that because of the desire to
18 keep it there. If the desire is not there, we've shown it
19 as being relocated.

20 MR. THAR: I have a couple of site questions.

21 DR. ROSS: Bally's seems to have a very good past
22 history of dealing with minorities. Hammond seems not to
23 have much of an active minority, but how would you handle
24 the statutes that deal with the hiring percentages?

25 MR. BOYD: Redenia Gilliam-Mosee will answer that

1 question.

2 MS. GILLIAM-MOSEE: Last weekend I was here when
3 we conducted a job fair in terms of providing information
4 for people who are interested in looking at what
5 potentially would happen at Bally's. We worked a lot
6 through community based organizations. And the idea is to
7 identify people locally, the organizations that they're
8 involved with. We do a lot of work through churches
9 because we find the churches a large part of recruitment
10 mechanisms, and they're already set up to provide
11 information to their congregations.

12 And by letting the individuals know the kinds of jobs
13 we have ahead of time, they begin to think. For example,
14 we have accounting positions. There are people who are in
15 training currently in accounting and vocational schools,
16 and they would just have to learn the kinds of casino
17 accounting that could be used at various levels. We
18 also -- as you will note, Atlantic City had no casino
19 employees when it opened. It had to totally recruit from
20 the local work force and to train individuals for that, as
21 well as develop a slot training curriculum. We did all of
22 that by using local community colleges and vocational
23 schools. And some of the organizations I've met with
24 locally, I've asked them to begin developing their job
25 banks, to look at the people with the various skills that

1 they have that are transferable. And we would be using
2 community based organizations to do that because they know
3 their community.

4 MR. VOWELS: Where would the dealer schools be
5 located? In Hammond?

6 MS. GILLIAM-MOSEE: Well, the thing that's most
7 important is that we also have the ability to do our own
8 training in terms of expertise. The thing that we look to
9 working with mostly -- when we had the job fair, we were at
10 Calumet College, and a lot of the people who were there
11 were familiar with the kinds of jobs and training that is
12 necessary. The Casino Career Institute in Atlantic City
13 has curricula that have been developed and work with
14 linkages with local other community colleges or vocational
15 schools in the area to be able to use those curricula and
16 to do the training. We would have our own staff in terms
17 of subject matter experts for the games and all of that to
18 do the training for individuals.

19 But the skills that are here, courtesy, the ability to
20 be cordial and hospitable, was a lot of what was also
21 already viewed from the people who came through last
22 weekend. All they wanted were job applications, and we had
23 to impress upon them that we had not been selected as yet
24 and we needed just the interest cards. And following that,
25 we would let them know.

1 MR. VOWELS: But if you are granted the license,
2 where will physically the dealer school be?

3 MR. MURPHY: This is Bernie Murphy. We had
4 discussions with Calumet College as well as Ivy Tech. We
5 have, I believe, already furnished a curricula to Calumet.
6 We would anticipate doing the same with Ivy Tech. And
7 utilizing the existing educational resources so that the
8 people here, rather -- I guess what sort of typically may
9 happen, which doesn't need to happen and won't happen here,
10 is that expensive trade schools might pop up to train
11 people. We think the existing -- you know, then the
12 individuals without jobs that are looking for jobs need to
13 come up with tuition money, which can be expensive.

14 What we would much rather do, and I think what Redenia
15 had suggested and what we've done very effectively and
16 broke that ground really in Atlantic City, was to furnish
17 the curricula, the courses, the game plan, as it were, to
18 the local educational institutions and let them do it;
19 certify them and then send them to us for a job.

20 I guess I'd be remiss too on the whole issue, the
21 general issue of Bally's track record with minorities and
22 women participation, that not only is Bally's the first
23 company to have a majority minority partnership in a gaming
24 facility, but we also -- two of our executive
25 vice-presidents of both of our facilities in Atlantic City

1 are minorities; one a Hispanic, the other African-American.
2 That would be the Chief Operating Officer of Bally's Park
3 Place and the Executive Vice-President of marketing at The
4 Grand.

5 MR. VOWELS: I guess one of my main questions
6 about the dealer school is to get a commitment from you
7 that it would be locally accessible, that it would be
8 within the confines of the City of Hammond.

9 MS. GILLIAM-MOSEE: Yes.

10 MR. GARDNER: Both Ivy Tech and -- well, Ivy Tech
11 is in the former East Chicago Career Center, and of course
12 Calumet College is within a mile of the marina.

13 DR. ROSS: Would the ship building and
14 construction projects have the same impetus?

15 MR. GARDNER: The construction -- Calumet
16 Construction is involved, as I said during my presentation,
17 with mentor prodigy programs that are formal, formally put
18 together both in Hammond and Gary, and both of those would
19 come into play here and in Indianapolis. And I'm sure that
20 CB&I has the same sorts of programs. And believe me,
21 Bally's is behind us pushing us to make sure that those
22 programs are implemented and are fully staffed.

23 MS. BOCHNOWSKI: I'd like to kind of switch gears
24 a little bit. I understand on your financial
25 information -- whoever's in charge of financial might want

1 to get ready. First of all, I understand that -- and I
2 want to make sure again that I have the right numbers here.
3 You have 1.26 billion dollars in debt, and that makes your
4 debt to equity ratio 3.5 to 1, which is high for the
5 industry that you're in, which I think the average is about
6 1.14, something like that, to 1?

7 MR. BOYD: Lee Hillman, Chief Financial Officer
8 of Bally Entertainment Corporation.

9 MS. BOCHNOWSKI: Okay; yes, go ahead on that. I
10 just --

11 MR. HILLMAN: Do you want me just to react to
12 what you said, or is there --

13 MS. BOCHNOWSKI: You can tell me if I've got the
14 right numbers, and then tell me if this is a problem that
15 you have too big of a debt.

16 MR. HILLMAN: Well, certainly it is not a
17 problem. First of all, what you need to do is to subtract
18 the cash on our balance sheet and marketable securities,
19 the liquid assets, from the debt number to come up with a
20 net debt number. We tend to and currently are carrying a
21 significant cash and marketable securities balance on our
22 balance sheet, one which I know we've provided to the
23 staff, totals some 350 plus million dollars. In addition
24 to that, we have available credit over and above unused
25 credit lines of nearly 100 million dollars today. So if

1 you were to look at the debt to equity ratio on a net debt
2 basis, it's substantially lower. It falls well within the
3 averages in the industry.

4 But I might also tell you that the terms of our debt
5 in terms of both interest rates and in terms of maturity
6 are probably the most superior in the industry. We have
7 been extremely aggressive in the debt markets over the last
8 several years. We have gone out and come up with superior
9 debt terms and refinancing. Each of our pieces of debt, as
10 I explained to great length to the staff, have gone through
11 Bally's rather unusual capital structure in our industry,
12 where each of our operating units is separately financed
13 under its own non-recourse financial structure.

14 So with respect to the Indiana project, as an example
15 the Hammond project, there is no risk of recourse from any
16 of that debt that you mentioned of 1.2 billion, or if you
17 would use a net debt number of 900 million. We are unique
18 in the industry in that regard. It has given us the
19 ability to go out and do that aggressive financing which
20 we've been able to accomplish because the pieces of the
21 financing are of a size that the market accepts very well.

22 MS. BOCHNOWSKI: So you feel comfortable with
23 that debt. But now coming up, you have a 100 million
24 dollar expansion in Atlantic City and you're building a new
25 420 million dollar resort in Las Vegas. Now, is that going

1 to cause you problems as you're doing this project here,
2 this 102 million dollar project in Hammond?

3 MR. HILLMAN: No. And if I can clarify --

4 MS. BOCHNOWSKI: I'd like you to.

5 MR. HILLMAN: -- on each of those as well. First
6 of all, with respect to the Atlantic City project, that
7 project will be built out of cash flows of that property,
8 the Park Place alone. Park Place this year in 1995 will
9 have cash flow of somewhere between 135 and 140 million
10 dollars in a single year. It is, if not the leading casino
11 in America in terms of profitability, the number two. That
12 project, which will take about 18 months to build, will be
13 built out of existing cash flow. Also, there is existing,
14 unused credit facilities on that property of about -- in
15 excess of 50 million dollars. So that project is unto
16 itself. It has nothing to do with any other of our
17 properties operating or existing today or in the future.

18 With respect to the Las Vegas project, the Paris
19 project, the size of that project has been modified
20 substantially since -- or the cost of that project since
21 the first data was provided to you. The project is now
22 about a 300 to 320 million dollar project. Nevertheless,
23 that subsidiary alone is sitting on some 60 plus million
24 dollars of cash. So again, when you get to how we would
25 finance that project in the Bally structure, it would be

1 financed out of that subsidiary, Bally's Las Vegas, which
2 has its own cash to supply as equity. We already own the
3 land that it would sit on, which is valued at in excess of
4 65 million dollars. So to begin with, we can come to the
5 table with in excess of 120 million dollars of equity. To
6 finance the project in total would be about 300 million
7 dollars. The debt to equity ratio, I think, is very
8 attractive on what we finance separately. It has nothing
9 to do with this property, again, because that is completely
10 non-recourse to this.

11 MS. BOCHNOWSKI: Okay.

12 MR. VOWELS: Why is it that it went from 420
13 million to 320 million?

14 MR. HILLMAN: Again, that relates to the
15 operational strategy and the marketing strategy for what we
16 see happening in the Las Vegas market. It relates to
17 things like the positioning of that property at the center
18 of the strip, the new developments going on across the
19 street, New York New York, Monte Carlo, Bellagio, the
20 prospective expansion of the Circus Circus projects, and
21 where we see best taking our opportunity for profitability
22 and success on a staged project, such as some of our
23 competitors have done in that market. It's located
24 precisely next door to our existing 2,800 room facility,
25 Bally's Las Vegas Casino. So we believe building a 1,500

1 to 1,800 room facility in the first phase is a better way
2 to go in that market. We're very market focused at Bally.

3 MR. VOWELS: Okay. So the bottom line is it
4 makes more sense to spend 300 --

5 MR. HILLMAN: Absolutely.

6 MR. VOWELS: -- versus the 420?

7 MR. HILLMAN: Strictly a business and
8 profitability and return on investment decision.

9 MS. BOCHNOWSKI: Explain this then to me, because
10 you're talking about your cash flow. It sounds like
11 everything's kept pretty separate; each operation is
12 self-accountable, in other words. I have here Bally has
13 reported negative earnings in each year since 1989. Can
14 you explain that to me?

15 MR. HILLMAN: Well, Bally's earnings this year to
16 date -- well, for the first half of the year were at record
17 levels. We had earnings per share of nearly 30 cents a
18 share after the first half of the year. We have not yet
19 reported our third quarter earnings, but I can tell you
20 that they are very strong. The results for the company for
21 the year have been estimated by five major investment banks
22 for this year being at approximately 57 to 60 cents a share
23 earnings. That would interpret into some 25 million
24 dollars of net income. When you get to earnings estimates
25 on the company for next year, they expect a growth of some

1 10 to 15 percent. And beyond that, as much as \$2 a share
2 by 1998.

3 MS. BOCHNOWSKI: Why would you say in the past
4 that it would be strong earnings since you've had negative
5 earnings?

6 MR. GOLDBERG: Arthur Goldberg. May I comment on
7 that?

8 MS. BOCHNOWSKI: Please.

9 MR. GOLDBERG: I got to Bally's in 1990, and it
10 was an eclectic mix of companies that were there. We also
11 own a health and fitness company, the largest in the world,
12 some 350 health centers, 4 million members, etc. Because
13 of the accounting in that business and because of the vast
14 amounts of capital prior management had put into that
15 business, there was no way you could have positive
16 earnings. The gap effect on earnings when you have a
17 membership and installment sale business makes the earnings
18 completely distorted.

19 It was therefore about a year and three months ago we
20 made the announcement that we were spinning off our health
21 and fitness division. That spinoff is on target. The
22 papers have been filed. The record date on that will be
23 sometime this November, and the effective date will be
24 January 3rd. Because of the accounting and the gap basis
25 of how you have to account for revenue and member services

1 to be given over the contract period, the amounts of red
2 ink in that business were some 50, 60, 70 million dollars a
3 year when I got there. So we had decided we were going to
4 get rid of it. We didn't know how, where, and when. We
5 straightened that business out so that it now becomes
6 profitable.

7 But the main reason for the red ink over those years
8 is the gap earnings. The cash was always there. And when
9 I got there, I thought it was more important to run the
10 company for cash flow under the theory that earnings would
11 follow, and this year has proven that. We'll have record
12 earnings. And now that the businesses are separated and
13 much more focused, the investment public has been able to
14 watch what we're doing. We've had four or five investment
15 reports, which we'll provide them to you, over the last
16 month; and we just finished a 170 million dollar equity
17 offering, primarily to institutions.

18 So if I had to give you a reason why a novice like me
19 would also look at the numbers and say, "Hey," it was
20 really health and fitness. And it would take us a couple
21 hours to take you through the accounting treatise that that
22 business operates on; but suffice it to say, under gap
23 accounting if someone pays \$100, you can't take in all that
24 revenue, but you do have to recognize a lot of the
25 expenses. And we can give a reconciliation on that

1 whenever you'd like.

2 MS. BOCHNOWSKI: So in other words, are you
3 telling me that in those past years when you had negative
4 earnings reported for your company, if you had been able to
5 separate out the health and fitness portion, you would not
6 have had negative earnings? Is that what you're saying to
7 me?

8 MR. HILLMAN: Yes. The negative earnings were
9 largely due to the health and fitness business, prior
10 businesses also that we went through a restructuring on and
11 disposed of those businesses. The casino business has been
12 operational and profitable for Bally's for many years, and
13 highly profitable. As I said, the Park Place Casino alone
14 is, if not the most profitable casino in the world, then
15 number two. So the casino business has been highly
16 profitable.

17 One other very simple example of the earnings
18 turnaround of the company is reflected in our stock price.
19 And contrary to many of the other companies in our business
20 this year, our stock price has doubled this year in 1995
21 alone, and the credit ratings of our company have been
22 upgraded three times since Arthur arrived at Bally. So the
23 ratings services, Moody's, Standard and Poor's, Duffy
24 Phelps and so forth, have also recognized the very strong
25 financial position of our company. And the most recent

1 credit rating upgrade was just about a month and a half
2 ago.

3 MS. BOCHNOWSKI: Give me an example. Standard
4 and Poor's, what would their credit rating be for your
5 company?

6 MR. HILLMAN: Of who?

7 MS. BOCHNOWSKI: I don't care. Just give me one
8 of those.

9 MR. HILLMAN: Park Place is a double B credit
10 right now. In fact, I'm sorry; they're a double B plus.
11 Most of our casino properties, each of which have
12 separate -- and again, the structure of Bally's capital is
13 different than most other companies or business. Each
14 company operates with its own separate capital structure,
15 which in most cases includes separate publicly financed
16 debt. Park Place is an example as double B plus credit
17 rating; the same for Bally's Las Vegas; the same for
18 Bally's Grand in Atlantic City. And --

19 MR. KLINEMAN: The hundred -- go ahead,
20 Mr. Goldberg.

21 MR. GOLDBERG: The other point -- Arthur
22 Goldberg -- that I would add, the amortizations of this
23 debt over the next seven years are practically nonexistent.
24 We decided in '94, with the advantageous interest rates, to
25 refinance our debt, and therefore we have no amortizations

1 looking at us for the next, I think, seven years.

2 MR. HILLMAN: As I said, we not only got better
3 interest rates, but we have longer terms of our maturities
4 than most others in our industry.

5 MR. KLINEMAN: Okay. The 157 million dollars you
6 said you just placed within institutions, that was the debt
7 filing that was held up by the State of Nevada, is that
8 right, for a year?

9 MR. HILLMAN: No.

10 MR. KLINEMAN: No?

11 MR. HILLMAN: I have no -- I'm not sure -- we've
12 had no filings held up by the State of Nevada whatsoever.
13 The recent filing that we did and offering was an equity
14 offering of mandatory convertible preferred stock, which
15 resulted in 167 million dollars of net proceeds to the
16 company. It was an equity offering. Nevada -- what you
17 may be referring to, Mr. Chairman, is that one year ago,
18 Nevada gave the company shelf approval on any straight
19 equity common stock offering. This year they changed that,
20 upgraded that shelf approval for us to include all equity
21 and debt offerings for the company. So that would be the
22 same kind of a shelf approval that they give to, say, a
23 Mirage or Circus Circus or any other major gaming company.

24 MR. KLINEMAN: A year ago the state was
25 encouraging you to make equity type offerings --

1 MR. HILLMAN: Yes.

2 MR. KLINEMAN: -- rather than debt, is that not
3 correct? In other words, "Don't encourage more debt. If
4 you want to go out and get some equity in here, that's
5 fine, but don't encourage more debt."

6 MR. HILLMAN: I would certainly say that they
7 certainly were encouraging equity, and that's precisely
8 what we did. The recent issuance, as I said, resulted in
9 167 million dollars of new equity into the business, not
10 debt. The shelf approval process, just so you're aware,
11 means that we can go out into the markets without Nevada's
12 prior approval, and that's --

13 MR. KLINEMAN: It's just like the SEC shelf
14 approval.

15 MR. HILLMAN: Exactly, only the gaming regulators
16 in Nevada have their own separate process.

17 MR. VOWELS: Why did they restrict you in the
18 first place? You say now it's okay, but originally they
19 had to restrict you?

20 MR. HILLMAN: Well, I think the -- I wouldn't
21 look at it as a restriction in the first place. They gave
22 us initially the permission to go out into the markets for
23 debt -- I'm sorry; for equity without their prior approval.
24 We had no approvals prior to that. They gave us the one;
25 they then took us to the second stage.

1 MR. VOWELS: Did they not allow you to make
2 public offerings of the stock only, and then not public
3 offerings of the debt for a period of time?

4 MR. HILLMAN: Without their approval.

5 MR. VOWELS: Why didn't they give you the
6 approval right off the bat?

7 MR. HILLMAN: We only asked for the one approval
8 initially. We didn't ask for full approval. We only asked
9 for the one approval.

10 MR. VOWELS: Why?

11 MR. HILLMAN: Why? Because we thought we were
12 going to be going into the equity markets, quite frankly.

13 MR. GOLDBERG: Arthur Goldberg. In Nevada, we
14 have some 75 or 80 million dollars cash on our balance
15 sheet and a very reasonable debt ratio with a coverage of 2
16 to 1; so we had no reason to go into the debt markets
17 whatsoever. And it's a wholly owned subsidiary that
18 wouldn't be issuing new stock on its own, so most of that
19 was referred to at the parent level.

20 MR. HILLMAN: We had just gone through five
21 separate refinancings. We had no intentions of going back
22 into the debt market, so we made no request of them.

23 MR. VOWELS: All right. So there wasn't a need
24 for them to address --

25 MR. HILLMAN: There was no need. We intended to

1 go into the equity market. As it turned out, we went into
2 the equity market with what I think was a fairly leading
3 edge type of security, so we went back and got the approval
4 on this further aspect that covers everything.

5 MR. VOWELS: So if I can get the scenario
6 correct, you went forward, as you stated, without having to
7 deal with Nevada authorities. Then after a period of one
8 year, you decided to go full force on this, and that was
9 when you had to get their permission to go forward?

10 MR. HILLMAN: When we decided to go back into the
11 markets, yes, we went back and got their approval.

12 MR. VOWELS: All right. So at no time did they
13 restrict you to what you --

14 MR. HILLMAN: Never, never.

15 MR. KLINEMAN: Take me through the scenario from
16 day one, the Bally's Indiana, LP. Tell me what their
17 balance sheet looks like. With all due respect to your 102
18 million dollar check here, tell me what --

19 MR. HILLMAN: Well, Bally's --

20 MR. KLINEMAN: I think we've lost it, and I want
21 to know where it is.

22 MR. HILLMAN: It wouldn't be the first time.
23 Bally's Indiana Limited, LP at this point is capitalized
24 with those equity contributions that Bally's and partners
25 have made to bring the proposal forth and the application

1 forth.

2 MR. KLINEMAN: Well, equity to me means equity.
3 I am now learning, of course, that equity can be
4 subordinated debt and things like that. Tell me what
5 your --

6 MR. HILLMAN: Oh, what our plan is?

7 MR. KLINEMAN: Yes. What is your plan to fund
8 this? And you keep telling us how your subsidiaries stand
9 alone, etc., etc. So tell me what it looks like.

10 MR. HILLMAN: Very good. Our application
11 financials included a projection of the total project cost
12 of 102 million dollars. That 102 million dollar project
13 cost is anticipated to be funded effectively with
14 approximately 25 million dollars of equity and 77 million
15 dollars of what I will call, for your purposes, debt at
16 this time. However, that debt is backed up by the check
17 that you just received, and have lost.

18 MR. KLINEMAN: You don't have to rub it in.

19 MR. HILLMAN: Bally's will provide the funding,
20 in fact, in the form of 100 percent equity or debt to the
21 project, which would be intercompany, from Bally's parent
22 to the Bally's subsidiary, which is the limited
23 partnership; so that effectively what we are saying is that
24 we will raise debt for this project as we see fit and as
25 the financial markets present opportunities for us, but

1 that is irrelevant to the completion of this project
2 because we will build this project with our own money. We
3 will either bridge it or provide permanent financing with
4 our own money.

5 MR. KLINEMAN: There was some indication -- you
6 flashed on the screen some letter from LaSalle Bank, which
7 I've never seen. I don't know if that's part of our
8 filings or not. Tell me what that letter purports to be.

9 MR. HILLMAN: What that letter purports to be is
10 a letter from LaSalle Bank, who is our lead banker in
11 Chicago. They have confirmed our available cash and will
12 establish an escrow account related to this project in an
13 amount in excess of 100 million dollars at our request,
14 which means that we either have cash on hand in that bank
15 already of that amount or have given them access to other
16 cash balances we have in other institutions to establish
17 that account. So by picking up the telephone, we will
18 have --

19 MR. KLINEMAN: These bankers really know how to
20 write letters. That doesn't say a darn thing. "I'll
21 establish an escrow account for you if you bring me the
22 money." That's really what that letter says; nothing more,
23 as I read it.

24 MR. GOLDBERG: Mr. Chairman, Arthur Goldberg
25 here. If I can break it down to I think the point you want

1 to get it down to, we would intend to fund this with 25 to
2 30 million of pure equity; and if the debt markets were
3 advantageous, raise the rest in debt, which is a prudent
4 way --

5 MR. KLINEMAN: Outside debt?

6 MR. GOLDBERG: Yes, which is a prudent way to do
7 that.

8 MR. KLINEMAN: Yes.

9 MR. GOLDBERG: What we're saying to you is that
10 we don't want to make it conditioned on that. Debt markets
11 could change. Interest rates could go to 26 percent
12 tomorrow. God forbid, we could have a calamity in the
13 country or the world. We're saying, and the reason for the
14 102 million dollars is to say to you, that if we couldn't
15 go to the debt markets, we were prepared to establish an
16 escrow fund with that, to draw upon that escrow fund to
17 build this project. It wasn't mirrors, you know; it was
18 cash. And the letter from LaSalle Bank simply says that
19 the money is there. It's one thing writing a check, as we
20 all know. It's another thing not having the money. But
21 it's a simple financing project. It will be 25 or 30
22 million down, the rest financed. But if we couldn't go to
23 the third party public market to finance it, as some people
24 have had trouble over the years when the markets change, we
25 are prepared to put the money in and bridge that loan so

1 that there's no possibility that this project will not be
2 built on time, as we said it would be, with everything in
3 there not phased in. It's that simple.

4 MR. SWAN: May I ask a question on the balance
5 sheet? Included on your balance sheet is investment and
6 discontinued operations of some 290 million dollars. Can
7 you describe what those assets are?

8 MR. HILLMAN: That's the fitness business. The
9 fitness center business has been classified as a
10 discontinued operation since we announced the intended
11 spinoff. It's merely a generally accepted accounting
12 convention. And when we complete that spinoff, as Arthur
13 said, in January of this year, it will be treated as a
14 dividend to shareholders.

15 MR. THAR: How much cash on your balance sheet is
16 reserves required to be maintained by other gaming
17 jurisdictions for your casino operations?

18 MR. HILLMAN: I'm sorry?

19 MR. THAR: Cash on your balance sheet; is any of
20 that amount reserves required to be maintained by other
21 gaming jurisdictions?

22 MR. HILLMAN: In terms of where it says cage cash
23 amounts?

24 MR. THAR: Yes.

25 MR. HILLMAN: Yes, approximately less than 15

1 million dollars of cage cash reserves are required.

2 MR. THAR: Total or --

3 MR. HILLMAN: Total for the four operating
4 casinos right now. Mississippi will be established at
5 about a million dollars when it reopens in November.

6 MR. SWAN: I have one more question, if I could.
7 Could you just take me through the minority ownership, the
8 local ownership and qualifications of those people, please?

9 MR. MURPHY: This is Bernie Murphy. It is
10 essentially comprised of individuals that have a variety of
11 backgrounds. I guess I'm confined in some fashion to those
12 that have the largest percentages. Jeff Wadley, who you've
13 already heard from here today, is a CPA from Bourbonnais,
14 Illinois. Joe Franco also has 8 percent. He's here with
15 us today. He is an architect by trade. They have a
16 construction company also called Heritage Construction.
17 Daryl Meist is also an accountant from St. Anne, Illinois.
18 And then there's Alan Gull and Ann Marie Gull also here
19 today, who own together 7.2 percent. They are -- Mr. Gull
20 is from Munster, Illinois (sic). He is a businessman
21 there. He is in the restaurant business. Munster,
22 Indiana; I'm sorry. Munster, Indiana; excuse me. And of
23 course, we have a variety of smaller ownership, including
24 two of the principals here, Bill Schooler and Mr. Gardner
25 from Calumet. We have also taken an option back on 10

1 percent of that total amount of that 38 percent that we've
2 reserved for local participation for some potential
3 redistribution to Hammond individuals if and when it is
4 appropriate.

5 MR. KLINEMAN: Could you tell us how you got
6 together with these people from Illinois?

7 MR. MURPHY: How we got together with them?

8 MR. KLINEMAN: (Nodded head.)

9 MR. MURPHY: How did we get together with them?
10 Through a friend of mine and Arthur Goldberg by the name of
11 Gary Penrith. I retired from the F.B.I. early. Gary was
12 the special agent in charge of the Newark office, and he
13 brought this group to us. He's personally familiar with a
14 couple of these individuals.

15 MR. KLINEMAN: Were these individuals involved
16 before Bally became involved in Hammond?

17 MR. MURPHY: Yes, they were. And perhaps that
18 early involvement, maybe you ought to hear from Jeff, who
19 was involved very early on that process. Let me ask Jeff
20 to step up.

21 MR. WADLEY: My name is Jeff Wadley. We started
22 with the idea of a riverboat casino in Hammond long before
23 the legislation was ever passed. I'm from Bourbonnais,
24 Illinois, and I'm very familiar with riverboat projects in
25 Illinois and the Joliet area and so forth. And we had a

1 vision that the Milwaukee Clipper possibly could be a good
2 site for a riverboat casino. And about four years ago, we
3 approached then Mayor McDermott of the City of Hammond to
4 inquire about the prospects of possibly renovating the
5 Clipper and being able to use it for a connection to gaming
6 in the State of Indiana, which at that time, as you know,
7 talked about passing the legislation to allow gaming in
8 Indiana.

9 Slowly, over the last four years then, we've evolved
10 from that discussion to even a bid at one time on the
11 Clipper itself. Alan Gull was another -- represented
12 another group that bid on the Clipper. And then after
13 that, we got together, had discussions with Gary Penrith,
14 and he got us an appointment with Arthur Goldberg about two
15 and a half years ago. And it was from that meeting we
16 explained our vision. We've always had the idea of a
17 hotel. In fact, our early plans called for a hotel in
18 exactly the same spot it's at in the marina today that
19 we're presenting. We've varied from that because of
20 hearing different concerns and with different suggestions
21 that were put on us by the City and so forth. But
22 ironically, we're coming back to the same vision and the
23 same concept that I had four years ago for the project.

24 MR. MURPHY: This is Bernie Murphy again. I
25 should also add that Bally's did propose -- when the City

1 put out the Clipper for bids two to two and a half years
2 ago, we also submitted a bid for that. So to the extent
3 that we've had some interest in this project, this marina
4 development, it goes back that far as well. There was
5 later a marriage, as you heard from Jeff. But
6 additionally, what we've tried to do is move our local
7 partnership so that we not only have local participation
8 from the general area, but we've also tried to concentrate
9 it more and more into the Hammond area, which is why we
10 have now formed this relationship with Calumet and Rich
11 Gardner.

12 MR. KLINEMAN: You want to explain this 10
13 percent that you alluded to a minute ago?

14 MR. MURPHY: It's only the ability to
15 redistribute at a point in time -- if and when we would get
16 the appropriate authority from your Commission, from the
17 regulatory authorities, it's an option to take back 10 of
18 the 38 percent and redistribute if we felt it was necessary
19 to bring to Hammond.

20 MR. KLINEMAN: Okay. And what is the investment
21 of the 38 percent as it presently is structured?

22 MR. MURPHY: The investment is broken down into
23 the capital structure. The capital structure is -- the
24 common equity contribution is a total of 2 million 600
25 thousand dollars -- 2 million 630 thousand dollars. A

1 million 6 of that comes from Bally's Limited, 26,000 from a
2 Bally general partner, which would effectively run this
3 operation, and 1 million dollars from the Heritage folks
4 collectively.

5 MR. KLINEMAN: The Heritage folks are the 38
6 percent?

7 MR. MURPHY: Yes, sir.

8 MR. SUNDWICK: Is there any payment -- is there
9 any money put into this yet, the million dollars, or is
10 this sweat equity? We've heard sweat equity the last
11 couple of meetings.

12 MR. MURPHY: No, it's money.

13 MR. SUNDWICK: So you've got the money?

14 MR. MURPHY: Yes. Oh, you mean do we have the
15 money?

16 MR. SUNDWICK: Yes.

17 MR. MURPHY: Well, that may be --

18 MR. HILLMAN: Up to this point --

19 MR. SUNDWICK: Nobody's put any money in?

20 MR. HILLMAN: Commissioner, up to this point,
21 money has gone in to the extent that it's been needed to
22 fund things such as the application process, the experts
23 that we have obtained --

24 MR. SUNDWICK: Okay. Well, who puts money in?

25 MR. HILLMAN: Both parties.

1 MR. SUNDWICK: Tell us how much they put in.

2 MR. HILLMAN: I don't have the accounting
3 portfolio here. I can get you that. I don't have that
4 here.

5 MR. SUNDWICK: We have 38 percent ownership, and
6 we'd like -- I'd like to know how much money that is that
7 they've invested so far.

8 MR. KLINEMAN: Well, the total I hear is that
9 they are to put in a million dollars in cash, period.

10 MR. MURPHY: That's right.

11 MR. KLINEMAN: Whether that has been put up or
12 not, the total for the 38 percent is a million dollars?

13 MR. MURPHY: That's right. Well, it hasn't been
14 called, Mr. Chairman; it hasn't been called. But, I mean,
15 that's a standard operating procedure. In terms of the
16 money that we put into it, Bally's put -- I don't know our
17 total number at this point in time, but it's in the couple
18 hundred thousand dollar range. And I think that the
19 Heritage partnership itself has spent something in the
20 neighborhood of a hundred thousand of their own money.

21 MR. KLINEMAN: Okay. And what is the call on the
22 10 percent? What is Bally to pay for that to reclaim the
23 10 percent from the 38 percent?

24 MR. MURPHY: It's at our option. It's within 90
25 days after the award, and it's subject to approval and it

1 would call 10 percent back for a million and a half.

2 MR. KLINEMAN: Total?

3 MR. MURPHY: Right, right.

4 MR. KLINEMAN: So they'd end up basically, if you
5 exercise that, with 28 percent, 500 thousand dollars in
6 their pocket and 28 percent forever?

7 MR. MURPHY: Correct.

8 MR. MONTANA: It doesn't come to us. It goes to
9 other parties. It would be 1.5 --

10 MR. KLINEMAN: Well, but they've reclaimed -- I
11 mean, if these would be the Heritage group's --

12 MR. MONTANA: But other people would be
13 purchasing; others would be purchasing.

14 MR. KLINEMAN: Okay. The Heritage people would
15 then end up with 28 percent, 500 thousand dollars in their
16 pocket and 28 percent forever?

17 MR. HILLMAN: Yes, but there would have to be
18 willing buyers to purchase those shares from the local
19 buyers.

20 MR. KLINEMAN: Okay; okay.

21 MR. WADLEY: Mr. Chairman, there is a
22 clarification of that, though. The million and a half
23 would be for the entire 38 percent, then you take that on a
24 pro rata basis. So every small investor in the Bally's
25 Indiana, Limited Partnership would have an out of pocket

1 investment in the project, so it would not be -- a million
2 and a half would be a pro rata of the million and a half as
3 it equates to the 38 percent. So in essence, we would all
4 have money out of pocket in the project.

5 MR. HILLMAN: Nevertheless, there would have to
6 be willing buyers. This is not a forced amount of money
7 that they're going to be receiving back.

8 MR. KLINEMAN: It's not really a call. I
9 misspoke. It's an option of some sort, I guess.

10 MR. DODSON: Excuse me. This is Mark Dodson. I
11 just wanted to point out a clarification, if you will. The
12 one thing that's being overlooked here is the capital
13 structure of this 2 million 6; the difference between the
14 27 million that's going to be required and the 2 million 6
15 represents preferred equity. These guys were not looking
16 for gifts. The preferred equity comes back to Bally's
17 before they see any return on their equity whatsoever.
18 This is not charity and it's not sweat equity. We wanted
19 their involvement, and they were willing to accept the fact
20 that we were taking all the financial risks and therefore
21 will have priority returns.

22 MR. KLINEMAN: And your title of the company?

23 MR. DODSON: I am Vice-President of Planning and
24 Development.

25 MR. KLINEMAN: Planning and development. Okay.

1 And your point was? I'm sorry; I didn't follow that
2 completely.

3 MR. SUNDWICK: We missed the whole thing.

4 MR. KLINEMAN: Yes.

5 MR. SUNDWICK: We're just slow, you know.

6 MR. KLINEMAN: You're speaking basically as to
7 what the Heritage Group is going to end up with and what
8 percentage they get?

9 MR. DODSON: Right.

10 MR. KLINEMAN: Then you're saying that there is
11 some restriction on the profits or flow or whatever it is
12 that they would receive for their interest; is that what
13 you're saying?

14 MR. DODSON: That is correct. Arthur Goldberg
15 mentioned a number of 27, 25 million in equity, wherever it
16 ends up to be. We established a capital situation to where
17 the million dollars was something that they could afford to
18 invest. Therefore, we created the partnership as such for
19 their 38 percent, they put in a million; for our
20 corresponding, we put in a million 6. Now, all the
21 difference between that and the required amount of 27
22 million equity Bally's is funding, and Bally's will get a
23 priority return, meaning that principal fund and acceptable
24 return on that fund will be returned before they see any
25 profit distributions.

1 MR. KLINEMAN: Okay. Now we're into what I was
2 talking about before. What you've been calling equity all
3 along is not equity in my small mind sense. It is
4 basically part stock purchase and part a subordinated debt
5 of some sort?

6 MR. DODSON: It's preferred equity, pure and
7 simple.

8 MR. KLINEMAN: I never heard the word preferred
9 equity. Tell me what it is.

10 MR. DODSON: Preferred stock.

11 MR. KLINEMAN: Preferred stock.

12 MR. GOLDBERG: Mr. Chairman, Arthur Goldberg.
13 It's preferred stock. It's equity in the sense that you
14 understand it.

15 MR. KLINEMAN: Okay, preferred stock I
16 understand. Preferred equity, I just didn't understand the
17 concept.

18 MR. GOLDBERG: I think that one of the youngsters
19 at the left spoke a little bit and didn't understand. But
20 it's preferred stock.

21 MR. KLINEMAN: So the balance sheet's going to
22 have common stock and preferred stock?

23 MR. GOLDBERG: That's exactly right.

24 MR. KLINEMAN: Preferred stock obviously has a
25 preferred return, set percentage?

1 MR. HILLMAN: It has both a rate, a market rate
2 return on it, and a preference standing in terms of the
3 principal amount.

4 MR. KLINEMAN: Right; exactly.

5 MR. HILLMAN: That will give you all the
6 characteristics of preferred stock. It is preferred stock.

7 MR. KLINEMAN: Okay. And you don't know at the
8 present time what that preferred percentage return on that
9 22 million or 23 million dollars would be, do you?

10 MR. DODSON: Yes.

11 MR. HILLMAN: Yes, we do.

12 MR. KLINEMAN: You do? What is it?

13 MR. DODSON: It's 14.

14 MR. HILLMAN: If it's treated in the -- it's an 8
15 to 14 percent, depending on whether it's treated as equity
16 or debt to the facility. That's all it is. If it's
17 treated as equity, it will be --

18 MR. KLINEMAN: The maximum return would be 14
19 percent --

20 MR. HILLMAN: That's right.

21 MR. KLINEMAN: -- of 22 or 23 million dollars?

22 MR. HILLMAN: That's right.

23 MR. KLINEMAN: Anybody else have any questions on
24 these things?

25 MR. SUNDWICK: Yes, I just wanted to -- how did

1 you come up with your local investors? We've got more than
2 half of them from Illinois, and we've got the other half
3 from Indiana, and four of those from Munster. I'm just
4 trying to get the -- I think that somebody at the Gary
5 hearings told us they looked -- people called them. How do
6 these people get involved?

7 MR. WADLEY: This is Jeff Wadley again. It was
8 my vision, and then I talked to some partners of mine, Joe
9 Franco, who I've been involved in business with for some
10 time in Bourbonnais. And I got Joe on board at that time.
11 Daryl Meist is a friend of both of ours. He's in the
12 insurance business. He came on scene later. We formed an
13 investment group to pursue the idea of a boat operation in
14 Hammond. We knew early on that we needed a strong gaming
15 partner, which we feel Bally's is as strong as you can get.

16 And we also saw that we needed some local stewardship.
17 And when we went into the community, we talked with a
18 number of people, a number of attorneys, accountants, real
19 estate people, insurance, and we tried to determine what
20 kind of local citizens could meet the stewardship
21 situation. We contacted Calumet Construction Company,
22 which is a leading major contractor in the Hammond area.
23 And it was through Rich Gardner and Bill Schooler of
24 Calumet Construction that we got the names of the other
25 individuals that represent that group, with the exception

1 of Al Gull. Al Gull we met through our process early on
2 with the bid on the Clipper. That goes back to probably
3 three and a half, four years ago.

4 MR. MURPHY: And the 10 percent in reserve, if I
5 can use that term, is to yet further -- we think we have a
6 steward here in the --

7 MR. KLINEMAN: Mr. Murphy, you forgot to identify
8 yourself.

9 MR. MURPHY: Oh, I'm sorry. I'm Bernie Murphy.
10 The effort here is to yet further Indiana-ize, if that's a
11 word, the project, if it's acceptable to you, if it's the
12 right thing to do. So that's what we're doing. We think
13 we have good Indiana partners. But to the extent that we
14 can improve on that, we want to reserve that right. And
15 that's essentially what that does.

16 MR. KLINEMAN: Mr. Goldberg, I've been asking
17 this question of some of the applicants in various
18 locations. What kind of non-competition agreement will
19 your company enter into in regards to this location if
20 you're granted a license?

21 MR. GOLDBERG: Well, we've thought a lot about
22 the marketing issues here, and let me answer two parts of
23 it, if it's okay, Mr. Chairman. Oh, Arthur Goldberg. I'd
24 like to just briefly discuss our vision and then tie into
25 the non-compete and what we think should happen. But

1 essentially, we look at this as a market to hopefully
2 co-market with the three other casino venues. Mr. Trump
3 and ourselves market quite a lot together in Atlantic City
4 with fights and entertainment. And with the three venues
5 here, we think there should be some common situs events,
6 etc., to draw attention to the whole area. So we'll
7 compete with one another, I can assure you, but I think the
8 area must first be developed. But people oftentimes like
9 more than one casino experience, and that's what we like
10 with this strip here.

11 We are also very fortunate with the health clubs that
12 we operate. In our database, we have over 450 thousand
13 members in the Chicago area at our health clubs, over 250
14 thousand members -- excuse me; people in our data bank that
15 go either to Las Vegas or to Atlantic City. Plus if you
16 expand that market to the Detroit and Milwaukee area, the
17 number becomes over a million. So we look at the
18 non-compete -- we look at this being a totally segregated
19 area from Chicago, if and when downtown Chicago gets
20 gaming. We think this is a total niche market here that
21 will not be dependent on the convention business.

22 And I think Chicago's going to get gaming whether
23 Bally's wants it, whether Indiana wants it, whomever. I
24 think that decision will be made by independent folks for,
25 I guess, many reasons. We think that if and when Chicago

1 gets it, it wouldn't be a mistake; it would be a benefit to
2 have an operator having dual licenses with dual
3 capabilities to attract people. Early on in the gaming
4 business, for instance in Atlantic City, we have two
5 casinos right on the same boardwalk that we own. In Las
6 Vegas, we're building one right next to ours because of the
7 co-marketing. When gaming became a subject in
8 Philadelphia, we purchased land along the waterfront where
9 it was supposed to go -- there's been no legislation yet --
10 with the same thought: It's going to go whether or not we
11 want it to go there. We think there will be totally two
12 different markets. We think that's why the hotel is
13 important. That's why the convention center is important.
14 And you have two difference experiences. I think that if
15 you had a company that had presence in both markets, it
16 would be much better than not having any presence.

17 So, you know, to me, competition is wonderful. We're
18 going to have substantial capital resources here that we
19 can't float away. We're going to have a hotel you can't
20 float away. And I think we can't be afraid of competition.
21 We have to build for competition, and that's why this
22 project is developed as it is. As far as the markets,
23 these are two separate markets, and the characteristics are
24 such that our competition here I would like to think of the
25 three boats that are going to be on the lake.

1 MR. VOWELS: Does that mean if there was a
2 Chicago license available that Bally's would pursue it?

3 MR. GOLDBERG: Well, I think it would depend on a
4 lot of things when it became available.

5 MR. KLINEMAN: You would not be restricted from
6 that.

7 MR. GOLDBERG: Right. I think it would depend
8 on, as a businessman --

9 MR. KLINEMAN: You mean, no non-competition?

10 MR. GOLDBERG: Right.

11 MR. VOWELS: Okay.

12 MR. MURPHY: Mr. Chairman, let me add that one of
13 the strengths --

14 MR. GOLDBERG: Would you identify yourself,
15 please.

16 MR. MURPHY: Bernie Murphy. Thank you, Mr.
17 Goldberg. One of the strengths of Bally's is our marketing
18 capability, and a significant amount of that is based in
19 customer identification and knowing -- having a computer
20 database of people that frequent an area or frequent gaming
21 establishments. If there are 20 or 25 or 30 million people
22 visiting the Chicago gaming facilities that may come on
23 line and Bally were to have a fair market share of that,
24 there would be an automatic 5 or 10 million member database
25 that would be available to this facility that would not be

1 available if there were no relationship between the two.
2 So there are a number of marketing pluses.

3 MR. KLINEMAN: Yes, I understand your reasoning.
4 Thank you.

5 MR. VOWELS: That joint venture that you entered
6 into with Lady Luck in Mississippi was supposed to open in
7 the third quarter of '95. If it did open, how is it doing?
8 If it hasn't opened, why not?

9 MR. GOLDBERG: It will open somewhere around
10 Thanksgiving. The Mississippi River didn't cooperate. We
11 had a lot of problems with the level and there was a lot of
12 water, and we couldn't float the barge in at the time. We
13 could open it up, but it wouldn't be complete. It would
14 just be a boat sitting there with some slot machines on it
15 without the amenities that you see here, so we decided to
16 wait for Thanksgiving and open it up then. But
17 everything's on schedule there except for when we had
18 weather elements and water elements.

19 MR. KLINEMAN: Anything else from the Commission?
20 Mr. Thar?

21 MR. THAR: I just have a few quick answer --
22 questions. Is the plan before the Commission the one
23 that's known as the Bally Lakehouse plan, and the other one
24 is not for consideration; is that correct?

25 MR. BOYD: Yes.

1 MR. MONTANA: Yes, that's correct.

2 MR. THAR: During the course of the discussion of
3 the Bally's Lakehouse plan, particularly in terms of the
4 Corp of Engineers considerations and some of the other
5 considerations put forth by Commissioner Bochnowski,
6 reference was made to the plan having flexibility. What
7 part of the plan would you change to meet what you're
8 describing as flexibility? How do we know what we'd be
9 considering?

10 MR. BOYD: Kim Goluska.

11 MR. GOLUSKA: The two issues that have been
12 discussed with us for potential flexibility are the issue
13 of the boat ramps and the -- what was the other? I think
14 the location of the boat ramps and -- I'm sorry; the
15 Clipper, the location of the Clipper. Both of those are
16 flexible. I think it would depend upon the pros and cons
17 of that, and I think that really is an issue of getting our
18 technical folks and the City's and the Corp and
19 understanding what gives the best long-term plan and what
20 is the most expedient in terms of that.

21 MR. THAR: But it's just those two issues that
22 are flexible? Everything else is as we see it; is that
23 right?

24 MR. GOLUSKA: Well, those are the two issues that
25 have been identified. I mean, as other issues come up, I

1 think we'd have to understand what the issues are and see
2 if there's flexibility in them.

3 MR. THAR: When I first heard about the plan,
4 there was supposed to be a facade on the front of the
5 parking garage. Are we to understand now that that's
6 25,000 square feet of retail space?

7 MR. GOLUSKA: The facade on the front of the
8 parking garage actually then also, just for clarity, does
9 wrap around the sides and wraps back around to cover the
10 view from the community from the back. That's as was
11 planned. That was submitted to the Commission and is shown
12 here; as well as in that plan and the site plans that were
13 given to the Commission were shown at the base of that,
14 essentially only at the base level to energize the
15 pedestrian level along the harborfront the proposal for
16 25 -- I believe the drawings show 25 to 40 thousand square
17 feet of potential retailing, depending upon what the marina
18 wanted and what made sense seasonally and long term.

19 MR. THAR: What happens to the parking spaces
20 that retail space takes up?

21 MR. GOLUSKA: The parking spaces there are
22 minimal. We still are replacing the core base parking down
23 here, and also the entire garage is 2,300 spaces. So
24 you've got 600, I believe -- I'm speaking approximate
25 now -- you've got approximately 600 spaces to replace the

1 parking for the marina, and you've got additional 1,700
2 spaces, in excess of 1,200 as recommended by the City.

3 MR. THAR: But if I'm understanding you
4 correctly, 25 to 40 thousand square feet of the first floor
5 would be retail space rather than parking; is that right?

6 MR. GOLUSKA: Potentially, yes.

7 MR. THAR: Now, is the retail in the plan or not
8 in the plan? That's all I'm trying to figure out is what's
9 in the plan.

10 MR. GOLUSKA: The potential for retail is in the
11 plan as shown on the drawings. The intention of that is,
12 as I've said before, to attract local entrepreneurs. The
13 success of that would be a function of sitting down with
14 those local businesses and seeing if they're willing to
15 commit.

16 MR. THAR: So that square footage would be lost
17 for parking, though; is that correct?

18 MR. GOLUSKA: Potentially on the first level,
19 yes.

20 MR. THAR: Why do you say potentially?

21 MR. GOLUSKA: If it goes in there as all retail
22 space. There's also -- if we come back and spend time with
23 the yacht club folks and they would like to have a yacht
24 club tied into the hotel rather than have the entrance
25 here, then clearly that would not take away parking space.

1 If the people with the bird sanctuary would like to have an
2 interpretive center here, clearly that would be part of the
3 space. But I think what needs to happen here is this space
4 now needs to be worked with the people who would be
5 involved.

6 MR. THAR: So the specifics of the vision have
7 not been worked out; is that right?

8 MR. GOLUSKA: Specifics of the retail space,
9 correct.

10 MR. THAR: You have discussed a 55,000 square
11 foot ballroom. Where is that in the picture?

12 MR. GOLUSKA: The entertainment -- the hotel
13 tower here with its function space, and attached to that,
14 between it and the gaming boat itself, is the ballroom
15 space (pointing). It's essentially integrated into the
16 hotel, but that's 55,000 square foot. That would include a
17 2,500 seat facility for entertainment as well as a number
18 of other entertainment venues.

19 MR. THAR: So there's other things aside from
20 that? All right. Philosophically, I have a -- you present
21 a bit of a challenge, and that is from a philosophical
22 standpoint, who really has the ultimate say as to how this
23 marina should be developed? Is it the gaming company, is
24 it the City, or is it the sanction of this Commission? And
25 I just want to know where Bally's stands on that issue.

1 MR. GOLUSKA: I think the first issue is I don't
2 believe we can answer that. I think that's got to be an
3 answer coming from a combination of users of the marina. I
4 think where Bally's stands in its vision of Bally's
5 Lakehouse, as its name would suggest, is to create
6 something that will hopefully on balance provide an
7 exciting, active marina that is usable and a symbol of
8 pride for all those users, rather than just one or the
9 other.

10 MR. THAR: I don't have any more questions, Mr.
11 Chairman.

12 MR. KLINEMAN: Anybody on the Commission have
13 anything further? I guess we've come to the end now.
14 Thank you, Mr. Goldberg and Mr. Boyd. Do you have
15 something further?

16 MR. BOYD: Mr. Chairman, would you indulge us for
17 a minute to let Mr. Goldberg close with a short statement?

18 MR. GOLDBERG: That's okay. We've been here long
19 enough.

20 MR. KLINEMAN: I've been informed by the Deputy
21 Director that the bank will not cash your check, Mr.
22 Goldberg, without two pieces of identification,
23 preferably --

24 MR. BOYD: That was his closing statement, Mr.
25 Chairman.

1 MR. KLINEMAN: Thank you very much. You've done
2 a very informative session. We appreciate your comments.
3 We will now take a recess probably until about five after
4 3:00, at which time we will receive the Boyd presentation.

5 (Recess was taken at 2:45
6 p.m., and the proceedings
7 resumed at 3:10 p.m.)
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BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY BOYD INDIANA, INC.

October 17, 1995

Commencing at 3:10 p.m.

1 MR. KLINEMAN: Back to order. We want to welcome
2 Boyd Gaming to our hearings. I suppose you'd have been
3 just as happy to avoid this and be done with this down in
4 Lawrenceburg, but we held you over, Mr. Boyd. So welcome.
5 And it's about ten after 3:00, and the Commission's all
6 present, so I think we're ready to proceed with your
7 presentation phase.

8 MR. REED: Thank you. Madam Bochnowski, Mr.
9 Chairman Klineman, distinguished gentlemen of the
10 Commission, Mr. Thar, and the professional staff, my name
11 is Ken Reed. I'm local counsel for Boyd Gaming, and I am a
12 prospective investor in Boyd Indiana, Inc., the applicant
13 for a riverboat gaming license in the City of Hammond. I
14 was born here, raised here in Hammond, and I've practiced
15 law here in this community in downtown Hammond for the past
16 34 years. My wife, Shirley, and I raised two sons here.
17 Kenneth William is a Purdue graduate and is now in his
18 third year of medical school; and John Patrick is an
19 Indiana graduate. I have one of each; it makes the game
20 interesting at the end of the year. And he's now in second
21 year law school.

22 In my half century of time plus here in Hammond, sadly
23 I've had occasion to witness the rather steady decay and
24 decline of this community. I can well recall when we had
25 three thriving department stores, four active theaters in

1 downtown Hammond, and we now have none. I've witnessed in
2 addition to that a very devastating out-migration of small
3 business firms and professional people with whom I became
4 well acquainted. I was sorry to see them go.

5 I think rather happily the State of Indiana, the
6 Legislature, and the Office of the Governor through --
7 acting through this Commission, have now shown us some
8 light, some hope of light at the end of the tunnel. The
9 effort is to revitalize our economy and to serve the best
10 interests of all the citizens of the State through the
11 advent of riverboat gaming and the benefits that it
12 hopefully will bring to this community and to the State as
13 a whole.

14 It is my belief that the mission for Hammond is
15 fundamentally twofold. Firstly, to keep all of the Hoosier
16 gaming dollars we possibly can here at home in Indiana.
17 Secondly, to attract as many of those Illinois dollars as
18 we possibly can back into our community. Each of you as
19 hard working members of this Commission, according to the
20 statute, have the very solemn responsibility to determine
21 which of these three applicants is best suited to
22 accomplish the mission; the mission being to promote the
23 economic development of the home dock area city, in this
24 case Hammond, and to serve the best interests of all of the
25 citizens of Indiana.

1 It is my belief that Boyd is the best choice. Boyd
2 Gaming has formed a team over the period of the past 20
3 years which now includes in this community a group of
4 teammates of Hoosiers from throughout the State of Indiana,
5 many of whom are present here today. Boyd has conceived a
6 truly outstanding plan for casino entertainment and a
7 gaming complex facility here in our community. I think it
8 will -- if it is not clear from earlier exposure, it soon
9 will become clear that Boyd certainly has the skill to
10 operate a quality facility and the seasoned marketing
11 experience to attract Illinois dollars and to staunch the
12 flow of Hoosier dollars outside of our community.

13 When first asked to join the Boyd team as a
14 prospective investor, now pretty close to two years ago --
15 and I suspect I had the same experience as other
16 investors -- it became quite clear early on that this was
17 not going to be a freebie, our best wishes notwithstanding.
18 Rather, we were going to be expected to purchase our
19 interest, should there be an interest to purchase,
20 depending upon your decision, through a down payment and
21 full recourse financing. It behooved all of us -- and I'm
22 not sure what everybody else did -- to investigate into
23 this potentially great thing or potentially very bad thing
24 from the standpoint of an investor. Wherever I went,
25 whatever I read, whoever I talked to, and there's a

1 multitude of material out there from the great financial
2 houses of the east, the gaming magazines, to people we've
3 met in Indianapolis, Tunica, Las Vegas, Henderson, Hammond,
4 the feedback is always the same when you address Boyd
5 Gaming: quality, competence, honesty, integrity. It's a
6 company started by Bill Boyd's father, and its reputation
7 has been much enhanced by Bill Boyd's efforts.

8 I would add another phrase that I would have coined
9 had I not heard it first from others concerning the Boyd
10 organization: They're very nice people. Their
11 relationship with their employees is, I think, the best
12 I've ever seen in my experience. It's a mutual
13 relationship of respect and affection. I think that's a
14 sign of a very healthy company. What this process has
15 become to be known as is the Boyd style. And I would
16 suggest to you as the study and investigation continues
17 here today that you will determine that that style
18 represents a set of values which fits very well with what I
19 have always viewed to be a set of values endemic to the
20 State of Indiana and the City of Hammond. I think it's a
21 very good fit.

22 Now, with your indulgence, at this juncture I would
23 like to invite your attention to a video presentation
24 highlighting this very extraordinary company. Thank you.

25 (Video presentation was shown

1 at this time.)

2 MR. REED: Madam Bochnowski, gentlemen, it is now
3 my distinct privilege to introduce to you a true gentleman,
4 Bill Boyd, Chairman and CEO of Boyd Gaming. Thank you.

5 MR. BOYD: Good afternoon. It's a pleasure to
6 see you again. I'm Bill Boyd, Chairman and Chief Executive
7 Officer of Boyd Gaming, the parent of Boyd Indiana. Let me
8 start by asking our prospective Indiana investors who are
9 here with us today to stand. Would you please stand, the
10 prospective Indiana investors, please.

11 (Said persons stood briefly.)

12 MR. BOYD: I would like to thank Ken and this
13 entire group of Hoosiers for their hospitality and warm
14 welcome to your state. They come from many different
15 vocational backgrounds and from all over the State of
16 Indiana. We enjoyed getting to know them in the past 24
17 months. We appreciate their insights into the state and
18 this market, and we look forward to having the opportunity
19 to develop this project with them as shareholders. I would
20 also now like to introduce our Boyd Gaming team and ask
21 them to stand as well.

22 (Said persons stood briefly.)

23 MR. BOYD: This group has worked diligently to
24 conceptualize and refine a first class plan for development
25 of our project. And with your approval, we will continue

1 our efforts to develop and operate our Sam's Town Lakefront
2 Casino. Let me say for all of us that it's a pleasure to
3 be here in Hammond, and we look forward to becoming a
4 contributing member of this community. Thank you all for
5 standing.

6 Let me start by telling you who we are, where we've
7 come from, and what we believe. My father, Sam Boyd, was
8 in the gaming business his whole life. He began as a
9 dealer and worked his way up to become one of the most
10 respected and prominent operators in our industry. Over
11 20 years ago, I left the practice of law and joined him to
12 co-found our company. We raised capital. We hired
13 employees. We opened our first hotel casino. But most
14 importantly, we had beliefs and principles. We had a style
15 of operating our company, of dealing with people that is,
16 was, and always will be the heart and soul of our company,
17 and we believe the one thing that sets us apart.

18 We have condensed some of these characteristics into a
19 company credo which we call the Boyd style. There is a
20 copy of this along with the company's mission statement in
21 the materials we will leave with you. We discuss the Boyd
22 style with each and every new employee at their
23 orientation. It hangs on the walls of our properties for
24 all to see. It talks about how important it is to satisfy
25 customers. That's always been fundamental. It talks about

1 hard work and how no one is too important to pitch in.
2 That's the way we've done things from the very beginning.
3 It talks about not wasting money, but of reinvesting to
4 maintain and expand our markets. That's what's allowed us
5 to grow. And most importantly, it talks about integrity
6 and honesty and about having commitment and keeping
7 promises. That's what my dad and I felt should be the
8 cornerstone of our company. We will bring these values and
9 beliefs to Indiana. I promise you that.

10 Have the Boyd style principles contributed to our
11 company's success? We believe they most certainly have.
12 Let me give you some facts. Boyd Gaming Corporation today
13 is the third largest gaming company in the country. When
14 measured by number of properties, gaming space, and gaming
15 positions, we're bigger than Hilton's or Sheraton Caesar's
16 gaming operations. With the opening of Sam's Town Casino
17 in Kansas City last month, we now operate ten casino
18 properties with over half a million square feet of gaming
19 space, about 500 table games and nearly 14,000 slot
20 machines. As you can see, we're substantial. We invest
21 and we reinvest prudently. We operate efficiently, and we
22 have an excellent track record. We will bring our success
23 to Hammond.

24 As the Commission is well aware, the process of
25 developing and opening a casino entertainment facility is a

1 complex and exacting process. It is imperative that the
2 successful applicant have the expertise and ability to
3 conceive a workable plan, execute that plan on a timely
4 basis regardless of unforeseen obstacles, and commence
5 operations to generate the jobs, the tax revenue, and
6 economic development that the Indiana Gaming Act was
7 enacted to promote. The Commission has heard many promises
8 since your first hearing last year in Gary. Good
9 intentions are not enough. It takes creativity,
10 competence, and commitment, and your best indicator of
11 these abilities is proven experience.

12 Boyd Gaming has the proven experience in developing
13 complex projects, smoothly opening them, and successfully
14 operating them. We have learned in over 20 years of
15 developing and expanding ten casino entertainment
16 facilities what and how long it takes to do the job right.
17 That's why our promises may not be quite as optimistic as
18 some you may hear, but Boyd Gaming delivers on its
19 promises. We do not make a claim unless we know we can
20 live up to it. Boyd Gaming has a twenty year reputation
21 for promises made, promises kept, promises presented,
22 promises delivered. We don't boast; we don't bluff. We
23 simply get results.

24 Our company built its first project from the ground
25 up, and we've been building ever since. We are proven

1 experienced developers. We have built in difficult
2 circumstances. We have creative, dedicated design and
3 construction people who have a track record of completing
4 tough projects on time. We know what challenges we may
5 encounter on our site in Hammond, and our people have
6 already identified solutions.

7 Our financial success has allowed us to continue to
8 grow, reinvesting our profits in new projects and in
9 expansion. We are a publicly created company on the New
10 York stock exchange, and we have excellent ongoing access
11 to both equity and debt capital. We have a firm, absolute,
12 and binding commitment from banks to lend us 90 million
13 dollars and an additional 17 million from equipment
14 suppliers for development of this project. Our equity
15 contribution of 50 million dollars is available, ready to
16 go to work for us and the State of Indiana. There are
17 absolutely no financing uncertainties. The funding to
18 complete the project is already arranged.

19 We are a company of proven, successful, hands-on
20 operators. Our long history of profitability and growth is
21 your best evidence. We have grown in 20 years from one
22 property to ten. We know our customers, and we provide
23 them a great entertainment value. To do that consistently
24 over 20 years and in ten properties requires strong,
25 dedicated management, time tested policies and procedures,

1 and strict internal controls. We have succeeded in the
2 world's most competitive casino entertainment marketplace,
3 in Las Vegas. We market creatively. We continually
4 reinvest and improve our properties, and we do satisfy our
5 customers' expectations.

6 Our business strategy is simple: Enter a market with
7 the best facility, then keep expanding and bettering that
8 facility. We started as a very small group of very hard
9 working, dedicated people who genuinely enjoyed their jobs
10 and meeting the needs of our customers; and that hasn't
11 changed. We knew then and we know now that because we
12 treat our family of employees with dignity and respect,
13 they treat our customers the same way. I am deeply
14 grateful to our family of over 14,000 employees for all
15 their hard work, which has led to our success.

16 When my dad and I got started, Las Vegas was still a
17 very small town. We realized that we as business people
18 had to set an example to help our community to grow and to
19 prosper. My dad set a precedent by contributing both his
20 time and money. He founded what is now known as the Boys
21 and Girls Club of Las Vegas, which today has over 10,000
22 members. We have given to higher education and to
23 scholarship funds. And we have strongly supported many
24 others, including the Make a Wish Foundation, Habitat for
25 Humanity, and the United Way. We do still believe that we

1 have to set the example by giving back to the communities
2 in which we operate and do business. And Hammond and the
3 entire State of Indiana will be no exception.

4 I am proud of this heritage, and it remains a
5 cornerstone of our organization. When we look back at our
6 long history in this industry, one of our proudest moments
7 was in 1983 when, with a license revocation against the
8 former owners pending, we were asked by the Nevada gaming
9 authorities to assume the operations of the Stardust Hotel
10 in Las Vegas. They looked then for a group with the
11 highest integrity. We haven't changed. We envision Sam's
12 Town Lakefront Casino as an exciting, attractive, and
13 substantial complex. The facility will be first class in
14 every respect, with our traditional attention to detail and
15 insistence on quality.

16 We will create the right project for Hammond. I
17 promise you that. We have the financial strength to
18 complete the project. The funding to construct, complete,
19 and compete is fully provided for today. I promise you
20 that. We are proven skilled developers of extensive gaming
21 entertainment facilities. Boyd Gaming has the development
22 ability, the expertise to get Sam's Town Lakefront built
23 and open on time. I promise you that. We are a company of
24 hands-on, successful, experienced gaming operators. Our
25 over 20 years of profitability and our growth from one

1 property to ten is our best endorsement. We can operate
2 Sam's Town Lakefront efficiently and effectively. I
3 promise you that. We are aggressive competitors with
4 effective marketing programs. We have succeeded in the
5 world's most competitive casino entertainment marketplace,
6 Las Vegas. And we will bring our success to Hammond. I do
7 promise you that. And finally, I personally commit to
8 upholding the highest standards of ethics and integrity in
9 the manner in which we conduct our business in Indiana. I
10 promise you that.

11 And now I would like to introduce Bob Boughner,
12 Executive Vice-President, Chief Operating Officer, long
13 time employee of Boyd Gaming, and in my opinion, the best
14 in the business. And Bob will tell you more about our
15 planned project. Bob.

16 MR. BOUGHNER: Thank you, Bill. Good afternoon,
17 Mr. Chairman, members of the Commission, and staff. It's a
18 pleasure to be back here in Indiana and to participate in
19 today's presentation. In my capacity as Chief Operating
20 Officer, I'm involved in the day to day operations of the
21 company. But in addition, I'm also involved in the
22 planning and the execution of new development projects.
23 For the past 20 years, Boyd Gaming has been making
24 promises, to our customers, to the regulators, to our
25 shareholders, to our banks and other lenders, and to our

1 employees. And for 20 years, we have delivered on these
2 promises.

3 As a result of our competence and our commitment to
4 integrity, we've not only grown, but we've flourished,
5 we've prospered; and not with just one, but ten highly
6 successful properties in five distinct markets. This is
7 the track record of a superior developer and a superior
8 operator. We promise our customers an outstanding
9 entertainment value. And more importantly, we deliver, and
10 we deliver consistently. We know how to plan, to budget,
11 to staff, to control and run our business to satisfy our
12 customers, and do so at a profit over the long term. We
13 have the depth in our management ranks to mobilize and
14 train and assist with the opening of a new facility. In
15 the last two months, 300 employees from Boyd's nine other
16 properties have assisted in the opening of Sam's Town
17 Kansas City. We have operating policies and procedures
18 which have been refined and honed for over 20 years. Our
19 methods are proven. Our people are tested.

20 Boyd Gaming developed its very first operation, the
21 California Hotel, some 20 years ago. And as Bill
22 indicated, we have been expanding and renovating and
23 creating new operations ever since. We've successfully
24 developed over one half billion dollars in casino
25 entertainment projects in the past two years. We completed

1 our 500,000 square foot Mississippi project in Tunica,
2 which includes 75,000 square feet of floating casino space,
3 on schedule and in eight months, despite encountering the
4 wettest construction season and the worst ice storms in
5 nearly a decade. In Las Vegas, we completed the 32-story
6 Stardust Hotel tower and extensive casino remodeling in
7 just 52 weeks, while we kept the casino and adjacent hotel
8 rooms open and operating. And Sam's Town Kansas City was
9 constructed in just nine months.

10 We have extensive in-house design and construction
11 experts. And for this project, we have assembled an
12 outstanding team to help deliver on our promise to Hammond.
13 In terms of our architect, we have Mr. Lee Askew of the
14 nationally recognized firm of Askew, Nixon and Ferguson.
15 Their firm has designed over one million square feet of
16 gaming and hospitality related projects. We have Dougall
17 Design Associates, one of the premiere design firms in the
18 gaming industry. We have Thompson Engineering on our team.
19 Thompson has successfully completed marine engineering
20 projects for over 20 riverboat casino projects. Service
21 Marine Industries will build our boat. Service Marine has
22 built more casino riverboats than any other ship builder.
23 And last but certainly not least, Huber, Hunt and Nichols,
24 Indiana's largest general contractor. With the assistance
25 of these fine companies, we will construct and open on

1 schedule a full service casino entertainment complex called
2 Sam's Town Lakefront Casino. This will be a facility that
3 not only will Boyd Gaming be proud of, but the City of
4 Hammond and the State of Indiana.

5 Our project includes an 82,000 square foot
6 entertainment building, which is depicted in the rendering
7 immediately to my left (pointing), a 65,000 square foot
8 casino vessel, which is depicted to my right, 2,000 parking
9 spaces, and the required infrastructure and access; for a
10 total investment of 157 million dollars. And should market
11 conditions warrant, as we've done many times in the past, a
12 200-room hotel and additional parking would be constructed
13 at that time. Our signature design includes all the key
14 features necessary to create a full service casino
15 entertainment experience. Safe, well lit, convenient
16 parking; a comfortable, energized atmosphere with live
17 entertainment; a broad selection of retail shops and video
18 arcades; quality food and beverage operations; state of the
19 art gaming devices; and probably most importantly, a
20 friendly and caring staff.

21 Now, to give you a flavor for the pride, the quality,
22 and the attention to detail that have become synonymous
23 with all of our operations, we will show you a brief
24 videotape presentation. You're about to take a step into
25 the future.

1 (Video presentation was shown
2 at this time.)

3 MR. BOUGHNER: As you can see, Boyd Gaming builds
4 for market prominence, not just market presence. Our
5 project is well planned, it will be well executed, it will
6 be built on time, and it will be a destination. That we
7 promise you. We've defined a regional market for Hammond
8 to include most of the City of Chicago, its suburbs, and
9 northern Indiana. Boyd Gaming will work closely with the
10 City of Hammond to utilize the overpass and roadway design
11 that has already been developed, and Boyd Gaming will fund
12 the cost of these improvements in their entirety and
13 dedicate them to the City of Hammond.

14 Town Square, as depicted in the video, will be a
15 soaring, enclosed space accented by theatrical lighting and
16 lush landscaping. From the main entrance, patrons will
17 pass the ticketing cruise reservations and guest service
18 desk on the way towards the enclosed boarding area.
19 Further down the promenade, you'll find the Great Buffet,
20 the All American Bar and Grill, and the Final Score Sports
21 Bar, concepts that are known and proven winners. Moving
22 from the promenade to board Mary's Prize, our interim
23 gaming vessel depicted on the rendering -- or rather the
24 photograph all the way to my left (indicating).

25 Mary's Prize is a 254 foot by 78 foot, state of the

1 art casino vessel. It was built by Service Marine
2 Industries. This ship has three passenger decks with the
3 capacity for 1,650 patrons plus crew. Mary's Prize has
4 been designed to meet all coast guard requirements and has
5 already been certified by the American Bureau of Shipping
6 to operate on the waters of Lake Michigan. Our permanent
7 vessel, Maryanne's Prize, to be placed in service in the
8 spring of 1997, will expand our gaming positions to over
9 2,500.

10 Now that we have reviewed our project, I'd like to
11 address a few other issues, including our construction
12 schedule for Sam's Town Lakefront Casino. Given the scope
13 of this project, the infrastructure requirements, and the
14 limited confines in which to construct the best permanent
15 facility possible, we have developed an aggressive yet
16 realistic project schedule. The primary elements of this
17 construction program are outlined along on this schedule to
18 my left and depicted on the screen (indicating). Assuming
19 the timely completion of the condemnation proceedings by
20 the City, we will have our permanent facility and ship
21 ready for operations before the New Year's holiday at the
22 end of 1996. And as you might be able to see, the access
23 road and the bridge to the marina will take the longest
24 time to complete.

25 Now to speak to you about our overall construction

1 schedule, I'd like to invite Mr. Jerry Kerr, Executive
2 Vice-President of Huber, Hunt and Nichols of Indianapolis,
3 Indiana, the largest general contractor in the State of
4 Indiana. Jerry is a past president of the AGC and
5 currently serves on the board of the national AGC as well.

6 MR. KERR: Thank you, Bob. It's a pleasure as a
7 Hoosier to be here in Hammond. Huber, Hunt and Nichols is
8 the largest general contractor in the State of Indiana. We
9 are also the 29th largest contractor in the nation. We are
10 proud to be selected by Boyd Indiana as part of the Sam's
11 Town Lakefront team. Last year we completed projects in
12 excess of 600 million dollars. We specialize in large,
13 high profile, fast moving, complex projects. Boyd has
14 asked us to review the scope of this project and to give an
15 aggressive yet realistic time schedule. As you can see
16 from the activity schedule (pointing), we are convinced
17 that we can complete this project in 13 months. This is a
18 tight, restrictive site. And we have looked at this
19 project, developed a schedule, and we are committed to 13
20 months delivery.

21 I know other contractors may claim to be able to do
22 this faster, but I must tell you our firm has constructed
23 critical opening day projects such as the first pitch at
24 Jacob's field for the Cleveland Indians, the opening
25 kickoff for the Miami Dolphins at Joe Robi Stadium, and the

1 opening tipoff for the Chicago Bulls at the United Center.
2 And we will be ready for the first role of the dice at
3 Sam's Town Lakefront Casino on December 15, 1996. Thirteen
4 months is an ambitious, but do-able schedule.

5 We have with us today Tom Blackman, President of
6 LaPorte Construction, and Richard Siebolt, President of
7 Well Brothers Construction. They are part of our team and
8 provided input into this schedule. They are proven Indiana
9 bridge builders, and they will make this project their
10 highest priority. We have ongoing relationships with
11 members of the Indiana Associated General Contractors, with
12 the local labor unions. We have discussed this project
13 with Jim Strayer, President of the local building trades,
14 and we are confident we can meet Boyd's requirements
15 utilizing local Indiana labor. We promise to put Hoosiers
16 to work on this project.

17 The Boyd people are very savvy developers. They are
18 the kind of people we want to do business with. Boyd
19 understands what it takes to complete a timely project, as
20 they have delivered on their promises on all their
21 developments. The Boyd style will be good for Indiana. We
22 look forward to working with Boyd Indiana, the City of
23 Hammond, and the State of Indiana on this exciting project.

24 Randy Kett from our office, I, and the rest of our
25 construction team will be available for questions you may

1 have. Huber, Hunt and Nichols is committed to Boyd Indiana
2 and to the success of Sam's Town Lakefront Casino. Now to
3 continue this presentation, Bob Boughner.

4 MR. BOUGHNER: Thank you very much, Jerry. We
5 must tell you, though, that success in our industry means
6 much more and goes well beyond slick presentations and fast
7 track construction projects. We have 20 years of marketing
8 experience in our industry's most competitive casino
9 entertainment market, Las Vegas. We will compete in a
10 no-holds-barred manner. We have no existing regional
11 investment or market share to protect. We will enter this
12 market with aggressive, customer oriented marketing
13 programs.

14 The Chicagoland and northern Indiana market combined
15 is already a 750 million dollar annual gaming market. We
16 believe that a substantial part of that market is
17 attributable to northern Indiana. The goal of our
18 marketing efforts will be to retain those northern Indiana
19 customers here in Indiana and attract Illinois residents
20 and visitors to cross into Indiana because of the quality
21 of our amenities and the value and service we will provide
22 for those customers. To capture maximum market share in
23 this highly competitive environment requires a
24 comprehensive marketing strategy, extensive planning, and
25 outstanding, consistent execution.

1 But we don't judge our efforts based on the many
2 advertising rewards we have received. We let our customers
3 be the judge. In the recent exit polls conducted by two
4 independent research firms, Sam's Town customers in
5 Mississippi indicated their intention to return at 87
6 percent, one of the highest in the industry, and Sam's Town
7 Las Vegas, which has been open since 1979, those customers
8 indicated an intention to return at 97 percent. That's
9 customer satisfaction. In the four emerging markets where
10 we compete, we are number one in three of those markets.
11 And barely after one month of operation, we're already on
12 our way in Kansas City. Our record speaks for itself.

13 Our marketing efforts fall into two broad categories:
14 Retail marketing to stimulate trial and increased frequency
15 of visitation; and direct marketing to established and
16 premium players. Our retail marketing strategy uses a wide
17 array of techniques including broad, consumer based
18 advertising, be it television, radio, print, and outdoor as
19 well as targeted direct mail. In addition, we utilize
20 information kiosks in regional malls and also at major
21 special events. And here in Hammond, we will develop bus
22 programs and coordination with tour and travel operators as
23 well.

24 Our direct marketing techniques concentrate on
25 identifying and segmenting our customer base and utilizing

1 sophisticated database strategies to targeted, direct mail
2 offers. And although we'll have a spacious and large
3 capacity vessel, we will always reserve space on our most
4 popular cruises for our best customers. But to gain our
5 projected market share and achieve our projected revenues,
6 we anticipate that during our first year of operations, we
7 will invest over 10 million dollars in marketing programs
8 and another 10 million dollars in complimentaries to
9 further reward our customers. But our most effective
10 marketing program is to continually exceed our customers'
11 expectations of an outstanding entertainment value.

12 Boyd Gaming Corporation has 20 years of successful
13 operating experience. We build complex projects in tough
14 places. We finish them on time. For Hammond, Indiana, we
15 propose an extensive, attractive entertainment complex.
16 Boyd Gaming has proven marketing strategies and a fierce
17 desire to compete and lead in the casino entertainment
18 industry. We are experienced, innovative, successful
19 operators, developers, and marketers. We can bring our
20 proven success to Hammond. This we promise you.

21 Now I would like to introduce our Vice-President of
22 Human Resources for Boyd Gaming Corporation, Cathey
23 Shanklin. Thank you.

24 MS. SHANKLIN: Thank you, Bob. I want you to
25 know that I never pass up an opportunity to talk about our

1 company and the warm family atmosphere that our employees
2 help to create. We operate by a set of values known as the
3 Boyd style. Actually, we live the Boyd style. In part, it
4 reads: We're dedicated to getting the job done well, and
5 no one is too important to pitch in. We know it's nice to
6 be important, but to us it's more important to be nice, and
7 we are.

8 To care for our family of employees, we provide a
9 benefit plan which is recognized as the industry leader.
10 It is available to full-time employees after completion of
11 an initial introductory period. Our employees pay no
12 monthly insurance premiums for themselves or their
13 families. Let me tell you about our extensive benefit
14 plan. We offer medical, dental, prescription, vision care,
15 disability coverage, paid holidays and vacations, 401K and
16 stock ownership plans. In addition to all these benefits,
17 we also offer progressive employee assistance programs
18 which offer counseling and treatment programs for substance
19 abuse and emotional disorders for employees and their
20 families. Again, all this and no monthly premium.

21 There are also various company sponsored activities
22 including picnics, children's Christmas parties, and
23 employee recognition programs, along with many others. We
24 offer contributions to organizations, educational
25 institutions, and municipalities. We give our time and our

1 money to help those less fortunate than us.

2 Our jobs pay well. Not one job will be paid minimum
3 wage, and most jobs will pay well above minimum wage. The
4 average wage for our employees exceeds 20,000 dollars a
5 year, and even higher in tipped positions. We have over
6 600 different job classifications in our company. This
7 allows for opportunity to advance. Our strong promotion
8 from within tradition allows for advancement to the highest
9 levels of management. For example, Ralph Pernel started
10 as a security officer with our company almost 20 years ago.
11 Today he is our Senior Vice-President and Director of
12 Operations for the Nevada region. Monty Collins, who is
13 here today, started as a receiving clerk almost 19 years
14 ago. Currently, he is Senior Vice-President and Director
15 of Operations for our central region. Judy Campbell
16 started with us 17 years ago as a dealer. Today she is
17 Vice-President and General Manager of our Eldorado Casino.
18 Bob Newman, our Executive Vice-President and General
19 Manager of Sam's Town Las Vegas, began his career selling
20 change at the Eldorado Casino. These are but a few
21 examples of an experienced management team who started in
22 our company in an hourly position.

23 You see, hard work, initiative, a friendly
24 personality, and technical knowledge provide the recipe for
25 success at Boyd Gaming. Today we have over 14,000

1 employees in our company. Our new properties employ many
2 from the local labor market. Women hold 47 percent of the
3 supervisory and management positions. Minorities hold 24
4 percent of the supervisory and managerial positions. In
5 fact, a recent Forbes magazine article credited Sam Boyd,
6 Bill's father, as one of the first to hire African-American
7 dealers and admit African-American customers. Here in
8 Hammond we anticipate hiring 1,234 employees to staff Sam's
9 Town Lakefront Casino.

10 The Boyd style says that we will stand by our
11 promises, and we do. We have made a promise to involve
12 women and minority owned businesses. We will use our best
13 efforts to utilize 10 percent MBE and 5 percent WBE vendors
14 to supply our ongoing operations. In addition, we will
15 develop outreach programs in the community to inform
16 minorities and women of the potential opportunities and to
17 assist them in gaining the resources to compete for this
18 business.

19 I'd like to close with a quote from well known
20 management consultant, Peter Drucker. He says: "The best
21 way to predict the future is to create it." Here's hoping
22 you'll allow Boyd Gaming to work its magic in Hammond. I
23 promise you, you won't be disappointed.

24 It's now an honor to introduce our Senior
25 Vice-President and Chief Financial Officer, Ellis Landau.

1 MR. LANDAU: Thank you Cathey. And good
2 afternoon. It's nice to see you again and have the
3 opportunity to talk about Boyd Gaming Corporation and what
4 we think is the best project and best operator for Hammond.
5 I would now like to make some important points about
6 financial matters for your consideration. First, with Boyd
7 Indiana, there is no financing risk. No risk you won't
8 have the money to build the project we tell you we are
9 going to build. The funds to develop Boyd Indiana's entire
10 project in Hammond are 100 percent available. There is no
11 guesswork with us. The funds are all there.

12 On the slide, we show the sources and uses of funds
13 for our development in Hammond (indicating). First let's
14 look at the uses section. We have a 157 million dollar
15 development cost. This includes 15 million dollars to
16 fully fund construction of an overpass over the railroad
17 tracks and 26 million dollars for a first rate
18 entertainment pavilion, which is a significantly larger
19 expenditure for this facility than the other proposals
20 before you. It also includes 40 million dollars for a
21 gaming vessel, which is also a significantly larger sum
22 than the others before you. We will build the largest boat
23 with the belief that in areas where there is demonstrated
24 demand for casino entertainment, such as the Chicago area,
25 casino revenues are in direct proportion to casino

1 capacity. In other words, larger boats produce larger
2 revenues.

3 Now let's look at the sources side (indicating). A
4 group of banks made up of First Interstate Bank, Bankers
5 Trust Company, NBD Bank, and Bank of America have
6 absolutely, firmly, and by written contract committed 90
7 million dollars to Boyd Indiana for this project. I
8 already have sent a copy of the binding loan commitment to
9 Mr. Thar, so that would be available for your inspection.
10 Our equipment suppliers, primarily slot machine
11 manufacturers, will provide another 17 million dollars of
12 financing. We have agreements in place with slot machine
13 suppliers for 100 percent of their slot machines. The
14 remaining 50 million dollars required will be an equity
15 contribution from Boyd Gaming Corporation, Boyd Indiana's
16 parent. Last time we spoke, we put the 50 million dollars
17 three blocks from the place of our meeting. This time we
18 decided to have it as near as our telephone. Boyd Gaming,
19 either itself or through wholly owned subsidiaries, has
20 cash on hand or availability under existing loan agreements
21 for the 50 million dollar equity contribution. The money
22 is all there. There is no financing risk.

23 Next, I would like to mention our financial
24 projections. We are confident we can do the revenues we
25 have projected. To underscore our confidence, we will

1 build and provide the funds for the largest capacity boat
2 presented to you. Our goal is not just to hit our revenue
3 projections, but to exceed them and to maximize total
4 revenues, and that means maximizing tax revenues to
5 Indiana. When our permanent boat is in operation shortly
6 after opening, we project hosting an average of 10,000
7 passengers per day. This we feel is realistic, as the
8 current Chicago area gaming boats do close to this average,
9 with each of those boats having about one half the number
10 of gaming positions that we will have in our boat. With
11 those passenger counts, we project annual gaming revenues
12 of 219 million dollars with our large boat. This
13 translates into gaming taxes and boarding fees of 55
14 million dollars annually.

15 A portion of the gaming taxes and boarding fees go to
16 the City of Hammond, but that does not tell the complete
17 story as to the payments that the City of Hammond will
18 receive from Sam's Town Lakefront Casino. In addition to
19 substantial city revenue from the gaming tax and admission
20 fees, we will lease our site from and pay rent to the City
21 and its agencies. We will pay the Hammond Port Authority
22 for the use of the marina. We will pay for supplemental
23 police and security. We will create a charitable
24 foundation to benefit Hammond's charities. We will
25 dedicate the overpass, that we will pay for, to the City.

1 We will reimburse the City for its community impact study.
2 And we will purchase the Northern Indiana Public Service
3 Company property and donate it to the City for a bird
4 sanctuary and city lakefront park. We will give
5 substantially to Hammond, 155 million dollars in the first
6 five years alone, and more beyond.

7 In many ways, we will be a very good citizen to
8 Hammond. I promise you that. We want to be a positive
9 force in the Indiana business community with a dynamic and
10 growing business. I can tell you, and our track record
11 proves to you, that we will continually invest and reinvest
12 in our project. And because of that, no operator will
13 achieve higher revenues in Hammond than Boyd Indiana. Our
14 appetite for success is big, so we will not underachieve.
15 I promise you that.

16 Now let me address our financial performance and
17 describe to you a powerful track record. As you know, we
18 have a solid base of earnings from our longstanding
19 operations in Nevada. We own and operate six properties
20 there, which annually produce about 110 million dollars in
21 operating cash flow. We achieved our long-term success by
22 consistently employing proven operating strategies and by
23 reinvesting in our facilities.

24 When emerging gaming markets opened, we felt that we
25 could export our proven successful formulas to these new

1 locations, and we have done that with resounding success.
2 Let me explain. Our first emerging market property was
3 Sam's Town Tunica opened in May, 1994. It now includes the
4 largest hotel in the State of Mississippi, with over 500
5 rooms. We are the clear market leader both in facility and
6 in performance. In each of the five calendar quarters
7 since opening, our revenues have been greater than the
8 quarter before. These accelerating revenues have been
9 produced in the face of increased competition, and we
10 account for over 20 percent of the gaming revenue generated
11 in a market with seven properties, including formidable
12 names like Harrah's, Circus Circus, and Sheraton.

13 Our next opening and emerging market was in central
14 Mississippi where we manage Silver Star Hotel and Casino
15 about 60 miles northeast of Jackson. The second
16 Mississippi market includes Vicksburg, where four casinos
17 operate. Silver Star's gaming revenue has been running
18 nearly as much as all four of the Vicksburg casinos
19 combined. This property is very successful, expanding into
20 a clear market leader.

21 Next we opened Treasure Chest Casino in Kenner,
22 Louisiana, which is near New Orleans. Since September,
23 1994, when we opened, Treasure Chest has achieved the
24 highest gaming revenue each and every month among all
25 riverboat operators. Again, we're the clear market leader.

1 And finally, a month ago, we unveiled the beautiful
2 Sam's Town Casino in Kansas City, a first rate riverboat
3 casino with excellent non-gaming amenities including
4 outstanding restaurants and a state of the art sports bar.
5 We expect that property to become the clear market leader.

6 A track record of superior financial performance,
7 strong, consistent, long-term performance in the highly
8 competitive Las Vegas market, market leaders in emerging
9 markets. For superior, proven financial performance, Boyd
10 is the clear choice.

11 Now let's talk about financial strength: Making
12 money, having money, acquiring money, money to build and
13 develop, money to expand in good times, money to defend in
14 competitive times, money for staying power to honor
15 commitments should there be tough times. Boyd Gaming is
16 one of the financially strongest companies in the gaming
17 industry. Boyd is a big cash producer. We generate cash
18 with consistency and from diversified sources, insulating
19 us from the risks of having too much come from one
20 operation. For the year ended June 30, 1995, our latest
21 fiscal year end, Boyd Gaming produced 165 million dollars
22 of operating cash flow, and expectations for our current
23 year are in excess of 200 million dollars. We are one of
24 the biggest cash producers in the gaming industry. These
25 strong cash flows assure us that we can meet obligations,

1 properly maintain our properties, and expand our business.
2 These strong cash flows provide financial muscle, muscle
3 that will bring strength to our Hammond operations. Our
4 company's profits last year were very good. We earned 36
5 million dollars net income. That was an increase of 240
6 percent over our net income in the prior year. That was
7 the highest growth rate in income among the top 25 public
8 gaming companies reported in the past year.

9 Our return on shareholders equity, a key financial
10 measurement, was 20 percent, among the strongest in our
11 industry. How does the stock market value our company?
12 The market value of our stock on the New York Stock
13 Exchange is 840 million dollars. Boyd is among the more
14 valuable gaming companies. Boyd is a strong company, a
15 profitable company, a valuable company. That is what we
16 offer Indiana.

17 Another key indicator in identifying a financially
18 strong company is how they are perceived by Wall Street,
19 for it is that group that affords access to and determines
20 the cost of our capital. Boyd Gaming stock is recommended
21 by stock analysts because they like our company's people,
22 performance, and prospects.

23 Let me read you a few quotes. Donaldson Rufkin
24 Jenrette writes: "Boyd Gaming is already an industry
25 leader, with an exceptionally talented and highly regarded

1 management team." Barris Sterns writes: "The investment
2 community has been wary of Mississippi based operations,
3 but Boyd has done an outstanding job of differentiating
4 itself and earning very good returns in a tough market."
5 Montgomery Securities writes: "We continue to believe the
6 company has an excellent and deep management team, as
7 projects are well positioned for longer term." And Raymond
8 James and Associates writes: "There are few other casino
9 companies with just such a diverse base of operating
10 casinos, and we believe that the project success is
11 attributable to the management of the company and their
12 in-depth understanding of gaming patrons." The report
13 continues. "The existing management team is outstanding.
14 Boyd Gaming has had the fortune of building a large and
15 experienced management team in an industry which we believe
16 greatly lacks high quality management. In fact, we believe
17 that this places the company at a distinct advantage
18 relevant to many smaller operators." These are the types
19 of things said about a financially strong company.

20 And in the debt arena, let me show you how Standard
21 and Poor's, the leading independent credit rating agency
22 for corporate debt, views us. Boyd is double B plus, one
23 of the highest rated gaming companies in the industry for
24 credit quality, and the highest among the companies before
25 you in Hammond. Let me read a quote from Standard and

1 Poor's: "The company's quality and depth of operating
2 management, its consistent marketing strategy and proven
3 ability to succeed in the highly competitive Las Vegas
4 market give S&P comfort with the firm's expansive
5 strategy". That's what people who analyze the credit
6 quality of big companies think of us.

7 In summary, let me review the financial points for you
8 to consider. One, all the funds needed to develop the
9 project we have described are on hand or available through
10 firm, binding loan commitment letters or loan agreements.
11 There is zero financing risk with Boyd Indiana. Two, Boyd
12 Indiana will maximize revenue for itself and for the State
13 of Indiana. There will be no undersizing or walking away
14 from this investment. Our track record and our promise
15 stand behind that. Our financial performance tells a
16 powerful story. Market leader after market leader, we will
17 bring our winning team and winning formula to Indiana.
18 Four, we are among the few that are financially strong in
19 our industry. Financial strength supports initial
20 development, creates growth through reinvestment, and backs
21 up our promise through leadership and permanence in
22 Indiana.

23 Thank you very much. Now I'd like to turn the podium
24 back to Bill Boyd for some closing remarks. Bill Boyd.

25 MR. BOYD: Thank you, Ellis. Mr. Chairman,

1 Commissioners, Boyd Gaming has the best project. We have
2 the money in place. We have the people to make the project
3 work. But the most important quality we have to give is
4 integrity, keeping one's word, honoring promises to people,
5 to places, to ideals. This Commission has had many
6 companies stand before it and make many promises. As we
7 survey the landscape in Indiana today, it is clear that
8 Boyd Gaming is your best choice. I promise you that if you
9 select Boyd Gaming, we will make you proud. Thank you.

10 MR. KLINEMAN: Thank you, Mr. Boyd and gentlemen
11 and ladies. I guess we'll take our 15 minute break right
12 now, and we'll come back at 4:30 for the Q and A.

13 (Recess was taken at 4:15,
14 and the proceedings resumed
15 at 4:30 p.m.)

16 MR. KLINEMAN: Could we come back to order,
17 please. By the way, my compliments to the sound people.
18 You play some really nice music while we're gone. It's
19 almost an incentive for me to stay away.

20 (Discussion was held off the
21 record among the Commission.)

22 MR. KLINEMAN: Okay. You got elected moderator?

23 MR. BOUGHNER: I got the shortest straw.

24 MR. KLINEMAN: You should have guessed heads. I
25 guess I'll start off with the first question since we got a

1 little bit into it this morning. On the hotel issue, there
2 was an indication, a statement that if you found that it
3 was necessary to, you would build a hotel. Tell me where
4 you'd build your hotel.

5 MR. BOUGHNER: We have actually four options of a
6 location to construct our hotel. I'd like Alex Mooring to
7 answer the specifics on that. And that was a part of our
8 original submission was a phase two hotel.

9 MR. MOORING: Alex Mooring, Boyd Gaming. We have
10 actually, as Bob mentioned, four potential locations. The
11 parking garage will actually have footers which will allow
12 us to go up and over that, but there may be too much of a
13 public outcry with that, which we found in the past on our
14 first presentation in July of 1993. There is a -- Great
15 Lakes Inland Marine has some property that we have actually
16 had some discussions with, which is fairly close to the
17 marina. And then there's two parcels that are on
18 Indianapolis Boulevard: NIPSCO has a piece of property
19 that we have had discussions on, and American Maize has a
20 piece of property, all within a quarter mile of the site.

21 MR. KLINEMAN: And how would they be tied in with
22 the operation?

23 MR. MOORING: It would be remote, and we'd have
24 to -- we would actually have -- we're planning on frankly
25 having -- for additional parking, have parking that

1 would -- we would have remote vehicles that would drive
2 back and forth to the project.

3 MR. KLINEMAN: Just one more. If you say it was
4 in your original phase two project, how did it get dropped
5 out, or did it?

6 MR. BOUGHNER: No, it didn't get dropped out.

7 MR. KLINEMAN: It just wasn't in the phase one?

8 MR. BOUGHNER: It was not included in our phase
9 one.

10 MR. KLINEMAN: What do you see as the need or
11 lack thereof for a hotel today with that project up and
12 going? I mean, I'm not talking about today without the
13 project. Let's assume you got the license and you got the
14 project and it's up and going. Do you or do you not feel a
15 need for a hotel with our operation?

16 MR. BOUGHNER: We feel that a hotel would make a
17 significant difference in terms of accommodating the
18 overnight visitor, obviously. We don't see any reason to
19 have it right now on day one. But to try and predict the
20 future, I would say that very quickly we would want to
21 construct a hotel.

22 MR. KLINEMAN: Your market research would
23 indicate that this is just a day destination at the present
24 time, that there is no ability to generate a destination
25 type clientele, you know, small convention type and so

1 forth? I've seen the pictures of your facilities in other
2 places where they're massive as far as accommodating
3 conventions and meetings and so forth.

4 MR. BOUGHNER: Yes, we think that a hotel
5 operation and possibly the inclusion of some meeting rooms
6 would be a real plus for the market. In terms of its
7 overall contribution to gaming revenues, it will not
8 represent a significant part of the total gaming revenues.
9 Unless you get up into building 1,200 and 2,000 room
10 hotels, which rely almost exclusively on overnight
11 visitors, it's not going to make a significant difference
12 in terms of your overall gaming revenues. What it does do
13 is just gives you that other competitive advantage compared
14 to other operations. From our view, the type of hotel
15 product that we put in would be 200 rooms, which we
16 indicated in our original proposal, and they would be a
17 very nice room. The current product in the Hammond market
18 today is more of the motel type of a room, and we feel that
19 there is the opportunity to go to a hotel type operation.
20 There's no question about it.

21 MR. KLINEMAN: Okay. I guess I've belabored that
22 point enough. Anybody else?

23 MS. BOCHNOWSKI: Well, this is slightly switching
24 it. It looks to me as though you have pretty much stayed
25 within the guidelines that the City had proposed, correct,

1 on where your facilities will be located? What is your
2 feeling about the potential for traffic jams with all the
3 cars going into one narrow area to get into the parking and
4 get to the boat and so on?

5 MR. BOUGHNER: I feel that there will be --
6 during peak periods on peak cruises that there will be
7 traffic issues. I don't think there's any question about
8 that. In driving around this area today, I think there's
9 lots of opportunities to encounter those, and I don't
10 believe at any time that you have a significant number of
11 vehicles arriving at a prescribed time for a prescribed
12 appointment that you're going to be able to avoid all of
13 the problems associated with that. We've studied the plan.
14 We can manage the traffic.

15 MS. BOCHNOWSKI: If the City had not dictated
16 this particular plan, would you think there would be a
17 better plan?

18 MR. BOUGHNER: Unfettered access to all of the
19 real estate we see in front of us? We could have come up
20 with more creative solutions than the ones we've provided,
21 yes. But that opportunity was not offered to us.

22 MS. BOCHNOWSKI: I understand. Now, you have a
23 temporary boat planned. Will this overpass be ready at the
24 same time your temporary boat would be there? Are you
25 planning to actually start gaming activities before the

1 overpass is completed?

2 MR. BOUGHNER: Answering the second question
3 first, no, we would not have any temporary gaming
4 activities. We would not commence gaming until such time
5 as the overpass is built. The temporary boat, other than a
6 few minor modifications, has already been constructed and
7 would be here well in advance of the time it was needed.

8 MS. BOCHNOWSKI: So in other words, you would not
9 use it, though, until the overpass was completed?

10 MR. BOUGHNER: That is correct.

11 MS. BOCHNOWSKI: That is a traffic consideration,
12 also?

13 MR. BOUGHNER: We believe it's more of a safety
14 consideration, but certainly a traffic consideration at the
15 same time. Just to be sure that there's no doubt, we would
16 not open any gaming facilities until such time as that
17 overpass was completed.

18 MS. BOCHNOWSKI: Now, I've noticed that you've
19 budgeted money for police and security. Has there been any
20 discussions with the City any time -- it's my understanding
21 that there's a reciprocal agreement with the City of
22 Whiting regarding police and security and emergency support
23 services. Is any of that money going to go to help Whiting
24 provide these emergency services? Do you have any idea
25 about that? Has the City talked to you about that?

1 MR. BOUGHNER: I'd like Alex Mooring to respond
2 to that, please.

3 MR. MOORING: Alex Mooring, Boyd Gaming. No,
4 we've had no discussions with the City of Whiting in that
5 regard. We've talked with the representatives of the City
6 of Hammond. And that million dollars annually is for their
7 edification. I mean, if they're working with
8 multijurisdictional groups, that would be fine. But
9 basically, we're just providing the funds for that.

10 MS. BOCHNOWSKI: I'm just curious, and that is
11 something we'll ask the City of Hammond about. Okay. Now,
12 when you were talking about -- I'm kind of just going
13 through my notes. If somebody wants to follow up on any of
14 mine, go ahead. When you were talking about marketing, I
15 have a different figure than what you had talked about.
16 You had said 10 million dollars for marketing for the first
17 year?

18 MR. BOUGHNER: That's correct; 5 million of which
19 is included as pre-opening marketing, and then there's a
20 separate line item that refers to marketing. So when you
21 add the two together, that comes up with the 10 million for
22 the first year.

23 MS. BOCHNOWSKI: And then your annual marketing
24 expense would be 7.2 million; is that correct?

25 MR. BOUGHNER: I don't have a copy of that in

1 front of me. Could we verify that 7.2 million?

2 (Members of Boyd Indiana
3 panel reviewed documents.)

4 MR. SWAN: I could follow up with another
5 question, if I may, while he's looking for that answer.

6 MS. BOCHNOWSKI: Yes, that's fine.

7 MR. SWAN: When you were talking about the
8 interim boat, I didn't quite understand what period of time
9 that would be in operation. Could you clarify that for me,
10 please.

11 MR. BOUGHNER: Surely. The interim boat, which
12 is Mary's Prize, which is depicted in that photograph to my
13 left (pointing), would be in operation from the New Year's
14 holiday of 1996 until the spring of 1997. And since that
15 boat is not currently under construction, it would be hard
16 to fix an exact date, but I can tell you that we have a
17 comfort level of somewhere between the first of April and
18 the middle of May; but it would be during that time period.

19 MR. SUNDWICK: So you also believe it will take
20 twelve months to build the overpass?

21 MR. BOUGHNER: Yes, sir.

22 MR. SUNDWICK: Okay. What do you plan to do with
23 the Old Milwaukee?

24 MR. BOUGHNER: Well --

25 MR. SUNDWICK: I didn't mean to --

1 MR. BOUGHNER: It's been the subject of a lot of
2 discussion, generally speaking. If I could respond, and
3 not in an evasive manner, but to explain. We have
4 conceived this plan that figures the Clipper in and the
5 Clipper out. It is clearly our preference to figure the
6 Clipper out. We have developed a plan for access depicted
7 on those two renderings and site plans there and also
8 depicted in front of us here (indicating). It shows the
9 Clipper in.

10 Frankly, to show the Clipper out of the picture
11 creates a bit of an emotional response on some people's
12 part. We are prepared to move forward with the project
13 with the Clipper in. We have no use for it. I think the
14 problems associated with it were very adequately covered in
15 the prior hearing today. Our preference would be to have
16 it go away, and we would work with those to assist in an
17 orderly removal and disposition of that. We have some
18 funds allocated, I think a quarter of a million dollars, in
19 our line item budget to deal with that issue. And if it
20 requires more, then we'll have to step up to the plate.

21 MR. KLINEMAN: A small point on the interim boat:
22 I thought the representation was that it has been modified
23 to meet Lake Michigan standards, and your material there
24 says "will be." Which is it?

25 MR. BOUGHNER: It will be modified. The plan has

1 been developed. The plan itself has been approved by the
2 American Bureau of Shipping to allow for operation on Lake
3 Michigan. And at such time as Boyd Indiana were to receive
4 a go ahead from the Indiana Gaming Commission, those plans
5 would be implemented and that boat would be up here.

6 MR. KLINEMAN: So it hasn't been completed? I
7 got mis -- I was mistaken in understanding it had been
8 finished.

9 MR. SUNDWICK: I'm going to ask a question
10 because I think I know the answer, but Mr. Boyd -- I have a
11 lot of interest in local participation and ownership, and
12 Mr. Boyd had everybody stand up and be introduced. And I'm
13 assuming these are the same people that were part of the
14 program or your presentation in Lawrenceburg. I really
15 don't have many questions about them; if they are the same?

16 MR. MOORING: They are exactly the same.

17 MR. SUNDWICK: Thank you.

18 MR. BOYD: Did we determine a response to Ms.
19 Bochnowski's question?

20 MR. MOORING: Yes. Alex Mooring again. It's
21 annually -- after pre-opening, it's annually 7.2 million
22 dollars at a minimum, plus complimentaries of another 10
23 million dollars to a range of 10.6. So it's in the 17
24 million, 18 million dollar range.

25 MS. BOCHNOWSKI: Okay, because I was noticing

1 that your marketing expenditures are lower than the others,
2 but possibly that's because the comps weren't figured into
3 that?

4 MR. MOORING: We think 17 to 18 million dollars
5 is adequate for what we're trying to promote.

6 MS. BOCHNOWSKI: Okay. But the total -- I had 7,
7 so the total would be more like 17?

8 MR. MOORING: Yes, ma'am.

9 MR. KLINEMAN: Who is supposed to build your
10 permanent boat?

11 MR. BOUGHNER: Our permanent boat, which is
12 depicted here, would be built by Service Marine Industries
13 in Morgan City, Louisiana, and would come up here through
14 the St. Lawrence seaway.

15 MR. MILCAREK: How old is the interim boat and
16 what was it used for before?

17 MR. BOUGHNER: Some people build spec homes; some
18 businesses build spec boats. We built that boat, sir, to
19 accommodate our future needs. About a year and a half ago,
20 I believe, that boat was constructed. It's about a year
21 and a half old, and it has not been placed into service as
22 yet. But it is fully completed other than the installation
23 of the carpeting and the gaming equipment. And at such
24 time as we would be through with that, we would return it
25 to, hopefully, another location.

1 MR. MILCAREK: How would you feel about building
2 the boat on site in Indiana?

3 MR. BOUGHNER: We think that that would be an
4 extremely difficult task. I'll go one step further saying
5 we think it's very unadvisable. From everything that we
6 have been able to gather here, there is not the facility to
7 construct a boat here in Indiana, to get it done within a
8 reasonable period of time, within a reasonable cost. There
9 have been some suggestions of some firms who are in the
10 steel industry and so on, and they've never built a boat.
11 And I would suggest it's a little bit like selecting a
12 gaming company. We don't want to go out and do rookies.
13 We're interested -- we put together a team of experienced
14 professionals, and that would be our preference, absolutely
15 our preference. And the direction we would go is to go
16 with an experienced ship builder. It's too important.

17 MR. SWAN: Can I follow up one more time, please
18 on the Milwaukee Clipper. If per chance it was decided
19 that that boat should be moved, did I understand you to say
20 that you will underwrite the cost of that?

21 MR. BOUGHNER: Sir, what I said, we have budgeted
22 250,000 dollars. And if the cost grew to more than that,
23 we would step up to the plate to do that. I don't want to
24 say that that's an unlimited checkbook, but what I am
25 saying is that we think that that's probably a reasonable

1 cost to do that. If it went over that to some nominal
2 degree, we would certainly do that. We are prepared to
3 proceed with this project with the Clipper in place, with
4 the Clipper moved aside.

5 MS. BOCHNOWSKI: If the Clipper has to stay, it
6 would seem to me that you would have to do some renovations
7 to it to make it --

8 MR. BOUGHNER: Somebody would, ma'am, yes. It's
9 very, very extensive. The problems that were outlined
10 today we understand are very real, having had some
11 experience with some of the asbestos problems in older
12 buildings. I don't want to speculate as to what the scope
13 of work would be or what the scope of work would cost, but
14 I suspect that it would be very expensive to go ahead and
15 renovate the facility. And then you're faced with the
16 prospect of just what does it become, given some of the
17 constraints with inside of it. It would not be our
18 preference to renovate that facility. We wouldn't
19 participate --

20 MS. BOCHNOWSKI: That's not something that you
21 even thought about or included?

22 MR. BOUGHNER: We thought about it. We studied
23 it. We looked at it. We tried to look at it in great
24 depth actually. But our early-on conclusions were that
25 there was really no advantage to either our company or

1 really this overall project to do much with it.

2 MR. MILCAREK: Wouldn't the Milwaukee Clipper
3 further deteriorate and become an eyesore, detracting from
4 your -- would you have to paint it or put a sheet over it
5 or something?

6 MR. BOUGHNER: I suspect that it could. Yes, it
7 is a problem and it is an eyesore from our view. And
8 that's why it is our preference to have it removed and why
9 we've allocated funds to do it.

10 MR. MILCAREK: Would you have to disturb the
11 harbor to get it out?

12 MR. BOUGHNER: Excuse me, sir?

13 MR. MILCAREK: Would the harbor have to be
14 disturbed to get it out, or would you remove docks; or have
15 you given that any thought?

16 MR. BOUGHNER: Yes, we have. And Alex, could you
17 address that, please.

18 MR. MOORING: Alex Mooring. We have looked at
19 moving the Clipper. We've actually had discussions with
20 Mr. Ken Nolly, who is the Port Authority Director of the
21 City of Milwaukee who has expressed some interest in that.
22 But in direct answer to your question, we would actually
23 have to go back for a Corp permit and dredge around
24 underneath the Clipper because it's actually been
25 solidified with silt as well as riff raff in there to hold

1 it in place so it doesn't have any lake effect in there.
2 So we would actually have to get another Corp permit. We'd
3 have to get a towing permit from the Corp and actually tow
4 that back to Milwaukee. They're interested in the boat as
5 part of an overall riverfront complex that they have, where
6 it doesn't have to bear the whole cost of a project as it
7 does in the Hammond Marina. But they want it FOB in
8 Milwaukee.

9 MS. BOCHNOWSKI: They're not interested in buying
10 it, I take it?

11 (No audible response.

12 Several Boyd panel members
13 shook their heads.)

14 MR. KLINEMAN: It's the City that wishes the
15 Milwaukee to stay; is that where we are?

16 MR. BOUGHNER: Alex, could you address -- Alex is
17 our Clipper expert.

18 MR. MOORING: Alex Mooring again. I'm not sure
19 that the total -- I think a portion of the City want it to
20 stay, some of the city members. Some of the city liaison
21 people as well as some of the city members would be happy
22 to see it go, also. There's sort of a divided opinion. It
23 is on the National Historic Register. They have bought the
24 boat. They have a lease on it through February of 1996
25 with Lake Michigan Charters, so really they have to -- they

1 control that for the next five months or so.

2 But again, it would be -- we have not changed our
3 feeling. When we came to Hammond in July of 1993 and put
4 together our first proposal, we did not think that the
5 Milwaukee Clipper lent itself to a good gaming experience
6 for your customers, so we wanted to go ahead and get rid of
7 it. That was not well received at the time. And in the
8 two years that's passed since then, a few more people have
9 come around to our way of thinking, even within the City.

10 MR. MILCAREK: Are there any problems with the
11 overpass as far as the railroad right-of-way is concerned,
12 that you are aware of?

13 MR. BOUGHNER: Alex, please.

14 MR. MOORING: Alex Mooring again. We're actually
15 relying on the City and the City liaison people. As we
16 understand it at our last meeting last week, there are
17 still two potential problems, one with CSX and EJ&E,
18 actually the relocation of the EJ&E tracks. And that
19 agreement is, I believe, ready for signature. CSX perhaps
20 is still a problem. I have not talked to Mr. Bennett this
21 week to find out if anything further has happened. But the
22 responsibility of the City was to go ahead and deliver all
23 of that property and the condemnation of the ground so that
24 whoever the chosen developer is can proceed with the
25 overpass.

1 MR. KLINEMAN: Also there's a problem with Great
2 Lakes Marina, is that correct, who owns some of the
3 property someplace in that vicinity, or is that necessary?

4 MR. MOORING: I believe they are in the
5 condemnation proceedings right now. And I think that
6 the -- I'm not sure if a court date has been established
7 yet or not. They're in a matter of arriving at a monetary
8 amount for the condemnation, but the City, I think, has
9 actually planned -- they have implemented the condemnation
10 proceedings, so it's just a matter of economics now.

11 MS. BOCHNOWSKI: Now, it's my understanding that
12 you were ranked pretty high when the initial review was
13 done that narrowed down the list of applicants for the
14 Mayor to review. Do you have any idea why you were not
15 selected as the preferred developer as one of -- maybe one
16 of two preferred developers or one of three? What do you
17 think was the reason for your not being selected, since you
18 seem to be fitting into the City's plan? And I do
19 understand you were ranked high by the selection committee.

20 MR. BOUGHNER: Alex, please.

21 MR. MOORING: Alex Mooring again. One change
22 that we did make, we actually had our parking garage and
23 our hotel facility where Bally's showed their property, and
24 there was quite a bit of resistance to actually blocking
25 the lakefront view from the town. Other than that, we're

1 really not sure. We thought we were the best applicant, as
2 we felt in other places in Indiana we were the best
3 applicant.

4 MR. KLINEMAN: You came awful close.

5 MR. SUNDWICK: Since you made the move, that
6 didn't change anything? I mean, you thought the hotel --
7 you said a hotel and parking would be in the same place as
8 Bally's; you put it in the same place, and you changed
9 yours?

10 MR. MOORING: We have made a change in the hotel.
11 We think a hotel should be an integral part of the system.
12 Since then, we've talked to Smith Travel Research, which is
13 the major entity in the country that tells you how
14 properties are doing. And unfortunately, the nine
15 properties in Hammond, they're averaging only about 53
16 percent occupancy, a very low average daily rate which does
17 not give you an economic return. So we think that the
18 market needs to come forward before it justifies putting in
19 a hotel.

20 MR. BOUGHNER: This is Bob Boughner again. Just
21 to perhaps bring to closure the issue on the selection of
22 another competing company over Boyd, honestly we can't
23 really get into the size of the heads of the individuals
24 that made that judgment. We thought we put together a very
25 professional presentation. We, I believe, supplied all of

1 the answers to all of their questions. And ultimately, for
2 whatever their reasons or whatever their own particular
3 views, they elected to choose another competitor.

4 MR. MILCAREK: With the advent of a hotel in Gary
5 and possibly in East Chicago, how is that going to affect
6 you competition-wise if you don't have a hotel?

7 MR. BOUGHNER: In terms of our gaming revenues, I
8 don't really think that it will even have an impact on the
9 scene. The types and levels of visitation that we're
10 projecting here of 10,000 visitors, if we were to say that
11 we got all of those visitors -- in our plan, that would be
12 the case -- were non-hotel guests, that would mean we would
13 need zero hotel rooms. If 50 percent of those customers
14 were hotel guests, then we would need a substantial number
15 of hotel rooms. We honestly believe that a hotel project
16 complements the operation, but it is neither essential or
17 necessary to achieve the projected gaming revenues that we
18 have put forth, not in this particular environment when you
19 have access to so many millions of people on a drive-in
20 basis. It is not a necessary component. It is a nice
21 component and one that we would, as we indicated from the
22 very beginning, like to pursue.

23 MS. BOCHNOWSKI: What is your vision -- back to
24 the marketing. It seems like this is going to be a very
25 competitive area. Within a very short span, we'll have

1 four river boats -- or four lake boats. How do you plan to
2 either compete or work with these other boats to make this
3 a real strong market?

4 MR. BOUGHNER: Ms. Bochnowski, I think we need to
5 do both. I think we need to compete with them and work
6 together with them. The way that we analyze markets is
7 that that's a necessary component, where you have
8 competition and you have competitors. We would work with
9 them perhaps in terms of forming associations to resolve
10 common problems. We want to get as many dollars as we can
11 on the Indiana side of the border vis-a-vis the Illinois
12 side of the border. We would work with them in that
13 context. But obviously, each of the projects stands on
14 their own merit. That will occur in terms of pricing for
15 admission fees and boarding fees. That will occur in terms
16 of the types of limits that are made available to the
17 public. We compete in some rather tenacious environments
18 today, and we compete with our competitors, yet we bring
19 them to the table.

20 In Tunica, Mississippi, we formed a group in what we
21 call our casino strip area with two other competitors. We
22 compete for the same customers on occasion and compete for
23 different customers on occasion, yet we work together to
24 solve common problems to get people to, shall we say, our
25 end of Tunica. In Las Vegas, in downtown Las Vegas, we all

1 compete with one another, but we formed associations to
2 bring people downtown as contrasted with the strip. So we
3 would do both. We would compete with the other operations;
4 and at the same time, we would work together to bring the
5 dollars into this state.

6 MR. MILCAREK: In viewing the sites yesterday,
7 with Chicago being so close, it looked like possibly an
8 ideal place to bring people across on a boat. Has any
9 thought been given to that?

10 MR. BOUGHNER: Does anybody from our group have
11 any comments about that?

12 MR. MOORING: Alex Mooring again. Bob Nelson,
13 the current Port Authority Director, was just having that
14 conversation about the need for a courtesy dock for boaters
15 from the Chicago market to come down, because it's really
16 only 12 miles by water, so they actually could come down.
17 In terms of anything formal, no.

18 MR. SWAN: I wanted to ask a question about
19 average win used in the projections. I'm looking at \$63 in
20 your proposal, I think, average win; and I wanted to hear
21 your substantiation for that number and how that might be
22 used comparably with other forecasts that we might see.

23 MR. BOUGHNER: Bear with me; a little longer
24 answer perhaps than you might have wanted. In our
25 business, there are really two factors that affect how much

1 you win from a customer: that's time played and their
2 average bet. Time played in the cruising casino riverboat
3 business is a fixed amount. The cruise starts at 2:00; it
4 ends at 4:00. The cruise starts at 4:00; it ends at 6:00.
5 Now, there will be stayovers and so on; but those
6 admissions are factored into that when we up the passenger,
7 if you will, for a second cruise. So that one particular
8 variable is basically already established, the time played.

9 The next critical component of that is the average
10 bet, and the average bet is a function primarily of the
11 quality of the customer. We believe that the types of
12 facilities that we design and the types of facilities that
13 we are proposing for here would attract a quality customer.
14 We have a style of the way we operate our business, getting
15 close to our customers. We have a style of dealing the
16 game. We will deal as we do in many of the environments we
17 are in in emerging markets; we will have the best odds and
18 the highest limits. We are not afraid to take a bet.
19 That's going to attract other customers from existing
20 facilities. We're convinced of that. We've toured through
21 the existing facilities in the markets and seen 500 dollar
22 maximum bets. We'll have a 5,000 dollar maximum bet. So
23 to get to the issue there, we believe we will attract the
24 best customers. We will afford them the opportunity to
25 enjoy our facilities, and we think that that will mean or

1 result in a very high win per admission. Other operators
2 have different strategies for achieving that.

3 MR. SWAN: Excuse me. I just thought as a novice
4 that one might look at that and say that the return to the
5 passengers wouldn't be as high as it might be in a
6 competitive -- but I see; I don't understand the statistics
7 very well, do I?

8 MR. BOUGHNER: I would just mention one other
9 thing. As a matter of fact, in our industry, we view it
10 quite the opposite; that over time what the business has
11 taught us as a company is that the better the deal for the
12 player, the more players you have. And that ultimately
13 results in the most business. And we have some of the
14 loosest slot machines in the industry. And when you give
15 the player the opportunity, such as 10 times odds on craps
16 and single deck 21 games, those are what people who come to
17 these facilities are interested in. It's nice for them to
18 look at the pretty buildings and they'll admire your carpet
19 and they'll eat your hamburger and say it was good and
20 juicy, but ultimately what they're interested in is to have
21 a good time and to try and take a shot.

22 MR. KLINEMAN: You do have single deck blackjack?
23 Where were you when I could --

24 MR. BOUGHNER: Yes, sir, we do. We also have
25 double decks and shoes.

1 MR. SWAN: I have one more follow-up question.
2 Somewhere in my notes, Mr. Boyd made the comment that said
3 something like, "We start with the best facilities and
4 continue to expand facilities as we grow." You had
5 mentioned already phase two might include a hotel
6 somewhere. Are there any other expansion plans besides
7 hotel potential later?

8 MR. BOUGHNER: Yes, sir. In our original
9 submission, in phase two, we proposed a 200-room hotel and
10 an additional parking structure with a comparable number of
11 spaces to the facility that we have here.

12 MR. KLINEMAN: I want to understand the facility
13 you're going to build. What's on the first floor, second
14 floor, that sort of stuff? It looks like a very long,
15 narrow building because of the site constraints, and I just
16 wondered how it's going to operate.

17 MR. BOUGHNER: Okay; happy to explain that.
18 Perhaps the best way to do that, if you look at this first
19 drawing -- I shouldn't say the first. Let me point. I'm
20 good at a whole lot of things, but microphones aren't one
21 of them. This rendering straight here (pointing), the long
22 grayish building, actually represents the parking
23 structure, done substantially in accordance with the plan
24 that was conceived by the City. We have had Lee Askew, our
25 architect, who is here today and could answer specific

1 questions about that -- Alex, if you could point to the
2 parking facility.

3 (Mr. Mooring walked up to
4 front of room and pointed to
5 presentation boards as
6 requested.)

7 MR. BOUGHNER: That is the second story, if you
8 will, in the public area. If you would point to that,
9 please.

10 (Mr. Mooring did so.)

11 MR. BOUGHNER: Thank you. And moving over to
12 this, this rendering represents the first floor. All of
13 that space planning is done. You would pull up to the
14 facility, and you would have the opportunity to either have
15 valet parking or to self park in the garage. Self park in
16 the garage, a system of elevators and escalators would then
17 take you to either the top floor or the first floor, the
18 main entry floor of the building. The darker portion
19 colored in a rose color there is the back of the house
20 facilities necessary to support the whole operation. The
21 balance of that then consists of the public facilities that
22 we have available.

23 On the first floor, we have the Final Score Sports
24 Bar, which some of you may be familiar with from Kansas
25 City. We also have the restaurant called Juke's, which

1 would be a nostalgic restaurant themed around jukeboxes and
2 so on. And on the second floor, we have the Great Buffet,
3 which is approximately a 500 seat buffet, also modeled
4 after the facility we have in Kansas City. And then also
5 the steak house, the All American Bar and Grill. And then
6 we have also featured another restaurant for development
7 there as well.

8 In addition to all of those food and beverage
9 facilities, we also have a tremendous amount of circulation
10 space. In these types of operations, circulation and cuing
11 is an essential component. But rather than have the
12 patrons cue up like they were in a bus station, we're cuing
13 them up in a really attractive space so that that becomes
14 part of the experience itself. In our focus group studies
15 with customers, one of the most critical aspects of the
16 whole riverboat gaming process is the cruising portion
17 itself, relative to that waiting period to get on. And
18 what we have tried to do is incorporate space that takes a
19 little bit of the aggravation out of that process. Did I
20 answer your question, sir?

21 MR. KLINEMAN: Yes. And the other two are just
22 the docking facilities with or without the Milwaukee
23 Clipper (pointing)?

24 MR. BOUGHNER: Yes, sir. The one closest to your
25 backs represents keeping the Clipper in place, and the one

1 to Alex's right assumes that the Clipper is gone. And the
2 sole purpose of those two is to indicate the two scenarios,
3 assuming Clipper in and Clipper out.

4 MR. KLINEMAN: But the green portion then is not
5 your facility?

6 MR. BOUGHNER: That is correct. I would
7 ignore --

8 MR. KLINEMAN: That's where I got confused.

9 MR. BOUGHNER: These drawings that are
10 represented here supersede that aspect on those. The only
11 thing that's important on those is the location of the
12 Clipper.

13 MR. KLINEMAN: So it isn't as long and narrow as
14 it looks? I was looking at the green representations.

15 MR. BOUGHNER: That's correct.

16 MR. KLINEMAN: I guess I might as well ask the
17 non-compete question while we've got a little break in the
18 action here.

19 MR. BOYD: No; let me explain that. I do agree
20 with Mr. Goldberg today that a non-compete clause should
21 not be necessary at all. A couple of examples of that: In
22 downtown Las Vegas, as Bob mentioned, we have two
23 facilities that compete directly with each other. They do
24 very well. In fact, there's a lot of advantages. We think
25 that it could very well be the same here. Also, in Sam's

1 Town Tunica, in Tunica County, Mississippi, our experience
2 has been that we have done better as new places have
3 opened. Our revenues have increased as new places have
4 opened. The markets have expanded. The Tunica market is
5 over a 600 million dollar market. There's presently, as I
6 understand it, about a 750 million dollar market in Chicago
7 and northern Indiana. We have seven places in Tunica.
8 It's a million dollar market. That general market is a
9 million people market. This is about an 8 million people
10 market, so we think there is tremendous room for expansion
11 and growth in this market and that we could -- if we would
12 have a competing operation, that we could turn that into a
13 plus.

14 MR. KLINEMAN: I guess I was sort of buying into
15 your -- the gentleman who said that they had been talking
16 with the port authority people on if they could run a boat
17 down from Chicago in 12 minutes or something like that.
18 You know, you're obviously entitled, as Mr. Goldberg is to
19 his feelings. The only quarrel I would have with the
20 illustrations of Las Vegas and/or Tunica is that they are
21 all in the same area, same state, same -- I mean, whereas
22 between here and Illinois, there's a little more
23 competition between the states than there is there.

24 MR. BOYD: I think the important thing to
25 remember, though, is the size of the market. This

1 obviously is one of the best markets in the country, and
2 that, we think, indicates it would not be -- there's so
3 much room for competition, it's going to be many, many
4 years, in our opinion, before you would ever reach the
5 level where that competition would be meaningful.

6 MR. KLINEMAN: So the answer's no, right?

7 MR. BOYD: Right.

8 MS. BOCHNOWSKI: You outlined some of the great
9 benefits of being a full-time employee, and I think you
10 mentioned the percentage that are full time employees, but
11 I did miss that. And also, just here locally you had 1,234
12 new jobs; and what percentage of those would be full-time?

13 MS. SHANKLIN: Cathey Shanklin. Generally what
14 we use is a 90 percent average for full-time employees.
15 And so what that means is here in the Hammond market, that
16 would equate to about 1,100 employees that would be
17 full-time.

18 MS. BOCHNOWSKI: So these would be people who
19 would -- after your initial period would be entitled to
20 your full benefit package?

21 MS. SHANKLIN: Yes. And for full-time in our
22 company, that's over 30 hours per week worked.

23 MS. BOCHNOWSKI: What is your initial time
24 period? How long do they have to be employed to be
25 eligible?

1 MS. SHANKLIN: Cathey Shanklin. Actually, what
2 we do in our new markets is we reduce the initial waiting
3 period. Generally in the Las Vegas market, it's after
4 1,000 hours of work, which is equivalent to six months of
5 employment. What we do is we basically cut that in half
6 to -- the first of the month following 520 hours worked is
7 what we use.

8 MS. BOCHNOWSKI: First what now?

9 MS. SHANKLIN: 520 -- it's the first of the month
10 following 520 hours worked.

11 MS. BOCHNOWSKI: Oh, okay; got it. All right.
12 And then I understand your plan for that bird sanctuary is
13 simply to purchase it and turn it over then so somebody
14 else would do whatever they felt was necessary with that?

15 MR. MOORING: Alex Mooring. Yes. In our
16 negotiations with the City, we indicated that we would
17 purchase the property and donate that to the City. And as
18 I say, they originally were thinking about splitting that
19 property, half for a public beach and the balance for a
20 migrant bird tract.

21 MS. BOCHNOWSKI: Do you know why NIPSCO is not
22 donating that to the City?

23 MR. MOORING: We think that's an excellent
24 question.

25 MR. MILCAREK: Will you charge an admission?

1 MR. BOUGHNER: I'm sorry; I didn't hear the
2 question.

3 MR. MILCAREK: Will you be charging an admission?

4 MR. BOUGHNER: Yes, sir, we would be charging
5 admission.

6 MR. MILCAREK: What will that be?

7 MR. BOUGHNER: I can't predict what would happen
8 in the future, but I can ask Alex to respond to what we've
9 put in our proposals.

10 MR. MOORING: What we've said initially is that
11 we would try to balance the cost that we're paying out to
12 the State and to the port authority. So we're looking at
13 an average of \$4 admission charge, which is what we're
14 actually paying out. So we're looking at a revenue neutral
15 concept.

16 MR. BOUGHNER: I would add, sir, that, again,
17 probably that average would be a function of supply and
18 demand. On Friday night's 8:00 cruise and Saturday night
19 from 4:00 p.m. until perhaps 2:00 in the morning, that
20 number might be higher; and Monday morning at 10:00, that
21 number might be lower. But it would really be a function
22 of supply and demand.

23 MR. KLINEMAN: Are you going to charge for the
24 parking in your garage, the self park?

25 MR. MOORING: Alex Mooring, Boyd. No, we have no

1 charge for parking. And frankly, at Boyd, we don't charge
2 for parking at any of our ten properties.

3 MR. THAR: I'm going to ask you a few questions
4 about your temporary -- interim boat; excuse me. It is not
5 presently lake certified; is that correct?

6 MR. BOUGHNER: It is not presently lake
7 certified; that is correct.

8 MR. THAR: Under the statute since it's been
9 amended, we cannot give a license to a group that would
10 find it impossible or very difficult to cruise. Are you
11 assuring this Commission that the interim boat would be
12 able to cruise on Lake Michigan?

13 MR. BOUGHNER: Yes, sir; unequivocally,
14 absolutely.

15 MR. THAR: Now, during the course of the
16 background investigations, there's been some -- I believe
17 some issues have come up about your cruising encounter.

18 MR. BOUGHNER: Loren, would you want to address
19 that?

20 MR. PIEL: Loren Piel with Boyd Gaming.

21 MR. THAR: The question with regard to that is
22 how can we be assured we won't have similar issues here in
23 Indiana where our legislature has been much more definite
24 in terms of the need to cruise than they have in Louisiana?

25 MR. PIEL: I think the best answer to that is for

1 me to tell you a little bit more about what the problem has
2 been down in Louisiana. Under Louisiana law and maritime
3 law, the captain of the vessel is responsible for the
4 safety of the passengers, the crew, and the vessel. Once
5 the captain makes a determination that there would be some
6 risk because of weather conditions or water conditions, he
7 is entitled to cancel the cruise. The boat remains docked,
8 and he files a certification that explains the reasons for
9 the cancellation.

10 What we've run into down in Louisiana is that there is
11 not -- the Louisiana gaming authorities have not set
12 guidelines yet for what reasons are acceptable for not
13 cruising. Specifically with respect to weather, with wind
14 conditions and conditions on the water, there aren't any
15 set guidelines. So there's been some question about the
16 judgment that's been made in cancelling cruises, and that's
17 been an industry-wide problem which is being addressed now.
18 We feel that once those guidelines are set, that issue will
19 no longer occur.

20 MR. THAR: Well, I want to follow that up just a
21 little bit more because we understand that there's been a
22 difference of opinion; at least the Louisiana authorities
23 may think that you're taking advantage of the situation.
24 The posture here in Indiana is that you cruise unless you
25 meet the statutory requirements set by legislature, because

1 they have now eliminated our ability to make any more
2 definite rules on when the boat can stay here. So what the
3 assurance is that, for instance, even the interim boat,
4 which is presently not lake certified, would be a boat
5 capable of cruising under all circumstances except those in
6 the statutes.

7 MR. BOUGHNER: Mr. Thar, let me address the
8 second point first, and that is that the boat, Mary's
9 Prize, will be certified by the American Bureau of Shipping
10 to cruise. The plans have already been approved by them.
11 And once they are completed, that boat will be capable of
12 cruising without any problem on the lake.

13 The first issue with respect to what the guidelines
14 are, if I could continue to comment about the issue in
15 Louisiana, is that the captain there is charged with the
16 responsibility of determining what weather conditions would
17 be suitable for taking the boat out. Yes, there have been
18 differences of opinion, and we don't believe that the
19 operator of the marine services for the riverboat has taken
20 advantage of that. The absence of clear cut guidelines has
21 been the problem. Certainly, we understand the intent and
22 the letter of the regulation that's spelled out here in
23 Indiana and absolutely would comply with that.

24 MR. THAR: You understand, to re-emphasize my
25 point, we can be no more definite than what the Legislature

1 has said. They've removed our ability to be any more
2 definite. So you're saying you'll be able to meet that
3 statute?

4 MR. BOUGHNER: Yes, sir.

5 MR. THAR: Thank you.

6 MR. VOWELS: The investigation here reveals that
7 as of September 22, 1995, Treasure Chest Casinos received
8 30 citations in Louisiana for continuing to gamble while
9 not cruising. Is that a result of what you'd indicated, 30
10 separate citations? And if you could tell me over what
11 period of time, and is it the same captain each time that
12 was involved in the citation?

13 MR. BOUGHNER: Loren, please, if you would
14 respond to that.

15 MR. PIEL: Sure. Loren Piel again from Boyd
16 Gaming. There are actually -- there are two different
17 stages involved in that process in Louisiana. There have
18 been six notices of violations which have been issued. A
19 notice of violation is accompanied by the assessment of a
20 fine. In addition, there have been 39 instances where a
21 violation or inspection report has been filed. That report
22 is filed by a state trooper. It's filed with his superior
23 officers and a decision is made based on that report
24 whether or not to assess a fine. We've been assured that
25 in each of those 39 cases where an inspection report has

1 been filed, there is no current intent to file a notice of
2 violation of fine, so there are only actually six pending
3 violations or citations.

4 MR. VOWELS: Are they all gambling while not
5 cruising allegations?

6 MR. PIEL: Yes; yes, they are.

7 MR. VOWELS: And is it the same riverboat captain
8 on that ship each time; do you know?

9 MR. BOUGHNER: I don't know the answer to that
10 question. I don't believe so. We have several cruises a
11 day, and these violations have occurred at different times
12 of the day, primarily in the evening hours.

13 MR. VOWELS: Okay. Because there's an allegation
14 here that a ship captain refused entry into the pilot house
15 by the state police gaming agent, who was accompanied by a
16 maritime specialist. I mean, is this some personality
17 problem that's going on between the gaming agents and this
18 riverboat captain? And if so, is this riverboat captain
19 going to be manning your ship here in Hammond? I mean,
20 this is a problem --

21 MR. BOYD: Certainly.

22 MR. VOWELS: -- because as Jack has said, the
23 Legislature can't be any more clear about what their
24 attitude is about these boats going to cruise. And we must
25 be assured that we're not going to see similar problems

1 here, whether these allegations are groundless or not. The
2 number of times there's been allegations or where the
3 riverboat captain will not allow entry into the pilot
4 house, something's going on here.

5 MR. BOUGHNER: Yes. I'd like to address, I
6 think, as many of those points as I can. Number one, I
7 want to reassure you that we absolutely understand the
8 intent and the letter of the regulation and absolutely will
9 comply with that. Secondly, I don't believe that those
10 occurred all on one ship captain's watch, if you will.
11 Those would be highly unusual for that to be the case. And
12 then lastly, it is my understanding that in that one
13 particular instance where access was refused, the person
14 did not identify themselves appropriately.

15 MR. BOYD: To be sure that there's no
16 misunderstanding, all of the riverboats in the New Orleans
17 area have received similar citations because of the captain
18 saying that it's been too windy, for example, to sail, that
19 the wind was at 12 knots; and the Gaming Commission -- or
20 the state police, I should say, saying they didn't think
21 that that was too -- the wind was too strong and we should
22 have been able to cruise. So that decision, I believe, is
23 still pending, and there's a court hearing date set for a
24 determination of that. But this is not something just that
25 the Treasure Chest has; it's all of the riverboats in the

1 New Orleans area have experienced the same thing.

2 MR. VOWELS: You have a boat recently in
3 Missouri, is that correct; you just opened another one in
4 Missouri?

5 MR. BOUGHNER: Yes, sir.

6 MR. VOWELS: And how is that doing?

7 MR. BOUGHNER: It's doing very well.

8 MR. VOWELS: When did you open that?

9 MR. BOUGHNER: We opened that on the 13th of
10 September -- yes, that's correct -- at 6:00 p.m.

11 MR. THAR: May I bring up a different issue? We
12 obviously know what your plan is from both what you've
13 submitted and your presentation today. There's obviously
14 expectations from areas that surround the Hammond marina,
15 such as the Robertsdale section of Hammond and the Whiting
16 area, which is for all practical purposes, in my mind, the
17 same place. But Robertsdale is concerned about basically
18 the neighborhood and will it be impacted by the traffic?
19 I'd like to know first -- let's just start there. What
20 type of plans does Boyd have to minimize adverse impact
21 with regard to the Robertsdale portion of Hammond?

22 MR. BOUGHNER: Alex, would you please.

23 MR. MOORING: Alex Mooring. We actually concur
24 with the plan that was done for the Robertsdale area. We
25 met with the Robertsdale people. We met with the Whiting

1 Chamber and talked to them. We think that most of the
2 problem -- the major problem will disappear because the
3 property -- the access is going to be at 112th Street,
4 which is significantly west of that particular area. We
5 are also -- we talked to the Whiting people and talked
6 about using wheeled trolleys to run people down essentially
7 to the -- as Ms. Bochnowski mentioned, down to their
8 shopping area to have -- if you can, eliminate traffic for
9 that particular area and try to be sensitive to their
10 needs.

11 MR. THAR: That was going to be my next question
12 after I found out how you were going to handle the
13 neighborhood. Do you have any plans to integrate or offer
14 to your patrons the ability to go look at that shopping
15 area in Robertsdale and Whiting?

16 MR. MOORING: Yes, as we were in Lawrenceburg, we
17 plan to have a trolley system that would go back to those
18 areas.

19 MR. THAR: Is that it? I mean, that's a very
20 simple statement; you're going to have a trolley. Can you
21 develop that more or is that the present concept?

22 MR. MOORING: I think that's the present concept
23 right now, Mr. Thar.

24 MR. THAR: But it is a part of your overall plan,
25 so we could expect that there would be something done by

1 Boyd to try to at least make their patrons available and
2 aware of and help transport them to that shopping area?

3 MR. MOORING: That's correct; and that's in
4 conjunction with what the City of Hammond would like. I
5 mean, basically our plan is what the City plan is, which is
6 to bar access on Lake Avenue and Calumet Avenue so that the
7 only access to the project will be through the 112th Street
8 overpass, as well as emergency access down State Line. So
9 we're removing -- trying to remove the traffic to the west
10 of that particular area.

11 MR. KLINEMAN: Anything further?

12 MS. BOCHNOWSKI: Maybe I missed it. When did you
13 anticipate the permanent boat being here?

14 MR. BOUGHNER: If I may, just let me recap the
15 dates.

16 MS. BOCHNOWSKI: Yes, I'm just curious.

17 MR. BOUGHNER: The project will be open by New
18 Year's, 1996, a little over a year from now. It will open
19 with the interim boat as depicted in the photo to my left
20 (pointing), which will be certified for the lake.
21 Somewhere between April 1 and the middle of May of 1997,
22 less than six months later, that 13 -- rather 1,650
23 capacity boat, for 1,650 passengers, will be replaced by
24 the larger boat behind me (indicating), and that will occur
25 somewhere between April 1 and the middle of May of '97.

1 MS. BOCHNOWSKI: Thank you.

2 MR. MILCAREK: Who is Mary and who is Maryanne,
3 since you're naming both your boats after Mary?

4 MR. BOUGHNER: I think Bill would be the right
5 person to answer.

6 MR. BOYD: Maryanne was my mother -- Mary was my
7 mother, pardon me; and Maryanne is my daughter.

8 MR. MILCAREK: Thank you.

9 (Discussion was held off the
10 record among Commission.)

11 MR. KLINEMAN: Anything further anyone? I guess
12 we've come to the end of the line. I want to thank you,
13 Mr. Boyd and gentlemen, for a fine presentation, and we
14 appreciate your cooperation. And with that, we will recess
15 until tomorrow morning at 9:15 a.m., at which time we will
16 receive the Lake Michigan Charters presentation.

17 (The proceedings were
18 adjourned at 5:30 p.m.)

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STATE OF INDIANA)
) SS:
COUNTY OF PORTER)

REPORTER'S CERTIFICATE

I, RUTH GRISSMAN, a duly qualified stenotype reporter and duly authorized to administer said oath, do hereby certify that the foregoing proceedings were had before me on Tuesday, October 17, 1995, at the Hammond Civic Center, 5825 Sohl Avenue, Hammond, Indiana.

I further certify that I then and there reported in machine shorthand the proceedings so given at said time and place, reduced the same to typewriting from my original shorthand notes, and that the foregoing is a true, correct, and complete transcript of said proceedings.

IN WITNESS WHEREOF, I hereby affix my name and seal this 17th day of November, 1995.



Ruth Grissman,
Shorthand Reporter
My Commission Expires 4-30-99

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY LAKE MICHIGAN CHARTERS, LTD.

October 18, 1995

Commencing at 9:15 a.m.

BE IT REMEMBERED that the following proceedings
were had before me, RUTH GRISSMAN, Court Reporter, on
Wednesday, October 18, 1995, at the Hammond Civic Center,
5825 Sohl Avenue, Hammond, Indiana.

KAREN M. PRICE & ASSOCIATES
COMPUTER-ASSISTED REPORTERS
P.O. BOX 11270
MERRILLVILLE, IN 46411
(219) 756-0702

APPEARANCES:On Behalf of the Indiana Gaming Commission:

ALAN I. KLINEMAN, Chairman

ANN MARIE BOCHNOWSKI, Vice-Chairperson

DONALD VOWELS, Secretary

THOMAS F. MILCAREK

ROBERT W. SUNDWICK

ROBERT SWAN

DAVID E. ROSS, JR., M.D.

JOHN J. THAR, Executive Director

1 MR. KLINEMAN: We're expecting Dr. Ross
2 momentarily, so why don't we just wait. We'll get started
3 as soon as Dr. Ross enters.

4 (Discussion was held off the
5 record among Commission. The
6 proceedings were then
7 commenced at 9:30 a.m.
8 without Dr. Ross present.)

9 MR. KLINEMAN: Why don't we go ahead. I guess
10 Dr. Ross might have gotten involved in some medical problem
11 or something. So if it's all right with you, Phil, we'll
12 go ahead. And I'm sure if there's information that he
13 doesn't receive, we can catch him up.

14 MR. THAR: Are they filming their presentation?

15 MR. KLINEMAN: And the presentation is being
16 taped?

17 MR. BAYT: Yes, it is.

18 MR. KLINEMAN: Okay. Well, we can always make a
19 copy available to Dr. Ross. Why don't you go ahead and
20 proceed. Good morning everyone.

21 MR. BAYT: Good morning, Chairman Klineman,
22 members of the Commission, Mr. Thar, Mr. Hannon, members of
23 the staff. I'm Phil Bayt from the Ice, Miller law firm,
24 and I'm glad to be here today to introduce you to Lake
25 Michigan Charters. I've spoken to you before on behalf of

1 local governments. And as part of that work, I've been
2 able to participate in this process and to observe many of
3 the applicants around the State. During that same time, I
4 worked with the Lake Michigan Charters team to get ready
5 for gaming in Hammond. I can tell you that I think that
6 Lake Michigan Charters is as qualified as any applicant
7 you've seen so far.

8 But you've seen a lot of qualified applicants, and I
9 think what sets Lake Michigan Charters apart is that for
10 two and a half years, we've listened to the community to
11 craft a project that fits for Hammond. We've done our
12 homework to prepare a difficult site for gaming, and we've
13 focused only on Hammond. We've structured a local benefits
14 package and a capital investment program that will be a
15 tremendous opportunity for the citizens of Hammond and for
16 the State of Indiana. And we've got the financial
17 resources to back up those promises. We started early,
18 we've got momentum, and we're ready. And we're ready with
19 experience, the kind of experience that comes from proven
20 success. The Empress River Casino in Joliet, a sister
21 company to Lake Michigan Charters, is the model for
22 riverboats throughout the industry. It sets the standards
23 that others follow.

24 And here to tell you about that success story is Bill
25 Sabo, the Vice-Chairman of the Empress River Casino

1 Corporation and the Chairman of the Illinois Riverboat
2 Council, the association for riverboat gamers in the State
3 of Illinois. Before Bill helped to found the Empress, he
4 was a career banker, serving for 25 years as the Chairman
5 and CEO of the First National Bank of Lockport, one of
6 Illinois' leading financial institutions. Bill and the
7 owners of Lake Michigan Charters and the Empress call this
8 region home. They employ thousands of people and they
9 spend millions of dollars in the local economy each year,
10 and they feel a part of the social and business community
11 that is northern Illinois and northwest Indiana. It's my
12 pleasure to introduce to you today Bill Sabo.

13 MR. SABO: Thank you, Phil. Thank you members of
14 the Commission. Very shortly, you're going to meet a group
15 of vibrant, dynamic, aggressive young people who have
16 courteously allowed the senior citizen among them to be the
17 first to address you this morning. I'm not sure that that
18 should call for a celebration with cyanide or champagne.
19 Nevertheless, I'm here, and my comments will be brief. And
20 I'm very pleased. You're going to be viewing a production,
21 a video production, about what has emerged to be the most
22 successful riverboat gaming company in the United States
23 over the past three years. Along with my partners that are
24 seated here today, we were there from the first day and
25 understood and saw all the problems that we had to face. I

1 was privileged to serve as the first president of that
2 company.

3 And I think to truly tell the story of what the
4 Empress was in some perspective, I'd like to take the
5 Commission back to 1990 and 1991 where our company faced a
6 litany of problems very similar to what we perceive to be
7 the issues that your ultimate licensee in the City of
8 Hammond are going to have to face today in the marina
9 project. Back in Joliet, we had issues pertaining to
10 property acquisition, property access, technical
11 engineering issues, annexation issues, environmental
12 issues. All of those were things that had to be
13 accomplished and had to be accomplished with some
14 expedition. We had a very limited staff of facilities
15 support people, and I proudly say that my partners, along
16 with our limited staff, dove into these problems and
17 dedicated ourselves to getting them resolved.

18 About fourteen months prior to the day that we opened,
19 we advised our regulatory agency that we would in fact be
20 ready to launch the Empress on July 1 of 1992. We in fact
21 launched the Empress a week before that. Those
22 accomplishments were not without a lot of concerns and
23 fears, frankly. A lot of my partners and I had friends of
24 ours that were collectively calling us a bunch of nuts for
25 putting that kind of money into what was somewhat referred

1 to as a putt-putt on the Des Plaines River in Joliet.
2 Well, the Empress just kept on putting, and we survived
3 those early days and survived them very comfortably.

4 Today, the accolades of the business community and the
5 investment banking community have been heard. We
6 successfully placed a public debt offering of 150 million
7 dollars, I believe, in April of '92. And through the
8 course of that time, our business associates began to say,
9 "Boy, you guys really hit a home run." The civic and
10 community leaders that we worked with extended their
11 congratulations. And, you know, being entrepreneur types,
12 we took some pride in those accomplishments.

13 But I think I speak accurately, certainly for my
14 partners, myself, and our management, that what we really
15 took pride in was the fact back in the middle 80's, Joliet,
16 Illinois had one of the highest unemployment rates in the
17 nation. And thanks in part to the Empress and to our
18 competitive colleague Harrah's that came into that market
19 about a year later, today Joliet, Illinois, has one of the
20 lowest unemployment rates in the nation. The fact that I
21 go in every day and I watch 2,000 people come into that
22 environment and call the Empress their work home and I see
23 how they've seasoned and matured, it's truly an exciting
24 and rewarding experience.

25 So without further ado, members of the Commission, may

1 I present the story of the Empress Casino.

2 (Video presentation was shown
3 at this time. Dr. Ross
4 joined the proceedings at the
5 end of the video presentation
6 and was present for the
7 remainder of the
8 proceedings.)

9 MR. SABO: That's a thrilling story. I confessed
10 to a couple of my partners last week after I viewed this
11 recollection of several days before the casino opened of
12 laying in bed and watching the fan, worrying about whether
13 or not we were going to have any guests. We had a
14 reservation system and not one reservation. And I was
15 concerned about whether the house that was attached to the
16 fan would still be mine six months down the road. And I am
17 pleased to report that I still own the home and have put an
18 addition on it.

19 Very soon after we opened, it became apparent that we
20 needed to seek and augment our executive staff. What
21 started out to be a trickle of guests emerged into a daily
22 routine where we were looking at 10,000 people a day, and
23 we needed somebody to help us to grow the company and grow
24 it very quickly.

25 One of my colleagues suggested that I seek out and

1 talk with a young man who was serving on the executive
2 committee of the Alton Belle, and I in fact went down to
3 Alton and spent a couple of days with Kevin Larson. We
4 found we had some interesting relationships, some
5 similarities in fact. Both of us came from the banking
6 fraternity, Kevin from Money Center Bank in Chicago, First
7 and Boulevard, and me over in Lockport with my little
8 community bank. We also found we had some similar
9 backgrounds. I grew up in Pennsylvania in a steel town.
10 Kevin grew up -- if you could hit a good driver on a three
11 wood from the Hammond Marina, you'd come close to hitting
12 where he grew up on the southeast side of Chicago.

13 And over a period of a couple of months -- well,
14 actually shorter than -- perhaps a month or so, I sought
15 Kevin out and asked his advice on any number of things that
16 I was confronted with and always found him to be wise and
17 sage with his comments. And the long and short of it was
18 before the end of the summer, Kevin in fact did accept the
19 proposal from us and came to be associated with the
20 Empress. And I want to make the point that what you've
21 seen on that tape today was really architected, if that's a
22 right word, from Kevin's office.

23 I am very pleased and privileged to present to the
24 Commission our leader and my friend, our President, Kevin
25 Larson.

1 MR. LARSON: Good morning. I am Kevin Larson,
2 President of Lake Michigan Charters. It's my privilege to
3 stand before you today to demonstrate that Lake Michigan
4 Charters and our casino development, the Empress Casino
5 Hammond, is ready. We're ready to transform the best
6 gaming development proposal for Hammond, Indiana, into a
7 reality. We've talked one on one with many of the people
8 in this community. We've chosen "We're Ready" as the theme
9 for our presentation today for a number of important
10 reasons. We have met with community leaders. We've
11 attended numerous community meetings. And in attending
12 those meetings, people had a lot to say. They shared with
13 us what their expectations are for this development.
14 They've told us what they want from it. And just as
15 important, they've told us what they don't want. We've
16 listened. In fact, Lake Michigan Charters has taken a
17 leadership role, encouraging the community to help mold the
18 vision along with us.

19 We're confident that the proposal that we'll present
20 to you today will not only meet the needs and the goals of
21 the statute that's been established, but also address those
22 things that have been established locally as needs. I
23 submit to you that the decision that will be made for
24 Hammond is substantially different than other decisions
25 that have been made in Indiana so far. Upon opening, the

1 Hammond casino will face the most competitive marketplace
2 of any other location that the Commission has addressed to
3 this point. Lake Michigan Charters is prepared to hit the
4 ground running. Over the course of the past two years,
5 we've laid a foundation. We've taken measured risk at
6 critical stages of the process, all to ensure that there
7 was a positive momentum for this project for the benefit of
8 the City of Hammond.

9 Our commitment was made early on. Going back to
10 September, 1993, we earned the endorsements of the Mayor
11 and the City Council. A letter of intent was signed that
12 outlined what the terms of our commitment would be. We
13 believe that we've lived up to that commitment. And in
14 fact, we feel that we've exceeded it. We've worked hard
15 since then to continue to earn the confidence of the Mayor,
16 the City Council, the Hammond Port Authority, and this
17 community. We stand before you today hoping to demonstrate
18 that we deserve your trust and your confidence and the
19 opportunity to continue to build upon this strong, positive
20 momentum that we've helped to create here. We also hope to
21 demonstrate that only Lake Michigan Charters can in fact
22 continue to build upon this strong, positive momentum.

23 I would now like to present to you our vision for the
24 Empress Casino Hammond.

25 (Video presentation was shown

1 at this time.)

2 MR. LARSON: Yes, we are ready to bring a gaming
3 success story to Hammond, Indiana. What does this success
4 story mean for Hammond? It means jobs, economic
5 development, and community benefits, benefits that can
6 begin immediately if Lake Michigan Charters is given a
7 Certificate of Suitability. The construction of the
8 Empress Casino Hammond will quickly bring new jobs and
9 capital investment to northwest Indiana.

10 We've made a commitment to the local building trades
11 council that we will use local union labor to construct our
12 project. This will be a union job. Our commitment to use
13 local contractors and suppliers is backed by a resolution
14 of our board of directors. A contractor and supplier
15 preference has been established; first for Hammond, second
16 for Lake County, and third for the rest of Indiana. We
17 expect our construction activity will provide 345 jobs and
18 at least 61 million dollars of local trade for Indiana
19 businesses. Our commitment to use local suppliers will
20 continue after we open. We expect purchases from local
21 businesses to exceed 20 million dollars each year, and we
22 will actively cultivate supplier relationships with both
23 minority and women owned businesses.

24 We expect employment of the Empress Casino Hammond to
25 reach 1,234 full-time positions, representing an annual

1 payroll in excess of 34 million dollars each year,
2 including tip income. At these levels of employment, the
3 Casino would become Hammond's third largest employer. Most
4 important, we expect the vast majority of our employees
5 will be Hammond residents, newly trained with new skills in
6 an exciting new industry. Best of all, we feel confident
7 that this can occur in an eight- to ten-month period if
8 Lake Michigan Charters is allowed to build upon the strong,
9 positive momentum that we've helped to create over the past
10 two years.

11 We will provide the community with the largest package
12 of economic benefits through our capital investment and
13 local sharing programs. As detailed on the screen
14 (indicating), we expect to provide direct economic benefits
15 of 29 million dollars each year to the City, the Port
16 Authority, and other local interests. In addition to these
17 benefits, if Lake Michigan Charters is licensed, we will
18 agree to contribute 1 million dollars to fund a foundation
19 for the benefit of local not-for-profit organizations. We
20 will fund the purchase of the two and three-quarter million
21 dollar piece of lakefront property from NIPSCO by the City.
22 This property, which is commonly referred to as the bird
23 sanctuary, is located on the lakefront to the west of the
24 marina. We have agreed to fund this purchase so it can
25 remain as green space. We will also establish a unique

1 WBE/MBE incubator program with an initial contribution of a
2 million dollars, with the hopes being to foster economic
3 development throughout the city.

4 Lake Michigan Charters' economic package will provide
5 economic benefits of 163 million dollars over the course of
6 the initial five-year licensing period. These economic
7 benefits will enable the City of Hammond to address its
8 infrastructure, to fund education, to meet the needs of the
9 less fortunate, and cultivate an atmosphere for economic
10 development from one end of Hammond to the other. We're
11 confident that the community benefits package that we have
12 proposed will benefit more individuals more significantly
13 than any other proposal before you. Best of all, we're
14 ready to deliver.

15 I'd now like to direct your attention to our site
16 development plan. We believe that the design concept for
17 the Empress Casino Hammond is one that is in harmony with
18 its surroundings; earth, wind, and water. There's
19 something magical about a place where all these elements
20 come together. In Hammond, that magical place is the
21 lakefront. It's where visitors will enjoy the timeless
22 feeling of the waves, the breeze, and the wide expanse of
23 Lake Michigan.

24 Earth, wind, and water: These are also the elements
25 of myth and mythical figures; Atlas, Poseidon, and

1 Atlantis. The myth will come alive at the Empress Casino
2 Hammond. Picture this: A sculpture of Atlas bearing the
3 weight of the world greeting Empress guests in the portico.
4 This wire mesh creation becomes a stunning ice sculpture in
5 the winter. Upon entering the guest center, marvel at the
6 sight of Poseidon, trident in hand, harnessing the mighty
7 power of his steeds atop a waterfall in the midst of the
8 grand atrium. Wandering through the guest center, you'll
9 encounter the remains of an undersea volcano, listening to
10 the calming influence of falling water, and always be
11 struck by a breathtaking view of the lake. There are
12 windows everywhere.

13 Our guests will be able to choose from three dining
14 options. Our signature restaurant will be the Harborside
15 Steakhouse. Again with broad window views of the lake, the
16 Harborside will offer prime steaks and chops, very much in
17 the tradition of the fine Chicago steakhouses. With
18 signature salads and outstanding desserts that have become
19 an Empress tradition, the Harborside will quickly find its
20 place as one of northwest Indiana's exciting new
21 restaurants. The third floor of the guest center will host
22 the Empressive Buffet; that's "Empressive" with an "E".
23 The Empressive Buffet will serve all-you-can-eat fare from
24 a series of food stations. Chefs will prepare fresh food
25 throughout the day. Our buffet will deliver Empress

1 quality dining experience for a very reasonable price.
2 Waves will specialize in fast food fare such as Chicago
3 style hot dogs, freshly grilled hamburgers, and the area's
4 best Italian beef sandwich. It will be the perfect spot
5 for our guests to grab a quick bite when they're short on
6 time.

7 For entertainment, there's the Blue Water Lounge. The
8 Blue Water Lounge will offer the hot sounds of Chicago's
9 and northwest Indiana's favorite club entertainers, along
10 with wonderful views of the lakefront. A VIP lounge will
11 provide a private ticketing area in a club-like atmosphere
12 for the casino's most valued guests. In the riverboat
13 industry, this VIP lounge concept is an Empress innovation,
14 and it represents one of the reasons why players who play
15 will continue to play at Empress casinos.

16 The guest center's third floor will contain 2,600
17 square feet of banquet and meeting space. This space will
18 host casino marketing events and also serve the needs of
19 local businesses that are looking for a unique locale to
20 have an off-site meeting or a training session.

21 We believe that the Empress Casino guest center will
22 become a terrific attraction for Hammond. We feel that
23 providing this attraction while not overwhelming the other
24 activities on the lakefront directly responds to the
25 strategic interest the community has expressed to us over

1 the last two years. We're ready to build upon this
2 positive momentum and turn this vision into reality.

3 I'd now like to talk a little bit about additional
4 development for Hammond. As we've told you, we have built
5 and sustained a nationally recognized gaming company in
6 this area, and we know that long-term success will require
7 flexibility. Changes in competition, regulation, and
8 legislation can cause local market needs and customer
9 preferences to shift quite dramatically. What are the keys
10 to being successful long-term? To be observant, anticipate
11 the trends, and be the first with new ideas. We are
12 committed to continue to work closely with the people of
13 Hammond and their leaders to jointly develop a mutually
14 beneficial long-term expansion plan.

15 We know from our discussions with the community that
16 future development must take place away from the lakefront.
17 Towards this end, we have contracted with American Maize to
18 purchase a ten-acre parcel of property south of
19 Indianapolis Boulevard adjacent to the overpass. This site
20 has the advantage of excellent visibility from the Indiana
21 tollway as well as 200 feet of frontage along Indianapolis
22 Boulevard. Most important, development on this site will
23 not mar nor negatively impact the Hammond lakefront. What
24 would we build there? The site offers many options. Based
25 upon the needs of our community and our guests, we feel

1 that we could develop a hotel, an entertainment district
2 perhaps, along the lines of Walt Disney World's Pleasure
3 Island, or possibly, an early idea that we had, a retail
4 center emphasizing boutique shops with a local flavor.

5 In 1993, we committed to facilitate permanent,
6 non-gaming development in Hammond. But we're taking that
7 commitment a step further by assuring you today that we
8 will invest 25 million dollars in Hammond within four years
9 of receiving our license here. We will earmark 5 million
10 of that for market rate housing in the City to help fulfill
11 the vision of the Hammond economic development strategy.
12 Upon licensing, we will begin ongoing research in an effort
13 to learn what type of development will deliver the most
14 positive economic impact. We feel this approach will help
15 us to make a better judgment down the road a bit than
16 anybody can make today based upon what they think is going
17 to happen.

18 As our development is currently figured today, we
19 expect that our Empress Casino Hammond can generate gaming
20 revenues of as much as 193 million dollars in its first
21 full year of operation from approximately 3.2 million
22 admissions. Over the five-year term of our license, we can
23 generate revenues of 965 million dollars from more than 16
24 million admissions. These projections are realistic and
25 reflect our analysis of this competitive marketplace, a

1 marketplace that will only get more competitive over time.
2 The projections reflect the knowledge and the experience of
3 the Lake Michigan Charters Empress team that I represent
4 here today, and I ask that you please remember that it was
5 our team that established the very first and most
6 successful riverboat gaming operation in the Chicago and
7 northwest Indiana market.

8 To gain a fresh perspective of our extensive market
9 knowledge, we commissioned BDO Seidman, a highly respected,
10 nationally prominent consultant, to perform several market
11 studies. The Seidman research indicates that riverboat
12 gaming operations in northwest Indiana will benefit,
13 drawing from a population base of more than 8 million
14 people who reside within 50 miles and more than 11 and a
15 half million people who reside within 100 miles. We know
16 that existing travel patterns and access routes to a site
17 are critically important. Our experience and the Seidman
18 studies both lead us to expect that the vast majority of
19 Hammond guests will come from Chicago and its near north --
20 excuse me; near south suburbs. Unlike other Indiana gaming
21 sites, most Hammond gaming patrons will reside within 15
22 miles of the facility, mere minutes away. This is why we
23 feel that the Hammond decision is far different from the
24 applicant decisions that the Commission has addressed in
25 other locations.

1 Make no mistake. We know this market, and we intend
2 to leverage our knowledge for the benefit of the people of
3 Hammond and the State of Indiana. In fact, we've already
4 begun to develop advertising and marketing campaigns that
5 will leverage the brand equity and the excellent reputation
6 of the Empress for the benefit of Hammond. Billboards are
7 already under contract in strategic locations. They will
8 provide directions to the site and help to create a high
9 level of awareness for the casino. Teaser ads and grand
10 opening messages, like those that we've placed throughout
11 this auditorium today (gesturing), will convey an important
12 message to our guests. "Empress quality gaming
13 entertainment has come to Hammond. Come see for yourself."

14 Now, you may ask: Is the Empress an effective
15 advertiser? You bet we are. Our billboards throughout the
16 Chicago area have become legend. Our current Great Escape
17 advertising campaign directed at first-time visitors has
18 brought more than a hundred thousand new guests to our
19 property in the last four months. Our direct mail
20 campaign, which consists of over 3 million pieces of mail
21 each year, has built customer loyalty and brings guests
22 back time and time again.

23 How will we market the Hammond operation? We've
24 budgeted in excess of 75 million dollars over the five-year
25 initial licensing term. Radio, television, newspapers,

1 billboards, posters, player recognition programs, direct
2 mail, special events, promotional tie-ins with local
3 businesses, all with an objective to create awareness,
4 generate passenger counts, and build guest loyalty for the
5 Empress Casino in Hammond. We know how to drive passengers
6 through our turnstiles, and we're ready to bring a gaming
7 success story to Hammond, Indiana.

8 It's now my pleasure to introduce Michael Hansen.
9 Mike is our Project Coordinator and also acts as General
10 Counsel for the Empress River Casino Corporation. Mike's
11 very familiar with Indiana, having received his
12 undergraduate degree from the University of Notre Dame.
13 He's a near lifetime resident of Joliet. He's married and
14 has four children. It's my pleasure to introduce my good
15 friend, Mike Hansen.

16 MR. HANSEN: Thank you, Kevin. Good morning,
17 Chairman Klineman, members of the Commission, Mr. Thar,
18 Mr. Hannon, and members of the staff. What you have seen
19 today in our presentation reflects countless hours of work
20 and planning, millions of dollars, and not just a little
21 risk taking. You've seen why Lake Michigan Charters chose
22 only to develop the Hammond site. We believed that this
23 site was too important and too challenging. We couldn't
24 delude our focus and resources by considering others. The
25 process of developing our current momentum began over two

1 years ago when Mayor Duane Dedelow and the members of the
2 Hammond City Council selected Lake Michigan Charters as
3 their preferred gaming developer. We're grateful for their
4 continued support. And more importantly, we're grateful
5 for the advice and guidance they've furnished in developing
6 our vision for Hammond. Our first step to build the
7 necessary momentum was both straightforward, yet complex.
8 We needed to determine how the City's designated marina
9 site could accommodate the needs of both the gaming
10 operation, the marina, and the community. Several physical
11 needs had to be addressed, and addressed quickly.

12 The first issue was train traffic. Did you know that
13 nearly 400 trains cross the south boundary of the marina
14 site each week? The first question was how were over 3
15 million guests per year going to safely get to Empress III
16 and our facility? Obviously, it was critical to develop a
17 workable traffic plan. You saw in the video how the
18 traffic solution came together. Let me add here that we
19 worked closely with city engineers and planners, the
20 Hammond Port Authority, three railroads, Amtrak, a pipeline
21 company, a public utility, as well as commercial concerns
22 in the area to answer the traffic questions. The result
23 was a solid solution: An overpass that would divert
24 traffic away from the Calumet Avenue rail crossing.

25 After the plan was completed and approved by the City,

1 we worked with the City's planners and attorneys to acquire
2 the fourteen parcels of land needed to actually build the
3 overpass. To speed up the process, Lake Michigan Charters
4 personally negotiated the purchase of two parcels. As
5 further demonstration of our ongoing commitment, we
6 recently deeded these two parcels to the City of Hammond,
7 while retaining responsibility for the necessary
8 environmental radiation identified in our studies. We also
9 spent more than 2 million dollars for the necessary
10 studies, surveys, plans and reports necessary to support
11 the site plan.

12 I'm happy to stand here before you today and to tell
13 you that the lengthy and costly process of land and
14 right-of-way acquisition is largely completed, all to the
15 efforts of Lake Michigan Charters. As a result of our
16 leadership role, Hammond now has the momentum to actually
17 build the overpass, a critical part of gaming operations.
18 We took the risk of investing all of this time and money
19 without the guarantee of receiving a Certificate of
20 Suitability. Why? Because we are a company of
21 entrepreneurs and calculated risk takers. We made a
22 commitment, and we're living up to that commitment. The
23 result: Gaming can be brought to Hammond sooner with Lake
24 Michigan Charters than with any other of our competitors.

25 But what is important to this Commission and what sets

1 Lake Michigan Charters apart with respect to this very key
2 element of gaming in Hammond, the overpass, are the
3 following points: First, we've completed the plans. In
4 fact, they're actually out to bid already, and it would
5 take our competition a minimum of six months to be in the
6 same position as we are in today. Second, we've ordered
7 H-piles for the three components of the gaming project,
8 materials available from only two sources in the entire
9 United States. In fact, in September, we ordered all of
10 the final capacity of steel that is rolled next month, to
11 be delivered in Hammond at the end of January; such that if
12 we missed this rolling, the next roll is November, with a
13 delivery of August, 1996. And finally, the local company
14 who will actually construct the overpass will work closely
15 with our owners, who are experienced construction
16 contractors, in order to ensure that the overpass will be
17 completed as rapidly as possible and within our estimated
18 time period of six to nine months. The overpass is the
19 most critical component. We're confident of our ability to
20 open our facility on time, and that opening date is July 4,
21 1996. And if we don't meet that date, we will live up to
22 the terms of our letter of intent with the City to pay
23 liquidated damages to the City of 1 million dollars per
24 month if we are not open by that date.

25 While planning for the overpass has certainly been the

1 most costly and time consuming element of our project to
2 date, it represents only one of the ways Lake Michigan
3 Charters has continued to earn its place as Hammond's
4 endorsed applicant and developer. Some of the other
5 initiatives we've undertaken in Hammond are as follows: We
6 funded the Robertsdale neighborhood and lakefront plan. As
7 a result of that plan, we incorporated enhanced public
8 access to the lakefront and designed elaborate landscaping
9 plans that beautify and provide a natural noise buffer
10 between the marina and the nearby residents. Separate and
11 apart from the endorsement process, we were asked to
12 contribute funds for improvements to the Robertsdale lift
13 station, the neighborhood closest to the marina. We
14 agreed, and these improvements helped to alleviate flooding
15 in the Robertsdale area. The members of the Port Authority
16 asked us to curtail icing damage in the marina. We funded
17 a bubbler system, which helps to protect the marina piers
18 from ice damage during harsh Indiana winters. Four million
19 dollars for the Hammond Port Authority to also enable the
20 fund -- the Authority to fund its operating cash shortfalls
21 and remain in good standing with the bond holders. This
22 week we presented the Hammond Port Authority with an
23 additional 500,000 dollars to underscore that commitment.

24 We said it then, and we can say it again today: We're
25 ready to succeed with Hammond and with the State of

1 Indiana. Our commitment started early and has been
2 unwavering over the past two years. We did all of these
3 things, and not one Hammond tax generated dollar has been
4 spent. Again, thanks to the Charters's leadership role,
5 this process is rapidly moving ahead. There is positive
6 momentum, and Lake Michigan Charters is best positioned to
7 ensure that the vision of the Empress Casino Hammond will
8 materialize on time, in time. That momentum is captured by
9 our pride and joy, the Empress III.

10 To introduce her to you is Captain Lisa Streckfus, our
11 Acting Director of Marine Operations. Captain Lisa is
12 licensed as both a master and as chief engineer. In fact,
13 she is a fourth generation marine captain with family
14 interests in the riverboat excursion business on the
15 Mississippi River dating back to 1874. Lisa's management
16 talents were also recently recognized when she was promoted
17 to the position of Director of Corporate Development at the
18 Empress. In her new role, she is responsible for the
19 Empress management development training activities, new
20 hire orientation, and the shepherding of the Empress vision
21 and corporate culture. Members of the Commission, allow me
22 to introduce Captain Lisa Streckfus.

23 MS. STRECKFUS: Thank you, Mike, and good
24 morning. I'm really excited to be here this morning to
25 describe for you our magnificent new casino vessel, the

1 Empress III. Empress III is the most significant
2 expression of our commitment to Hammond and to Indiana, and
3 I'd like to take the next few minutes to describe her to
4 you. I have to say she's a beauty. Lake Michigan Charters
5 commissioned the construction of Empress III two years ago.
6 Our goal was to bring the look and the feel of an exciting
7 Empress Casino to a vessel that would cruise on Lake
8 Michigan and Hammond in waters more challenging than any
9 riverboat casino has yet faced. To say we're pleased with
10 the results would be an understatement. We're proud to
11 call her the flagship of our Empress fleet.

12 Empress III stands 65 feet above the water line.
13 She's 76 feet wide, the maximum width permitted to transit
14 the locks of the St. Lawrence seaway. And she's 288 feet
15 long, a dimension that our design team maximized while
16 remaining cognizant of the maneuvering limitations within
17 the Hammond Marina. At a cost in excess of 4 million
18 dollars, optional modifications were made to the original
19 hull design, and features were added throughout the vessel
20 to ensure passenger comfort and safety. The most
21 significant improvements in this regard were the bilge
22 keels that were added to the hull and the flume tank
23 stabilization system that was added inside the vessel.
24 Both of these design features help to stabilize Empress III
25 and reduce side to side roll. Commissioners, we built her

1 to cruise. We will meet the cruising requirements of the
2 Indiana Gaming Statute.

3 The interior of Empress III is breathtaking. The
4 pictures and the videotape just don't do her justice.
5 Three spacious decks, designed by one of the most
6 experienced riverboat design teams, will offer 34,000
7 square feet of gaming space, including a non-smoking area
8 and a VIP casino. We plan to outfit Empress III with 1,500
9 total gaming positions. The open deck design allows for
10 easy flow and guest circulation about the vessel, and
11 unique lighting schemes will add excitement to the casino
12 floor. Our observation deck will be a major attraction
13 during the warm weather, offering a beautiful view of the
14 lake and of the Chicago skyline.

15 Empress III will depart or dock and leave the marina
16 nine times each day. We intend to continue to work closely
17 with the Coast Guard, the Port Authority, the Army Corp,
18 and the Lake County Sheriff to ensure that the exemplary
19 safety record that we've established in Joliet is continued
20 here in Hammond. As was mentioned in the video, we have
21 preliminary plans developed in cooperation with the Port
22 Authority to remove a relatively small percentage of their
23 slips in order to maintain separate traffic lanes for
24 Empress III and all other recreational boats that use the
25 marina.

1 The best news I have for you concerning Empress III is
2 that she's almost here. We expect her to be in Lake
3 Michigan this Sunday and to be in her winter berthing port
4 this coming Tuesday. As exciting as it is for me to tell
5 you about the magnificence of Empress III and the thrill
6 that guests will feel when they visit our Hammond casino,
7 that's only half of the story. The other half is the story
8 of our people.

9 We're 2,000 strong and growing, proud of what we've
10 accomplished and excited about the challenges that lie
11 ahead. As an organization, we've embraced the concept of
12 the Empress footprint. The footprint signifies our service
13 oriented corporate culture, a culture that finds its
14 foundation in the core values of integrity, caring, and
15 respect. If an individual is honest, cares about
16 themselves and about a job well done, and has the ability
17 to respect others, then they're welcome to work at the
18 Empress.

19 One of the things I appreciate most as an Empress
20 employee and a manager of the company is our corporate
21 philosophy to continually develop our human resources.
22 This enables us to promote from within the organization.
23 We provide training and development opportunities for our
24 employees so that they may reach positions commensurate
25 with their talents and abilities. A common saying at the

1 Empress is "The only limits for achievement are those that
2 are self-imposed."

3 No single group of Empress employees better
4 illustrates the success that one can achieve than the
5 interns of our president's program for casino management
6 development. Established in our second year of existence,
7 the goal of this program is to cultivate the management
8 talents of individuals who have shown leadership skills.
9 Many of the candidates selected for this program never
10 managed people before; but with off-site skills training
11 complementing rotational assignments throughout the
12 organization, we hope to develop well-rounded managers with
13 a full understanding of our company's goals and objectives,
14 who appreciate the concept of superior guest service and
15 who embrace the core values of the Empress footprint.

16 We've worked hard to create an atmosphere that our
17 employees are satisfied and proud to be a part of. We're
18 able to attract and keep our employees by providing them
19 with paid initial training, a broad range of benefits,
20 career development, motivational sessions, and upwardly
21 mobile career paths. See, our employees know that they
22 have a bright future with us, and we're pleased to provide
23 them that opportunity, and the opportunities are there for
24 everyone. 54 percent of our employees are women, and 16
25 percent are minorities. Our Empress management team

1 consists of 47 percent women and 12 percent minorities.
2 Our expectation for the Hammond operation, based on the
3 demographics of this region, are to equal or exceed those
4 Joliet statistics. We believe there is a sufficient
5 available labor pool to meet our hiring goal of 80 percent
6 local residents. We will target potential employees by
7 having job fairs in the community, by working with the
8 State's work force development office, and by coordinating
9 with the local unemployment office. We've already begun
10 planning the details of recruiting our Hammond team.

11 There's another important detail that's unique to the
12 Lake Michigan Charter's plan for Hammond. That's the
13 incubator program that Kevin mentioned earlier, designed to
14 develop certified WBE and MBE vendors. We've determined
15 that currently, there are not enough certified WBE and MBE
16 vendors in Hammond for our company to use to meet the
17 supply contract goals established for us in the Riverboat
18 Gaming Act. We've committed to work with local public
19 benefit groups, governmental units, and financial
20 institutions to formulate and support this program. Should
21 Lake Michigan Charters receive the license, we will fund
22 start-up and emerging businesses in this program through a
23 1 million dollar fund of cash grants. Our vision is that
24 local certified WBE and MBE vendors will emerge from this
25 program to supply a host of goods and services for our

1 operation and other area businesses; things like food and
2 beverages, office supplies, dry cleaning and laundry
3 services, building cleaning supplies and services, marine
4 supplies, and equipment maintenance, just to name a few.

5 But one of the first businesses Lake Michigan Charters
6 would like to foster through this incubator program is a
7 licensed day care center. We believe a day care center
8 will serve to enhance employment opportunities for many in
9 the Hammond area, individuals seeking jobs at our project
10 and elsewhere who are prevented from obtaining good
11 employment because of the need for quality child care. We
12 would like to see this business located near our operation,
13 accessible to all Hammond employees, not casino patrons.

14 As you can see, Kevin Larson, the Empress Casino, and
15 Lake Michigan Charters do not take a short-term approach in
16 business or in managing people. It's my pleasure to bring
17 Kevin Larson back to the podium, and thank you for your
18 time.

19 MR. LARSON: As you can see, the positive
20 momentum Lake Michigan Charters has created encompasses our
21 casino vessel, the infrastructure improvements, our land
22 based support facility, and preparing our people. The fact
23 that all the financing necessary to complete the
24 development is committed and in place ensures that we can
25 continue to build upon this strong, positive momentum and

1 complete this project on a timely basis.

2 As detailed on the slide (indicating), our 137 million
3 dollars in development for Hammond has been financed by
4 advances and equity contributions from Lake Michigan
5 Charters' affiliate, the Empress River Casino Corporation,
6 proceeds from our April, '94 public note offering,
7 equipment financing, and direct bank lines to Lake Michigan
8 Charters. Each element of our financing package is backed
9 by a firm commitment from its source. In fact, 42 million
10 of the 137 million dollar project cost has already been
11 funded, and 5 million dollars is already on deposit in
12 Hammond banks. All of the funds needed to complete the
13 gaming development that we have proposed are in place.

14 I'd like to take a few minutes to tell you about the
15 public note offering that we completed 18 months ago. The
16 response that our company has received from the financial
17 markets and the credit ratings that we've earned from the
18 rating agencies are, to say the least, flattering. With
19 cash flow exceeding our debt service requirements by a
20 factor of five times, the Empress is generally regarded as
21 the most financially stable riverboat gaming company in the
22 United States. The double B rating assigned to our notes
23 by Standard and Poor's and the B-1 rating assigned by
24 Moody's remain unprecedented levels of achievement for a
25 riverboat gaming company. No other first time issue of

1 public debt by a riverboat gaming company has ever been
2 rated as highly as the senior notes issued by Empress. The
3 ratings reflect confidence in the company's financial
4 management, its integrity, and its ability to compete. May
5 I have the lights, please.

6 (Lights were turned up in
7 auditorium.)

8 MR. LARSON: In conclusion, I would like to
9 address the ultimate question, and that is: Why Lake
10 Michigan Charters for Hammond? In two words, it is because
11 we're ready. Lake Michigan Charters is ready with a
12 continued commitment to Hammond. Our focus has never
13 wavered. Hammond was our first choice in Indiana and our
14 only choice in Indiana. We're ready to begin construction.
15 We've done our research, completed the studies. Our plans
16 are drawn. Long lead time items have been ordered. Local
17 union contractors can begin to work. We're ready with a
18 magnificent state-of-the-art casino vessel, the Empress
19 III. Empress III was specifically built for Hammond. The
20 ship gives real meaning to being first in the water. We're
21 ready with a solid financial plan. It's committed and it's
22 in place, and it's structured so that Indiana profits will
23 remain in Indiana. We're ready with the experience of our
24 success and proven marketing strategies. We know this
25 market, and this market knows us. Our name and excellent

1 reputation are an advantage for Hammond, Indiana. We're
2 ready with the best package of financial and community
3 interest benefits. The Empress Casino Hammond will benefit
4 more individuals more significantly than any of the other
5 proposals before you. And we're ready to bring a
6 successful gaming operation to Hammond, Indiana sooner
7 rather than later, if you will give us the opportunity to
8 continue to build upon this strong, positive momentum that
9 we've helped to create here. We thank you for your time
10 this morning and your consideration. We look forward to
11 answering your questions. Thank you.

12 MR. KLINEMAN: I think we'll take our 15 minute
13 break at the present time and come back about ten of 11:00
14 with the questions and answers.

15 (Break was taken at 10:40
16 a.m., and the proceedings
17 resumed at 10:55 a.m.)

18 MR. KLINEMAN: I think we're about ready to get
19 started again. Could you turn the lights down a little bit
20 that shine directly towards us?

21 (Lights were turned down in
22 auditorium.)

23 MR. KLINEMAN: Okay. Thank you. Does anybody
24 know where Mr. Thar is?

25 (Discussion was held off the

1 record among Commission, and
2 the proceedings were resumed
3 without Mr. Thar present.)

4 MR. KLINEMAN: The staff has been rather busy.
5 We of course arrived yesterday to be greeted by a lawsuit.
6 We're trying to handle a couple of things or more than a
7 couple at once. Mr. Sabo, I think I'm going to ask -- to
8 give you a little more time to introduce some of your
9 people. And if you can go ahead, and we can get started
10 that way.

11 MR. SABO: Once again, good morning,
12 Mr. Chairman. I understand that we have been asked for the
13 sake of brevity to reduce this. If you would bear with me,
14 I will call and ask groups of people to simply introduce
15 themselves to you as a group. First of all, I'd like to
16 ask my partners in the Empress Casino and the Lake Michigan
17 Charters to stand.

18 (Requested persons stood.)

19 MR. SABO: Thank you. Our construction crew,
20 Jack and Al McConnell, Jack Travers. Moving forward, our
21 legal support from Ice, Miller company, followed by our
22 consultant expert Mr. -- the Caldwell Van Rippel people,
23 Mike, our -- as a group, this may -- it's almost a joke. I
24 asked one of the guys this morning, who's running the
25 company? And that may be the best testament for our middle

1 management development. But I'd like all of our senior
2 directors who are here this morning to stand as well.

3 (All above requested persons
4 stood briefly as they were
5 introduced.)

6 MR. SABO: The Empress team (gesturing). Thank
7 you very much.

8 MR. KLINEMAN: Thank you.

9 (All persons standing
10 previously sat down now. Mr.
11 Thar joined the proceedings
12 at this time, and Mr. Bayt
13 took the podium.)

14 MR. KLINEMAN: I just want to understand one
15 aspect, and I understand that you're going to be the
16 moderator?

17 MR. BAYT: That's right, Mr. Chairman.

18 MR. KLINEMAN: I understand the point that you
19 have been involved in Hammond from the get-go, and I
20 understand that you have invested substantial moneys and
21 all sorts of things. I just want to get a feel for how
22 much of the moneys that you've invested are just fronted,
23 so to speak, for the ultimate development and you would be
24 reimbursed should you not be chosen, and whether there is a
25 gap between those moneys -- for instance, we hear about the

1 overpass. Is the overpass money that if you were not
2 chosen, you would be out that money?

3 MR. BAYT: That's right. I think the -- Phil
4 Bayt. The only dollars that I think we can identify -- and
5 I stand to be corrected by the group, but I think the only
6 dollars we can identify that we could contemplate being
7 reimbursed for should we receive the license would be the 4
8 and a half or so million dollars that we've advanced to
9 fund the Port Authority bond issue, because I believe that
10 the other applicants have indicated a willingness to do the
11 same thing. I think the balance of the money is at risk
12 with respect to the project.

13 MR. KLINEMAN: Well, including the overpass, the
14 steel, are you committed, firmly committed to buy the steel
15 and so forth, and with no prospect that somebody, the City
16 or somebody else will?

17 MR. BAYT: We have in fact ordered the steel.
18 And we've done some studies and a lot of work with respect
19 to the overpass, and we are at risk with respect to those
20 moneys.

21 MR. SUNDWICK: Let me get this. You're not going
22 to take delivery of this steel if you don't get this
23 license? You have a boat coming to -- you're going to park
24 over the winter someplace around the Chicago area. That
25 boat, if it was designed for this, you have to do something

1 with it. I mean, there's got to be some plan that this,
2 what I think is a very capable management team has put
3 together and says, "If this doesn't happen, you know, we're
4 not taking delivery of the steel, and we've got to do
5 something with this boat." Am I right?

6 MR. BAYT: With respect to the steel, I need to
7 find out from Mr. McConnell and Mr. Travers whether we have
8 a cancellation provision or not. Al; Al McConnell?

9 MR. HANSEN: Mike Hansen. Excuse me; Mr. Bayt.
10 Commissioner, Mike Hansen, Project Coordinator. We do not
11 in fact have a cancellation clause in our agreement with
12 the people from whom we purchased the steel. We are at
13 risk for that.

14 MR. KLINEMAN: With no prospect, no indication
15 that if you were not successful that someone would -- you
16 would assign that order to someone and they would assume
17 that risk? I mean, I really want to understand. See, it's
18 kind of a two-edged sword as I look at it. On one hand,
19 everyone in Hammond has to be appreciative of the fact that
20 you have been willing to take risks in bringing this
21 project along so that it would ultimately arrive at its
22 destination earlier than it would be if you had to start
23 today; so that's the positive. The negative is the feeling
24 that one gets that "We put so much money into this project
25 that we're almost owed the certificate," and I don't think

1 you want to leave that impression with me.

2 MR. BAYT: Mr. Chairman --

3 MR. HANSEN: Commissioner Klineman, Mike Hansen
4 again. No, we do not in fact want to convey that message
5 at all. The commitment is really to the City of Hammond.
6 If in fact we do not receive the license from the
7 Commission, we feel that the successful applicant certainly
8 will be interested in that steel. But as I mentioned to
9 you earlier, this is such an essential part of our overpass
10 as well as a type of component that is in such short demand
11 that we have been informed by our supplier that even other
12 people in the United States may in fact wish to take
13 delivery of that should we not in fact receive the license.

14 MR. SUNDWICK: That's not necessarily true with
15 the boat, though; you've put a lot of money in this boat,
16 26 million dollars in a boat that's going to be in downtown
17 Chicago. What happens to that boat?

18 MR. HANSEN: Commissioner Sundwick, with respect
19 to the boat, we will be storing that boat in Sturgeon Bay,
20 Wisconsin over the winter. And if in fact we do not
21 receive the license, then we will have to entertain offers
22 to sell our vessel or possibly use it somewhere else. I
23 just want to make one thing clear, too, with respect to the
24 ordering of the steel, that is with respect to the
25 overpass, the guest center, and the parking pavilion. The

1 boat is really a separate issue.

2 MR. SUNDWICK: Do you own the boat or do you tend
3 to lease the boat?

4 MR. HANSEN: One of our affiliates, LMC Leasing,
5 same ownership as Lake Michigan Charters, is the owner of
6 the vessel.

7 MR. KLINEMAN: Well, in fact, on the boat, there
8 have been discussions with the other applicants in Hammond
9 about the possibility of purchasing the boat or making the
10 boat available should you not receive the certificate; is
11 that correct or am I just --

12 MR. HANSEN: Mike Hansen again, Commissioner
13 Klineman. Yes, sir, there have been discussions, but we
14 were informed approximately three weeks ago that neither of
15 the applicants were interested in our boat at that time.

16 MR. KLINEMAN: Okay.

17 MR. VOWELS: There's a listing I have here that
18 shows as of June 30 that you've spent approximately 41.3
19 million dollars towards this project. If we can go through
20 these, I want to address what the Chairman was speaking of
21 here about your expenditures and about what you hope to be
22 reimbursed by a successful applicant if it's not Lake
23 Michigan Charters. I'd just like to address this one at a
24 time here so I have an understanding of what it is that you
25 expect to be reimbursed for, what you will control if

1 you're not the applicant -- if you're not the successful
2 applicant.

3 As far as land acquisition cost, I show expenditures,
4 and this is as of June 30, '95, of 1.4 million. What's
5 your position if you're not the successful applicant,
6 whether you expect to be reimbursed?

7 MR. HANSEN: Well, again, Mike Hansen,
8 Commissioner Vowels. I don't want to convey the impression
9 that we expect to be reimbursed anything. Those
10 discussions would take place later. However, in the
11 proposed draft of the reimbursement agreement between the
12 City and the other applicants, we did request that those
13 moneys be reimbursed to us for land acquisition.

14 MR. VOWELS: All right. Rather than expect,
15 let's use the term request.

16 MR. HANSEN: Thank you.

17 MR. VOWELS: Your request that 1.4 million would
18 be reimbursed to you for the land acquisition?

19 MR. HANSEN: That's correct.

20 MR. VOWELS: All right. What land is it that was
21 acquired with that 1.4 million?

22 MR. HANSEN: That land is essentially the two
23 parcels of property which we recently deeded over to the
24 City.

25 MR. VOWELS: All right. And then the bridge and

1 road improvements, 1.5 million has been expended. Is it
2 your request that you be reimbursed for that?

3 MR. HANSEN: Yes, sir.

4 MR. VOWELS: The parking garage, it shows 200,000
5 dollars has been expended. Tell me about that and whether
6 that would be -- I don't know what you would request to be
7 reimbursed for that.

8 MR. HANSEN: The parking garage would be a
9 component which we would have to talk about with the
10 successful applicant. We do have a contractor ready to
11 construct that facility. Possibly the successful applicant
12 might want to put the parking facility elsewhere or have a
13 different design, and therefore they may not need that and
14 that may not be a reimbursable expense.

15 MR. VOWELS: All right. Is that expenditure, was
16 that for design plans?

17 MR. HANSEN: Yes, sir.

18 MR. VOWELS: All right. The Clipper
19 rehabilitation, it shows a 500,000 dollar expenditure; is
20 that for design plans again, the 500,000 dollars that was
21 spent as of June 30?

22 MR. HANSEN: Commissioner Vowels, Mike Hansen.
23 No, sir. That is for actually rehabilitation and office
24 renovation throughout the two plus years that we have
25 leased the Clipper.

1 MR. VOWELS: All right. So those are actually
2 things that have been done?

3 MR. HANSEN: Actual construction moneys spent,
4 yes, sir.

5 MR. VOWELS: And would there be a request for
6 reimbursement?

7 MR. HANSEN: Yes, sir.

8 MR. VOWELS: And then the other, we show 26.7
9 million for the vessel, which you said there's been some
10 discussion, but that's probably not an option since the
11 others are not interested?

12 MR. HANSEN: Correct. And Commissioner Vowels,
13 if I could so state, we never wanted to include that, in
14 any event, in a reimbursement matter.

15 MR. VOWELS: I understand. I'm just going down
16 the list here and checking off. The construction period
17 interest, 3 million dollars as of June 30. Is there
18 anything there that you would request to be reimbursed for?

19 MR. HANSEN: That would probably be a matter that
20 would be up for discussion between ourselves and the
21 successful applicant. We have those moneys available as a
22 result of our bond issue last year, and so those represent
23 actually the interest that we paid on the moneys that we'd
24 expended. That money certainly could be a risk.

25 MR. VOWELS: I understand. Then it shows here

1 the pavilion, 500,000 dollar expenditure. Is that design?

2 MR. HANSEN: Correct; that's design and other
3 related matters. And again, that's probably a matter that
4 would not be reimbursable.

5 MR. VOWELS: What if -- as in the parking garage,
6 the 200,000 dollars that was expended there, my
7 understanding of what your response was that if a
8 successful applicant wanted to use the design plans that
9 you had paid for, wouldn't it be the same thing with the
10 pavilion if they wanted to use the same design?

11 MR. HANSEN: Yes, Commissioner Vowels, it would
12 be. I'm just anticipating that, after seeing the stories
13 yesterday, that either of those two applicants would have
14 their own plans for a pavilion and so they would probably
15 not want to use our pavilion plans.

16 MR. VOWELS: All right. And then it shows a
17 175,000 dollar expenditure for furniture, fixtures, and
18 equipment. Would that be something that would be
19 reimbursable?

20 MR. HANSEN: If in fact they wanted to use the
21 people with whom we have contracted with thus far.

22 MR. VOWELS: Pre-opening expenses that you've
23 already spent of 7 million 325,000 dollars, again as of
24 June 30, '95. Is there anything in that that would be
25 requested to be reimbursed by a successful applicant?

1 MR. HANSEN: I don't have the breakdown right
2 here in front of me, Commissioner Vowels. That amount of
3 moneys basically reflects -- in large part, there are some
4 Port Authority moneys in there, to my recollection, also
5 professional fees and expenses on behalf of the City of
6 Hammond. And Phil, if you can help me, if there's anything
7 else that I'm forgetting in that 7 million dollar category.

8 MR. BAYT: I don't think so.

9 MR. VOWELS: All right. So I guess the answer
10 would be possibly a portion of that would be something that
11 you would request reimbursement for?

12 MR. HANSEN: Pardon? Excuse me. Oh, yes.

13 MR. VOWELS: A portion of that?

14 MR. HANSEN: Yes, sir.

15 MR. VOWELS: You know, I assume that a cynical
16 person could think that if you were not to receive the
17 license that if there were some things here that a company
18 with sour grapes could hold onto to keep a successful
19 Hammond applicant from competing with any other boats,
20 would that be the type of company you would be, that you
21 would hold the cards and not allow them to assume or
22 purchase certain things from you that could prolong the
23 applicant from getting in the water? Is that something
24 that we might have to face in the future, or you're not the
25 type of company who would do that?

1 MR. HANSEN: Commissioner Vowels, Mike Hansen.
2 Most certainly not, and I think I can -- I can in fact give
3 you and the members of the Commission that pledge today.
4 We have cooperated with the City continuously over the past
5 two years. We have turned over everything that we can
6 possibly turn over with respect to this project. It is not
7 proprietary. And our owners realize and fully accept the
8 consequences that they may be out in fact moneys should we
9 not receive this license.

10 MR. VOWELS: So we have that commitment from you?

11 MR. HANSEN: You have that firm commitment from
12 Lake Michigan Charters, yes, sir.

13 MR. VOWELS: Mr. Chairman, in reference to the
14 follow-up to your question, I don't have anything else
15 right now.

16 MR. SUNDWICK: Could somebody rationalize for
17 me -- we've heard presentations yesterday, two of them
18 yesterday. Could somebody on your staff rationalize your
19 site plan? I mean, why was it designed or why was it
20 developed the way it was? I mean, I went out and looked at
21 this site; and from your front door, we have Atlas, the
22 snow sculpture, in the winter the ice sculpture. Looking
23 back, you get to look at -- is it Lever Brothers or --

24 MR. HANSEN: The soap company.

25 MR. SUNDWICK: Yes; big buildings back there.

1 Why would you develop that plan like that?

2 MR. HANSEN: Commissioner Sundwick, Michael
3 Hansen. I'll start, and then others can add in as they see
4 fit. We were in -- when we started working with the City
5 and the neighborhood, it became apparent to us that with
6 the small footprint that was the marina site that we would
7 not be able to construct a large and expansive facility.
8 And essentially, we wanted to also -- as you note where our
9 guest center is located, it adds to the lakefront so that
10 people can see out on the lakefront, contrary to some of
11 the other things you've seen yesterday. Also, I think just
12 the most important thing was exactly what the location lent
13 itself to as well as what the City and the neighboring
14 community desired, and that's what we focused our
15 intentions on.

16 MR. SUNDWICK: The candidates yesterday commented
17 that they were restricted to some extent by the City's
18 requirements; is that correct?

19 MR. HANSEN: Excuse me; Commissioner Sundwick,
20 Mike Hansen again. One of the other applicants was?

21 MR. SUNDWICK: I think both of them said they may
22 do this differently, but there's a specific plan put in
23 place that --

24 MR. HANSEN: I don't -- I think that the City has
25 made certain requests. I don't think that they can be

1 characterized as demands on behalf of any of the
2 applicants. I believe that what you've seen yesterday, at
3 least one of them, certainly has a lot different plan than
4 what we have. Another company has a -- probably a
5 relatively very similar plan.

6 MS. BOCHNOWSKI: But now, isn't it true that the
7 City asked all of the applicants to basically conform to
8 what you have here and that that was based on a long-range
9 plan that the City came up with which you in fact funded?
10 How much involvement did you have in that plan? In other
11 words, is this your plan that was then forced on the other
12 applicants or is this really the City's plan that you went
13 along with?

14 MR. HANSEN: I'm going to let -- Commissioner
15 Bochnowski, Phil Bayt, who handled those matters with the
16 City at that time, will answer that question.

17 MR. BAYT: Commissioner, Phil Bayt. In 1993,
18 when we were negotiating with the Mayor's negotiating team
19 with respect to the letter of intent, even at that time,
20 they expressed a very large preference for confining gaming
21 to just the small peninsula site. They had a lakefront
22 study plan which showed, at that time, maximizing the use
23 of the marina for recreational boating, maximizing the use
24 of the entire lakefront for the citizens of Hammond and
25 Robertsdale.

1 In the course of those negotiations, on the letter of
2 intent, we were asked to fund a study which was done by an
3 independent company not chosen by us. And that study,
4 which was done a couple of -- over the course of the next
5 couple of years in fact confirmed that city residents
6 preferred to have a minimal impact by gaming on the
7 lakefront to open up the lakefront for as many different
8 uses as possible, including green space and preservation of
9 the views. So it simply confirmed an earlier request by
10 the City and an earlier lakefront study plan. And as a
11 result, we kept getting messages from the community, from
12 the City, and from planners that were independent of us
13 that that is what the community wanted. So we focused our
14 attention on a site plan that had the least obtrusiveness
15 as possible.

16 MS. BOCHNOWSKI: What I was trying to figure out
17 is who initiated this plan?

18 MR. BAYT: Right. It was started by the City
19 before we got to gaming and before we got to Hammond, and
20 then the vision continued.

21 MR. SUNDWICK: If in fact you had an
22 opportunity -- and I think one of the companies yesterday,
23 I think Boyd said, you know, "We could do this differently;
24 we may not do it this way." Do you feel the same way or do
25 you think this is the greatest plan ever?

1 MR. BAYT: Kevin Larson.

2 MR. LARSON: Commissioner, Kevin Larson.

3 Certainly, we've seen the benefits of having flexibility of
4 a bigger area to work with. And given a bigger area to
5 work with, yes, we would design a different type of
6 facility. Certainly we'd like to spread things out a
7 little bit. However, we certainly have been respectful to
8 what we've heard from an awful lot of people, that they
9 weren't looking for an awful lot of development on their
10 lakefront. They don't have that much of a lakefront to
11 begin with, frankly. So the answer to your question is
12 yes; if we had more flexibility with this site, we would
13 design something that would be spread out a little bit more
14 and probably would have more in the way of amenities close
15 to the waterfront. However, given the constraint of trying
16 to be unobtrusive and preserve the Hammond lakefront, we
17 designed the project that we have.

18 I'd also like to go back to what I believe was an
19 earlier question relative to Lever Brothers. We've really
20 kind of taken a stance from the land side and looked out in
21 designing the concept, rather than being in the water
22 looking in. And frankly, one of the goals of the design is
23 in fact to draw people -- to direct their focus outwards
24 and towards the lake rather than to look back at the trains
25 and the Lever Brothers facility.

1 MR. MILCAREK: In your presentation today, you
2 did not discuss the Milwaukee Clipper and your plans. What
3 do you plan to do with it and how do you intend to handle
4 the possibility of asbestos or any other environmental
5 products, and would you include it in your plan if the City
6 had not requested it?

7 MR. BAYT: Mike Hansen.

8 MR. HANSEN: Commissioner, Mike Hansen. I think
9 that was three questions there. First of all, we do intend
10 to include the Milwaukee Clipper in our plans. We have
11 always included the Clipper in our plans. As you know, we
12 have leased that facility since April of 1994. Since that
13 time, it has been used for offices for the Aquatic Resource
14 Center and the Hammond Yacht Club, as well as our own
15 offices. We had a restaurant on there for the benefit of
16 the marina residents and the City of Hammond, and also
17 intend to hopefully have offices on that vessel for the
18 Lake County Sheriff, who will assist us with marina traffic
19 if our vessel -- once our vessel is situated there.

20 With respect to environmental remediation of asbestos,
21 our reports indicate it is extremely minor. We have not
22 yet undergone any remediation of that. In fact, it's
23 really dormant at this point in time.

24 As far as your last question, would we intend to still
25 have the Milwaukee Clipper there if in fact the City had

1 not requested it? I believe the fair answer to that
2 question is probably no. It would be nice possibly if the
3 Clipper were not in fact there. We have made a commitment
4 to that end, and we feel that there is a use for the
5 Clipper along with our gaming facility.

6 MS. BOCHNOWSKI: Do you think that you got the
7 endorsement from the City because of your commitment to the
8 Clipper? I'm looking at 5 million dollars, and I could see
9 that going to the schools, going all over, if it's only
10 250,000 to get it out of there. I went through that boat.
11 There's a lot of work to be done. I don't know where your
12 offices are in there. I can just see 5 million dollars
13 into that boat, where it could go in other ways and places.
14 I just can't understand that.

15 MR. HANSEN: Commissioner Bochnowski, Mike
16 Hansen. I don't believe that a factor in our endorsement
17 was in fact the Clipper. We were asked, however, to
18 consider that. We did consider it, and we wanted to give
19 to the City as well as to the Commission what we thought
20 was a fair and reasonable figure with respect to
21 renovation, upkeep, and maintenance of that Clipper for a
22 long period of time. And that's what that represents.

23 MR. VOWELS: There seems to be with this Clipper
24 some love for this Clipper that we haven't really been able
25 to put our finger on, or I haven't anyway. In your

1 negotiations with the City, is there somebody who really,
2 really likes that thing? I mean, what's the reason behind
3 it? Because it doesn't seem to make any sense to keep
4 this. Tell me more about it because it's not making any
5 sense to me. I mean, you're going to spend almost 5
6 million dollars to refurbish this, if that's what it's
7 going to cost, when you can get rid of it for a couple
8 hundred thousand dollars?

9 MR. BAYT: Commissioner, Phil Bayt. The
10 Robertsdale study that was undertaken did a survey of
11 community residents on several issues, and one of those
12 issues was the Clipper. And there was a high percentage of
13 people who responded to the survey that said they liked the
14 Clipper. Admittedly, it was a small population responding
15 to the survey; but there was a large percentage of people
16 saying that they liked the Clipper, they liked it to be
17 there, and they would like to see something happen good to
18 it.

19 MR. SUNDWICK: I would wonder if you gave them in
20 your survey the option of either you're going to get 5
21 million dollars we could put into your school system or do
22 you want to keep the Clipper, their answer may have been
23 changed.

24 MR. BAYT: We're fully cognizant of the fact that
25 5 million dollars for that as opposed to 5 million dollars

1 for very pressing social needs in the community has to be
2 weighed by the community as a give and take. And that's up
3 to the community. We, as a new company that could come to
4 Hammond, would be open to any kind of suggestion along
5 those lines.

6 MR. SUNDWICK: Well, I guess it just becomes a
7 rationale. I mean, you kept it in and it would appear you
8 want this boat, or it initially appeared that you thought
9 it was a great plan. You know, I've got to be a little
10 suspect. But I'm like with Ann, I kept thinking: "I
11 wonder why."

12 MR. BAYT: It was not our initial plan to keep it
13 in.

14 MR. VOWELS: Do you know how old that boat is?

15 MR. BAYT: Al McConnell.

16 MR. VOWELS: I mean, what I'm thinking of is the
17 asbestos. You mentioned that you thought it was minor.
18 And it seems to me that -- the education I've had for the
19 last year dealing with boats is the older they are, the
20 more reliant they were upon asbestos. And what I've seen
21 of asbestos being removed, it's involved and costly.

22 MR. McCONNELL: Al McConnell, Construction
23 Manager for Lake Michigan Charters. There is asbestos
24 aboard this ship. The asbestos is in the form primarily of
25 insulation. The insulation has been encapsulated.

1 MR. VOWELS: What's that mean?

2 MR. McCONNELL: That means that you can coat the
3 surface. It becomes dangerous only if it's friable; in
4 other words, airborne. And the fact that it is
5 encapsulated, it is not a danger at this point in time. It
6 also -- it introduces a question; when you're going to
7 enter construction on the ship, you've got to take the
8 proper precautions for it. But the asbestos, in our view,
9 is not really a problem at this point in time.

10 MR. SUNDWICK: Let me ask you a question about
11 the overpass. What's your construction time on the
12 overpass; starting that you had the steel, it's on its way,
13 and it's going to be here in a short period of time?

14 MR. BAYT: Mike Hansen.

15 MR. HANSEN: Commissioner Sundwick, as I said in
16 my presentation, six to nine months. With respect to -- we
17 have our time lines. Mr. McConnell maybe is a little more
18 familiar with it than myself. He's been integral in this
19 project over the past two years. Al, if you could please
20 elaborate a little more on our construction time lines with
21 Commissioner Sundwick.

22 MR. McCONNELL: Al McConnell, Construction
23 Manager. We have scheduled an estimate of six to nine
24 months for the overpass. We have gone ahead and proceeded
25 in ordering the steel pilings that are a necessary

1 ingredient in the overpass. In the negotiations, railroad
2 negotiations and land development all became a part into
3 the elements that would lead us to believe that we could
4 accomplish this goal. These elements have been provided in
5 the forms of easements and areas of -- laydown areas for
6 materials. And again, we feel confident that we can
7 produce this product in six to nine months.

8 MR. SUNDWICK: You heard the presentations
9 yesterday. They said it would take a year. Are they just
10 wrong?

11 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
12 Yes, we believe that is not correct. We believe our figure
13 is more accurate. We do not believe that they calculated
14 the ordering of the H-piles. You've heard us explain that
15 already today. Number two, the fact that we will have
16 experienced people working with the local contractors will
17 certainly greatly assist with respect to the construction
18 of that overpass. Plus also, we have the plans. The plans
19 have already been out for bid at the present time. These
20 bids are due back in mid November.

21 MR. VOWELS: You've estimated that it will cost
22 12 million dollars for the construction of the overpass?

23 MR. HANSEN: Yes, Commissioner Vowels.

24 MR. VOWELS: And if it in fact costs more than
25 that, you're committed to complete it regardless of the

1 cost?

2 MR. HANSEN: That's correct.

3 MR. MILCAREK: What about the parking garage?
4 With the number of employees, has anything been taken into
5 consideration for their parking? Will they be using all
6 the available parking for the marina or will there be
7 parking off site or what is your plan for that?

8 MR. HANSEN: Commissioner, Mike Hansen. With
9 respect to parking, there will be no employee parking in
10 the 1,200 space parking garage. That will be essentially
11 for patrons -- exclusively for patrons and guests of the
12 marina -- not the marina; the guest center and for the
13 casino. The marina parking will remain intact. All of our
14 employees will park in an area that is now owned by the
15 EJ&E Railroad that is located to the west of the overpass,
16 will be owned by the Hammond Port Authority shortly. And
17 in our lease with the Hammond Port Authority, they do
18 provide 1,200 spaces. That will be used for employee
19 parking.

20 MR. SUNDWICK: As far as yesterday, the first
21 presentation included a hotel. The second presentation
22 said, "Maybe we should do that, probably." You absolutely
23 said, "That appears to me that that's not valid at all,"
24 unless it comes over in some other specific area that you
25 talked about, possibly shopping, possibly something. But

1 we're staying at Merrysville --

2 MS. BOCHNOWSKI: Merrillville.

3 MR. SUNDWICK: -- Merrillville, whatever; because
4 we really had to -- we're at I-30 and 65, and there's no
5 place to stay very close, that I'm aware of. It appears
6 that's the case. Why would you say that; because you
7 really believe that all the traffic will just come from
8 locally that that's it?

9 MR. BAYT: Kevin Larson.

10 MR. LARSON: Kevin Larson. Thank you, Phil.
11 That's what I was trying to remember.

12 MR. KLINEMAN: We're not that hard on you.

13 MR. LARSON: How am I doing so far? We are
14 committed to additional economic development in Hammond,
15 Commissioner. Our experience -- and we have analyzed this
16 market, and we have lived in this market for over three and
17 a half years at this point in time. I can go back to my
18 early days with the first riverboat casino in Alton,
19 Illinois. The expectations at that point in time were that
20 people were going to travel from all around to come to
21 these riverboat gaming attractions. As the Commission, I'm
22 sure, is well aware, it quite hasn't worked out that way.
23 The trade has been much more localized than anyone really
24 imagined when this legislation was initially enacted in
25 Illinois and now Indiana.

1 We see that -- and I made the comment earlier that we
2 see this market for Hammond being substantially different.
3 The Hammond casino will benefit from the greatest
4 population density of any casino in the country. There is
5 a tremendous number of people. We talked about 8.2 within
6 a 50-mile radius. The 50-mile radius we really don't even
7 see as being very relevant. What's relevant is how do you
8 get to the site and where do people come from? We see that
9 the market for Hammond -- and again, this is our own
10 analysis as well as the independent studies that have been
11 conducted by BDO -- show that as much as 85 percent of the
12 patrons that are going to visit the Hammond casino are
13 going to visit from points to the west of the site, from
14 Chicago, some relatively new ground, believe it or not, in
15 Chicago, being the central city, including downtown,
16 parlaying off the convention and tourist trade that goes
17 through downtown Chicago and the north side, are going to
18 be tremendous opportunities for the Hammond casino.

19 Frankly, our analysis would indicate that we don't
20 anticipate that Hammond's going to do very well from other
21 points in Indiana. Because with the access the Buffington
22 Harbor site has off of interstate 80 via Cline Avenue, it's
23 much easier access and much more desirable access for
24 patrons than coming up Calumet Avenue or Indianapolis
25 Boulevard from I-80 and dealing with the traffic signals

1 all along the way and several train crossings. So we
2 really see that the market is going to be very close, both
3 in terms of distance and time traveled, and that overnight
4 accommodations are not going to be very high on our guest
5 priority list. Relative to a hotel as an attraction,
6 frankly I'd like to ask Don Massagli from BDO Seidman to
7 take just a couple of seconds, because I think that he's
8 got some very interesting facts about the hotel business
9 that exists here today and some comments about the
10 additional capacity that could be filled.

11 MR. MASSAGLI: Commissioner, Don Massagli, BDO
12 Seidman. Our studies -- and we are a national hospitality
13 consulting firm. We've been involved in the market for
14 well over 20 years, both in the casino market as well as
15 the hotel development market. Our study work indicates
16 that it's premature at this point to consider the
17 development of a hotel, for a number of reasons. One, the
18 current hotel market is really -- as was discussed
19 yesterday, is really underperforming relative to what it
20 would take to make a viable financial and marketable
21 product. Secondly, we think that a hotel product here
22 right now would cannibalize on the existing hotel market,
23 many of whom are undergoing renovations now. Thirdly, in
24 the entertainment business, it's a little bit like Great
25 America, Disney World, a few of those attractions that add

1 to their amenities as they become more mature, thus
2 creating more excitement, more interest, and more
3 attendance at the site. And we feel that to hold off and
4 let the market mature, let it get strengthened, and
5 determine what the casino patrons really want, that would
6 benefit the whole community as well as the casino
7 development.

8 MR. SUNDWICK: So you're really not -- you know,
9 you're not willing to --

10 MR. MASSAGLI: I'm sorry, Commissioner?

11 MR. LARSON: No, certainly not.

12 MR. SUNDWICK: So then you intend to be more
13 reactive to the market than proactive to the market?

14 MR. LARSON: Not necessarily. My opinion, based
15 on what we have experienced in this market and what we
16 anticipate in Hammond, is again that there really isn't
17 going to be a whole lot of interest in overnight
18 accommodations from our guests. We feel that part of our
19 charge would be certainly to create as much positive
20 economic impact as possible. And frankly, our opinion at
21 this point or our inclination would be that a hotel
22 property may not provide the most positive economic impact.

23 The Pleasure Island sort of concept, and not to
24 leverage the Disney name at all, but perhaps as we've
25 talked about that in the community, it's a concept that

1 people are very excited about. It could be nothing more or
2 as much as, depending on your perspective, I suppose, as a
3 couple of the national restaurant chains, perhaps an
4 Outback Steakhouse, a TGI Friday's, along with a couple of
5 entertainment venues that would be maybe a polka hall,
6 maybe an entertainment venue for big band music, maybe an
7 entertainment hall for country and western that, you know,
8 would be constrained. I don't want to say you want to put
9 a fence around it, but it would be an attraction in its own
10 right. And I think that that's a new idea and not being
11 reactive.

12 And frankly, a question, I think, that remains out
13 there for every operator is everyone -- just about everyone
14 has a hotel with their property. Will you add
15 incrementally to your business by adding a hotel or does
16 that demand a different response? Does that demand a
17 unique response? I'm not sure that I've got the answer for
18 that for you today, but we certainly would like to talk to
19 a few hundred thousand guests that would come through the
20 facility and continue our discussions with the community
21 and try to create as much positive impact as we could.

22 MR. KLINEMAN: While we're going down this same
23 line, what sort of facility do you have at Joliet? Do you
24 have a hotel?

25 MR. LARSON: We will break ground on a small

1 hotel, limited service facility, on Friday, as a matter of
2 fact.

3 MR. KLINEMAN: How small?

4 MR. LARSON: 102 rooms.

5 MR. KLINEMAN: And what other facilities are
6 there in Joliet for overnight stays? The reason I ask that
7 is I've seen your sign on 65. I live in the Indianapolis
8 area. And frankly, I've never been to your -- I've never
9 figured out how I could go to you and also go to Chicago.
10 You lack the destination motivation that I would have;
11 whereas I have been to Peoria. And maybe I'm a very unique
12 person in that respect.

13 MR. SUNDWICK: We both are.

14 MR. LARSON: There is hotel capacity in Joliet.

15 MR. KLINEMAN: Of attractive types? I mean, we
16 start comparing the hotel occupancy in this vicinity; you
17 know, they're underperforming, but they're also
18 underattractive, too.

19 MR. LARSON: The hotel facilities available in
20 Joliet are very similar to Hammond.

21 MR. SUNDWICK: We listened to this in
22 Lawrenceburg. And I drive through that, and I was told
23 that they really didn't need any more hotel space in
24 Lawrenceburg, Indiana, because it was sufficient. It's
25 just not true. I mean, it's just --

1 MR. KLINEMAN: The Commission couldn't even stay
2 in Lawrenceburg. We had to stay --

3 MR. SUNDWICK: So I think, you know, it's a
4 concern to us. Number one, you know, we're not in the
5 hotel business and we're certainly not in your business,
6 but it's a concern. You have a competitor, a presentation
7 that says that you may be wrong, and they're not depending
8 on the 200-room hotel to supply you with gaming
9 opportunities. They said that just won't do it. That's
10 not what they're going to -- but they also believe it's an
11 important part of their project. So I mean, these are
12 obviously pretty good questions. They're pretty smart
13 guys, I guess.

14 MR. LARSON: There are a lot of excellent
15 questions. And let me just say, as we've said before, we
16 are committed to additional development in Hammond. And if
17 that includes a hotel, terrific. If a hotel is one of the
18 amenities that creates the attraction and anticipated
19 economic benefit for Hammond, we will provide it.

20 And Commissioner Klineman, going back to your question
21 relative to our Joliet hotel, I think it's a very relevant
22 comparison. We don't anticipate, frankly, that our 102
23 rooms in Joliet are going to attract very many -- at least
24 in the context of how many people visit the facility on a
25 daily basis, that hotel is not going to attract very many

1 new patrons to the Empress Casino in Joliet. The vast
2 majority of the room nights that are going to be consumed
3 at that hotel are going to be consumed by people who are
4 already coming to the casino. And what we're responding to
5 is the fact that they're traveling from the northwest
6 suburbs. They're traveling from points of Chicago,
7 frankly. And they find that they're at the property, and
8 they don't relish the fact of going back to Chicago, which
9 is a 45- to 50-mile trip to the central city; to the
10 northwest suburbs, it could be 50 or 60 miles depending on
11 where they're at. So the vast majority of the room nights
12 that we expect to fill there will be those sorts of
13 patrons.

14 MS. BOCHNOWSKI: Well, I --

15 MR. THAR: Could I follow up on --

16 MS. BOCHNOWSKI: Oh, okay. I just had something
17 on that, and then I do have another question. But then you
18 can follow up on the hotel thing after this. Actually, I
19 may have a kind of different opinion than my colleagues
20 here. The history of hotels in Hammond is not a good one.
21 And it's my understanding, and maybe you're aware of this,
22 that Whiteco is planning a hotel project on Kennedy Avenue
23 near the expressway. Is that still in the works? Am I
24 correct about that? Do you know about that?

25 MR. LARSON: Commissioner, I am not quite up to

1 speed on exactly the status of that project. We have had
2 several conversations with Dean White about the possibility
3 of hotel development at the Hammond site, and we will
4 continue those discussions. Obviously, Mr. White is very
5 knowledgeable in this area. Not to take any thunder away
6 from Don here, but if I recall from his study, about 30
7 percent of the room nights that are used in the Hammond
8 area are used by over the road truckers. That may be a
9 good source of demand on Interstate 80. But again,
10 referencing the BDO study, if I'm recalling correctly,
11 Don --

12 MR. MASSAGLI: Yes.

13 MR. LARSON: -- with the interstate closest to
14 the Hammond site being the Indiana Toll Road, it's too
15 close to either an origination point or an end point to be
16 a viable site for even that sort of business because
17 they're close to a Chicago destination point or perhaps
18 they just started their run out of Chicago. So you know,
19 just looking at the broad facts, there's 30 percent of the
20 demand that exists on the south end of Hammond that one
21 wouldn't anticipate to exist on the north end of Hammond.

22 MS. BOCHNOWSKI: I'm just looking at the history,
23 and I guess I'm supporting your cautious approach to this.
24 But go ahead on the hotel issue, Jack.

25 MR. THAR: Just on the hotel issue here, if I

1 followed your presentation correctly and if I followed the
2 ones of yesterday also, it seems to break down into three
3 areas: The first area being that I don't think any gaming
4 company, including your company, believes that a hotel is
5 going to add an extra dollar in gaming revenue. It's not
6 necessary for a successful gaming attraction at the Hammond
7 Marina. Is that your position?

8 MR. LARSON: Yes, it is.

9 MR. THAR: Okay. Secondly, then, they're viewing
10 the hotel as an attraction in and of itself, separate from
11 the success of the gaming operation. And if I understand
12 your position correctly, you don't necessarily see that a
13 hotel is an attraction in Hammond standing on its own?

14 MR. LARSON: Our position, Mr. Thar -- this is
15 Kevin Larson, by the way. Our position would be that it
16 may not be the greatest attraction. It certainly could be
17 an attraction, but would it generate the most attraction
18 and therefore the best economic benefit?

19 MR. THAR: Well, that's where we seem to hop the
20 line; because the third item seems to be, the same
21 impression that I have that a lot of Commission members
22 have, is that whether or not it's a successful economic
23 development tool in the City of Hammond might be another
24 option, which I believe is what the Bally's presentation
25 was all about yesterday, that putting the hotel in with the

1 casino, since the casino draws people, that that gives the
2 opportunity to bring smaller conventions, overnight guests,
3 that type of thing, which is not occurring here. And if I
4 understand your presentation, you're not saying you're
5 ruling that out, but you're saying that that is one of two
6 or three other items you may consider?

7 MR. LARSON: Yes, sir. Frankly, there's a fourth
8 option that we haven't talked about that, again, is just a
9 consideration at this point. Conversations I've had with
10 Fred Ash at American Maize have indicated that American
11 Maize is going to construct a corporate office complex on
12 some parcel of property that they own that actually is
13 behind the ten acres that we've purchased from them.
14 Perhaps economic development could best be generated and
15 jobs best be generated by a small office park that would
16 support American Maize activities, Lever Brothers
17 activities, perhaps our activities, other business
18 activities in Hammond, Whiting, and Robertsdale. It would
19 have, again, excellent visibility off the toll road. It
20 isn't as exciting from the standpoint of a hotel. But
21 again, our position is that to remain flexible, and we see
22 flexibility as being a strength, not necessarily to be
23 responsive because you can come up with a better idea, a
24 new idea. And frankly, our operation in Joliet is full of
25 new ideas that have been used by other people successfully

1 elsewhere.

2 MS. BOCHNOWSKI: Your location -- or your
3 interest in Hammond, I mean, a very serious interest in
4 Hammond early on, does this come out of a concern for your
5 Joliet operation that -- it's my understanding that a lot
6 of your patrons do come from northwest Indiana. And I
7 know; I see the buses going there all the time. Was this a
8 protective measure to keep your Empress operation from
9 suffering too much because of gaming coming to Indiana?

10 MR. LARSON: Commissioner Bochnowski, Kevin
11 Larson again. We see this as a terrific opportunity to
12 enter new markets. A number was thrown out in one of the
13 presentations yesterday that was wholly inaccurate, and
14 again we can speak from experience. About 9 percent of the
15 riverboat business that is generated in Joliet comes from
16 northwest Indiana. It is not a very large percentage at
17 all. I think that bodes quite well for five casinos on the
18 lake in northwest Indiana. I believe there's tremendous
19 market potential in northwest Indiana.

20 Of more relevance for the Hammond site, we believe, is
21 a tremendous market potential that exists in the city of
22 Chicago, particularly in the downtown area, particularly on
23 the north side and in the near north suburbs. One of the
24 things that is quite interesting is -- and it just struck
25 me recently. I always kind of pictured that the north

1 suburbs, you know, they must be a big part of the success
2 of the Elgin casino. The Elgin casino is more than 32
3 miles west of O'Hare Airport. It's very difficult or
4 relatively difficult to get from towns like Evanston,
5 Skokie and points further north along the lake over to
6 O'Hare airport, let alone another 32 miles to Elgin. I
7 think that with effective marketing programs, which we feel
8 that we're very good at, that we can find that people will
9 become very aware of how easy it is, via the Chicago Skyway
10 coming down the lakefront on a beautiful day, to come and
11 visit a casino in Hammond.

12 Another very important part of the growth opportunity
13 that exists in Hammond, and I can tell you one of the ways
14 that the marketing has been extremely frustrated over the
15 course of the last two and a half years, is when I stand on
16 the marina site, you can see downtown Chicago; we have
17 spent a tremendous amount of money trying to garner some
18 interest, some spilloff in the convention and tourist
19 traffic that comes through McCormick Place, that goes
20 through all those hotel rooms in downtown Chicago. We have
21 been very, very unsuccessful in being able to generate any
22 meaningful traffic out of that. We see that that can
23 change dramatically with a casino in Hammond. Literally, I
24 think yesterday it took me 22 minutes to travel from
25 downtown Chicago. Today I got caught by a couple more

1 lights; I think it took 24 minutes. That is a significant
2 difference from sometimes as much as an hour and a half to
3 two hours that it takes to get out to Joliet.

4 I'd also add again, not to belabor the point, but our
5 experience is that in the riverboat environment, when you
6 have cruise schedules, a minute to a patron is like an
7 hour, because what their mind set is -- and it kind of
8 falls back to what I was saying earlier about the mind set
9 of these folks that we anticipate will visit Hammond from
10 very close proximity -- is that the decision is made -- and
11 we've found this through focus groups that we've conducted
12 and in talking with our guests -- the decision is made
13 rather on short notice to go and visit the casino, and it
14 becomes a thought here and it becomes a realization on
15 their watch. "Okay; it's a quarter to 2:00. The boat
16 boards at 2:30. It leaves at 3:00. I can get off at 5:00,
17 and I can be where I have to be by 5:30." The decision
18 that's made is to block out a period of time in their day
19 for this activity. And we see that the distance between an
20 awful lot of people in Chicago and Joliet, that that's a
21 difficult decision for them. And for the Hammond location,
22 again, we feel with effective marketing and just bringing
23 some awareness to people of how easy it is to get here,
24 that the Hammond casino will be very successful with a lot
25 of new patrons.

1 MS. BOCHNOWSKI: So you're seeing this as almost
2 drawing on a different -- from a different group?

3 MR. LARSON: Most certainly.

4 MS. BOCHNOWSKI: Okay. Now, if a minute is an
5 hour to a gamer, when they're going through that small area
6 to get to the parking garage, get up to the boat, whatever,
7 and there's a traffic jam there, do you think that that's
8 going to be a problem? Do you think that that will turn
9 some people away or at least make them not come back again?

10 MR. LARSON: To the extent that it was a problem,
11 Commissioner -- this is Kevin Larson again -- yes, it would
12 turn them away. It was mentioned yesterday -- and again,
13 we can rely on our experience here. One might imagine that
14 with cruise schedules and large volumes of passengers like
15 we're talking about here, the traffic patterns in and out
16 of the casino would tend to spike, and then regress, and
17 spike around boarding times. In actuality, our experience
18 in Joliet over the course of the past few years is that
19 yes, there are some spikes, but it tends to be rather
20 constant, and that's an inflow and an outflow.

21 Again, the patrons don't show up all at once.
22 Typically, if a boat is going to leave at the top of the
23 hour, I'd say about 40 percent of the traffic arrives
24 between the top of the previous hour and the bottom.
25 There's quite a bit of traffic that comes in that last half

1 hour. There's quite a bit of traffic that comes more than
2 an hour before the boat departs. Again, people are -- it
3 depends on the decision that they've made. If they've got
4 the day off or if they're trying to fit it in, it's going
5 to be a different thing. We don't feel that the traffic in
6 and out of the garage is going to be a problem. And
7 certainly, it is a situation that we understand to be
8 important, and we certainly feel very comfortable in
9 dealing with it.

10 MS. BOCHNOWSKI: Okay. And then also in that
11 design -- this isn't a traffic problem, but it's a boat
12 problem. As I recall, the ramp for boats, the regular
13 boats to get into the water is very -- is right there also.
14 And is this a safety problem? Is this in any way -- how
15 are you going to get those off of the road? I assume that
16 they'll be off the road; but is that a safety problem with
17 regard to the small boats and your large boat?

18 MR. LARSON: I would like to ask Captain Lisa
19 Streckfus.

20 MS. STRECKFUS: Lisa Streckfus. That was a
21 two-part question, and the boat launch will not move from
22 its present location.

23 MS. BOCHNOWSKI: Right.

24 MS. STRECKFUS: And our overpass and traffic
25 pattern for the casino will be separate from the traffic

1 that's flowing to the marina; so that shouldn't be an issue
2 at all. The recreational users of the marina will not be
3 impacted. As a matter of fact, we'll actually increase
4 some of the area that they have to maneuver their trailers.
5 As far as safety within the marina, I can confidently say
6 that we will be able to operate Empress III within the
7 Hammond Marina safely with the recreational boats that use
8 the marina, for a number of reasons, the most significant
9 of which Empress III was built for Hammond. She's
10 extremely maneuverable.

11 We have a preliminary agreement with the Lake County
12 Sheriff to have an escort vessel when we are leaving the
13 marina and coming back in. We have mounted on the
14 vessel -- I don't know if anyone's been on Empress II, but
15 we have a close quarters monitoring system that has also
16 been installed on the Empress III. And this -- there are
17 video cameras mounted on the vessel; so in addition to the
18 crew members that we have as lookouts posted on the bow and
19 the stern, these cameras allow the captain and the mate to
20 see everything that's happening in close quarters to the
21 vessel, which, you know, is an excellent system. And then
22 we've also investigated the possibility of putting traffic
23 signals at the marina entrance so that we can provide
24 one-way traffic when the big boat is coming through.

25 MS. BOCHNOWSKI: Okay. Because to me that's

1 paramount. I mean --

2 MS. STRECKFUS: It is paramount to us, too. If I
3 may just add, safety is our number one concern. It's our
4 philosophy at Empress -- you know, we're in the riverboat
5 business. We run two riverboats in Joliet. We cruise --
6 I'm proud to say, in August we cruise 99 percent of the
7 time, and that's out of almost 450 possible cruises. We're
8 cruising, and we're cruising safely. And there are
9 recreational users on the Des Plaines River that we
10 encounter. And we're highly capable. We've spent a lot of
11 time at the marina designing this boat for this
12 application, and our crew will be ready, and we'll be able
13 to operate her safely.

14 MS. BOCHNOWSKI: Thank you.

15 MR. MILCAREK: How many boat slips will be lost
16 because of the vessel?

17 MR. BAYT: Al McConnell.

18 MR. McCONNELL: Al McConnell. In the Corp of
19 Engineers permit, we have indicated the amount of slips
20 that will be removed to accommodate the gaming vessel. And
21 I must say that the Corp of Engineers permit has been
22 structured for our vessel since at this point in time we're
23 the only one with a vessel. The amount of slips that are
24 necessary to accommodate our vessel is 72.

25 In the process of developing the Corp of Engineers

1 permit, part of the consideration was the idea in our
2 permit, which we do have, and some of the consideration
3 from IDNR was to promote additional use within the marina.
4 The use that was selected by the City was a diving area.
5 The use for this diving area will necessitate an additional
6 34 slips to be removed. So the total slips to be removed
7 for our vessel will be 106 slips. And if I may, if I can
8 approach the table, I would be glad to show you the essence
9 of the Corp of Engineers permit on a work board we have so
10 you can see the area that we're not only removing slips,
11 but the dredged area there.

12 MR. MILCAREK: If the Milwaukee Clipper was
13 removed, would that reduce the number of slips lost?

14 MR. McCONNELL: Yes.

15 (Mr. McConnell and Mr. Bayt
16 approached Commissioners with
17 work board.)

18 MR. BAYT: I'm not very good with this board.

19 MR. McCONNELL: This is the essence of the Corp
20 of Engineers permit (gesturing).

21 MR. KLINEMAN: The reporter's going to have to
22 hear you, so why don't you do something -- we can see it,
23 though, yes.

24 (Mr. McConnell and Mr. Bayt
25 walked over closer to

1 reporter's table and spoke to
2 Commission while pointing to
3 work board.)

4 MR. McCONNELL: This is the essence of the Corp
5 of Engineers permit. As you can see, the vessel is shown
6 positioned here next to a new boarding ramp that goes
7 around the stern of the existing Clipper. The Clipper is
8 in position just as it is used today. The dredged area
9 that will be necessary for our vessel, 7,000 yards, is a
10 crosshatched area. And as you can see, the dotted boat
11 slips along the side here, these are the slips that are
12 necessary to be removed to accommodate the gaming vessel.
13 We also show the dredged area right here. Another item
14 that is necessary in the process of the trafficking will be
15 a relocation of the fuel dock.

16 On board number 2 (showing to Committee), board number
17 2 really shows the whole marina, so you get a panoramic
18 view of what's really involved in the process. Our
19 facility is located thusly. You see the Milwaukee Clipper,
20 and you see the location of our intended docking facility.
21 Also again on this board, you see a representation of all
22 the amount of slips that are necessary to be removed to
23 accommodate the gaming vessel. The diving area, as shown
24 on the Corp of engineers permit, this is the area that
25 would be involved for the City. It involves slips over in

1 this quadrant over here. We have really installed for your
2 benefit the intended path of the gaming vessel. We would
3 transverse sideways and then reverse and come to an area
4 where we would call a turnaround area. Our vessel is
5 capable of turning around in the length of the ship, 288
6 feet.

7 MS. BOCHNOWSKI: Can you just turn that? It's
8 kind of got a glare on it.

9 (Mr. McConnell and Mr. Bayt
10 changed position of work
11 board.)

12 MS. BOCHNOWSKI: There we go. Okay; now I can
13 see it.

14 MR. McCONNELL: The small circle you see here is
15 the amount of area that is necessary to turn our vessel
16 around so we can come into the marina and go out of the
17 marina forward. I've taken the liberty to also show the
18 potential of another gaming vessel, a larger vessel. We
19 feel very confident that we have designed the largest
20 vessel that this marina will accommodate in its present
21 state. So I've taken the liberty of showing you a 373 foot
22 circle. Should this vessel -- even though it's not built
23 yet, should it be able to turn its own length, it would
24 turn in a 373 foot diameter circle. You can see that this
25 circle will require additional slips to be removed. The

1 additional slips, as we've shown here, beyond the number of
2 slips that are required for our vessel, will be 44
3 additional slips. That puts us at a total count of 34, 44,
4 and 72, for 150 slips to be removed to accommodate a larger
5 vessel.

6 The problem in doing that is the bond issue that was
7 issued to create the marina. There is a private invasive
8 clause in that bond issue which states that we cannot
9 remove more than 10 percent of the existing slips. The
10 existing slips are 1,114. That would allow you to remove
11 111 slips total. This scenario, a 373 foot ship, cannot
12 work. And our Corp of Engineers permit, which is still
13 under review by the Corp of engineers, will in fact work
14 with our ship and our turning radius.

15 MR. VOWELS: How many, now? Tell me again on how
16 many more it would take with the bigger boat, to remove the
17 slips.

18 MR. McCONNELL: You can see the slips up here.

19 MR. VOWELS: Yes. How many is that?

20 MR. McCONNELL: Each one of these is two slips.

21 MR. VOWELS: Okay; just tell me how many
22 additional.

23 MR. McCONNELL: 44 additional.

24 MR. VOWELS: Okay. And that would be for a boat
25 what size, 373?

1 MR. McCONNELL: 373 feet.

2 MR. MILCAREK: What would be the approximate
3 reduction in slip removal if the Milwaukee Clipper was
4 removed?

5 MR. McCONNELL: If the Milwaukee Clipper was
6 removed, we would gain approximately 14 slips.

7 MR. VOWELS: How long is your boat?

8 MR. McCONNELL: 288 feet.

9 MR. KLINEMAN: Okay. Thank you.

10 MS. BOCHNOWSKI: But the fact is that the marina
11 has never operated at full capacity; isn't that correct?
12 And in fact, I think that you have actually, in effect,
13 bailed out the marina because it was about ready to default
14 on some of its obligations, isn't that -- I mean, so really
15 I would imagine it wouldn't be that difficult to get the
16 permission to remove additional slips?

17 MR. BAYT: Phil Bayt, Commissioner. The slip
18 removal is a matter for the Port Authority. But their bond
19 issue would become a taxable rather than a tax exempt bond
20 issue if they removed more than ten percent of the slips,
21 which would cause additional financial difficulty to the
22 Port Authority. In addition, we need to focus on Corp
23 approval for removal of slips, and we need to focus on
24 community needs. The marina has in fact experienced a
25 growth in slip rentals over the last few years, and we hope

1 that with the gaming vessel that we'd see yet additional
2 increase in slip rentals and slip demand with the advent of
3 so many patrons coming to the area.

4 MS. BOCHNOWSKI: Do you see a day when you won't
5 have to bail them out every year?

6 MR. BAYT: We haven't been able to predict that
7 far in the future.

8 MR. KLINEMAN: Is there a prohibition against
9 paying the bond issue off?

10 MR. BAYT: I don't know whether there is a
11 prohibition or not. It would probably have to be paid off.

12 MR. McCONNELL: This is Al McConnell again. One
13 of the questions posed by the Corp of Engineers, they're
14 very concerned with the impact on recreational boating.
15 And the more slips you remove, the more you impact the
16 recreational boating. That question has appeared in the
17 Corp of Engineers responses on several occasions, so they
18 are very concerned with reducing to a great extent the
19 amount of slips that are being removed.

20 MS. BOCHNOWSKI: But right now, I mean, what they
21 said -- they had their highest season yet; they rented out
22 800 of those slips this year?

23 MR. McCONNELL: That's correct.

24 MS. BOCHNOWSKI: And they have 1,100; so they
25 still have a lot of slips available?

1 MR. McCONNELL: That's true, ma'am. But what I'm
2 saying is it's a Corp of Engineers question, also.

3 MS. BOCHNOWSKI: I understand.

4 MR. VOWELS: What was your answer to Tom's
5 question of how many slips would have to be removed if the
6 Milwaukee Clipper wasn't there?

7 MR. McCONNELL: 14.

8 MR. VOWELS: How many, 14?

9 MS. BOCHNOWSKI: That you would gain.

10 MR. VOWELS: Are you saying --

11 MR. McCONNELL: It would be 14 less with the
12 Clipper removed.

13 MR. MILCAREK: What do those slips rent for; do
14 you have any idea?

15 MR. McCONNELL: Well, there are various prices.
16 The price depends on the size of the ship. And to tell you
17 the truth, I'm not sure.

18 MR. MILCAREK: Fourteen slips; maybe a thousand
19 dollars a slip? That would be 14,000 annually that you
20 would gain?

21 MR. McCONNELL: Depending on the size, I believe
22 they would go more than a thousand dollars a slip. The
23 larger slips, as you approach 40 or 50 feet, I believe are
24 in the 2,000 category.

25 MR. MILCAREK: So it would be a significant

1 amount of revenue?

2 MR. McCONNELL: That's true.

3 MR. BAYT: Commissioner, Lake Michigan Charters
4 has of course agreed that any slips that would be required
5 to be removed as a result of the Empress III and our
6 operations would be paid for by Lake Michigan Charters as
7 if they were rented.

8 MR. KLINEMAN: What about Empress IV?

9 MR. BAYT: That would be up to the Commission.

10 MS. BOCHNOWSKI: No, that would be up to the
11 Legislature.

12 MR. BAYT: The Legislature; excuse me.

13 MR. SWAN: I had a follow-up question, a comment
14 on the parking congestion. You referred to the Joliet
15 operation, I think, as having more of a smoother peaks and
16 valleys. I would assume that might be because you have
17 overlapping schedules of the two cruises there; you have
18 two boats there. So I'm still concerned that the parking
19 may be very congested. And then the second question would
20 relate to the cruises themselves, that you're planning for
21 nine in a day, I think; and some of the other plans have
22 six or seven. And I'd like to hear your comments on those,
23 please.

24 MR. LARSON: Certainly. The parking --

25 MR. BAYT: Kevin Larson.

1 MR. LARSON: I'm sorry; Kevin Larson. The flow
2 of cars -- we opened our operation in Joliet with just a
3 single boat, the Empress I, and we were the first to bring
4 a second boat to an existing operation. Even when Empress
5 I was the only vessel at our site, you still didn't see
6 the -- again, what one might anticipate being these
7 tremendous spikes. Traffic really does come in over about
8 an hour and a half period prior to the boarding of the
9 cruise. Relative to your second question, if you wouldn't
10 mind repeating it, please.

11 MR. SWAN: You had planned for nine cruises per
12 day. Some of the others had six or seven. I wanted to
13 know what the scheduling might be there, the difference.

14 MR. LARSON: Yes. We have gone with a nine
15 cruise schedule because there is some benefit to being more
16 available to the gaming public. Being more available means
17 having more boarding times and more accessibility to the
18 site. We originally started in Joliet with what we call a
19 three hour cruise schedule, where the boat was actually out
20 on the water cruising for two of those three hours. It was
21 very successful. I think if you look at the experience
22 that the folks up in Elgin have had, they also have a
23 single vessel operation. They have, I believe, nine
24 cruises a day. The length of the cruises is similar to
25 what we've projected here. And again, it just improves the

1 accessibility to those who are interested.

2 MR. SWAN: What is that length? I'm sorry.

3 MR. LARSON: Hour and a half out in the water and
4 then a half hour to board, half hour to disembark.

5 MS. BOCHNOWSKI: I'd like to -- I just want to
6 explore a little bit, learn a little bit more about your
7 company. We were kind of getting used to dealing with some
8 of the larger gaming companies, and you are strictly a
9 riverboat company which was formed for the Joliet site; is
10 that correct? So basically you have the two boats. And is
11 that the Empress Company? Is there an additional --

12 MR. LARSON: The Joliet operation -- this is
13 Kevin Larson. The Joliet operation is the only operation
14 currently operating under the Empress umbrella.

15 MS. BOCHNOWSKI: Okay. Now, you're looking to
16 expand to Hammond. Are you looking in any other areas?

17 MR. LARSON: We currently are not. Our focus has
18 been on Hammond, and certainly there's been a lot of work
19 to do here, and we've been focused here. We have been
20 approached over the course of the last two years by many,
21 many companies and municipalities, either inviting us to
22 join them in ventures or inviting us to come to their
23 community to investigate whether we would have interest in
24 developing a riverboat project in their community.

25 MS. BOCHNOWSKI: Okay. Now, you must have --

1 with the group of investors that started in Joliet, how did
2 you get your gaming expertise? How did you get your
3 boating expertise? Did you just go out to different
4 companies? How did you do this?

5 MR. LARSON: Initially, and this was before I had
6 arrived at the Empress, there was a Nevada based company
7 called Riverboat Gaming Management, Incorporated, that
8 operates several casinos in Nevada, that the ownership of
9 the Empress had contracted with to come in and establish
10 their operation. We've been very fortunate since that time
11 and continuing to as recent as last week when we brought
12 another director on board to find very experienced people
13 in the industry. Dennis Brown, our general manager at the
14 Joliet property, has got more than 25 years of experience
15 in the gaming industry, about twelve of that being with
16 Steve Winn properties, either the Golden Nugget or the
17 Mirage. We've got experienced gaming people from Mirage
18 properties, from Caesar's Palace, any number of the large
19 operators. And for all of us, the Empress has provided a
20 terrific opportunity to try new ideas and a different
21 approach in the business.

22 MS. BOCHNOWSKI: Now, for such a relatively small
23 company, I'm a little concerned that you may have
24 overleveraged yourself. Your debt to equity ratio is 5.6
25 to 1, which is way above the industry average. Now, I

1 understand there is a shareholder agreement by which
2 additional equity could be infused into the company. Under
3 what circumstances would that happen, and do you feel
4 comfortable with this high of a debt to equity ratio? I
5 realize your cash flows are good, but that still seems
6 high.

7 MR. LARSON: Commissioner, Kevin Larson. Yes,
8 the cash flows are very strong. And to answer your comfort
9 question, I feel imminently comfortable with our balance
10 sheet as well as our cash flows. One of the measures of
11 financial stability that was thrown out yesterday in
12 response to a question was the concept of net debt to
13 equity, being the debt less the cash that you have on hand.

14 MS. BOCHNOWSKI: Okay, yes.

15 MR. LARSON: We have a substantial amount of cash
16 on hand. Currently -- I don't know; Jack Costello? About
17 90 million, would you say, Jack?

18 MR. COSTELLO: Almost 90.

19 MR. LARSON: Almost 90 million of cash on hand.
20 If you subtract that from the debt that's outstanding, our
21 net debt to equity is about 2 to 1, which is very much in
22 line with young, growing, successful companies in the
23 industry.

24 MS. BOCHNOWSKI: Is there any incentive to try to
25 get rid of some of that debt?

1 MR. LARSON: Incentive, no. Actually our balance
2 sheet on the debt side is structured very conservatively.
3 The 150 million worth of senior notes that constitute
4 virtually all of the debt that exists in the organization
5 at this point has a maturity in 2002. It was an eight-year
6 note when the notes were sold in the public market, so we
7 don't have any pressing needs for amortization.

8 Continuing the cash flows -- and again, this is, I
9 think, very well reflected in the excellent bond ratings
10 that we've received -- do we have any motivation? The
11 motivation, not to be flippant about it, would be to the
12 extent that the indenture provides prepayment to get rid of
13 some of the interest carried, certainly. But again, we see
14 ourselves as a growing company, a very, very successful
15 company, and feel very confident with the structure of our
16 balance sheet and our ability to continue to grow the
17 company, going forward.

18 MS. BOCHNOWSKI: Now, I have a question for you
19 on that rating, the BB rating. And since I've never been
20 an investor myself in a gaming company, I guess I'm used to
21 ratings in the A's. Is that normal for a gaming company
22 because it's a risk company or --

23 MR. LARSON: Commissioner, Kevin Larson. For
24 good operators that have good management and have
25 demonstrated the ability to compete, it's an excellent

1 rating. I might be off a little bit on the years or
2 whatever. In my commercial banking career, I never dealt
3 with the gaming industry in Chicago. But until very
4 recently and within the last two or three years, the
5 investment community, Wall Street as I would call it,
6 really didn't have a whole lot of confidence in the gaming
7 industry, for a lot of different reasons. I think that
8 certainly as you look at the bond ratings of particularly
9 riverboat gaming companies that you would find that they're
10 several notches below where the Empress is at. In fact, in
11 April of '94 when we sold our public notes, the double B
12 rating that we received from Standard and Poor's really
13 astounded quite a few of the Wall Street analysts. They
14 were quite surprised that a company as young as ours would
15 be accorded that sort of recognition. Specific mention was
16 made in the Standard and Poor's and Moody's reports to
17 management expertise and the ability to compete, and again,
18 a young company with an experienced management team.
19 They've competed in other markets. They know how
20 competition is conducted in Nevada and Atlantic City and
21 other places.

22 Currently, I believe your familiarity with A rated
23 companies and above are typically referred to as investment
24 quality companies. The investment quality companies -- and
25 that terminology really relates to a lot of pension funds,

1 a lot of mutual funds -- are restricted to invest only in
2 those investment rated companies. I believe there is only
3 one gaming company currently that has investment rating,
4 and that's the Mirage organization. Double B plus is, I
5 believe, just one notch below investment quality; double B
6 is just two notches. There are about maybe eleven or
7 twelve classifications that would fall below investment
8 quality; so we are very close to investment quality. With
9 some more success and tenure, we're confident that we can
10 achieve and maintain a very strong standing in the
11 financial community.

12 MS. BOCHNOWSKI: Okay. Thank you.

13 MR. SUNDWICK: I have a couple questions about
14 your ownership. What percentage of your Illinois ownership
15 is involved in the Indiana -- the Lake Michigan Charters?

16 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
17 All -- well, 2.48 percent of our ownership in Lake Michigan
18 Charters will, upon licensure, if we are successful, be
19 owned by Mr. Marty McNally. Another approximately 2.5
20 percent is presently owned in Empress by Gil Frandsen. He
21 is not an investor in Lake Michigan Charters, but is an
22 owner of Empress River Casino.

23 MR. SUNDWICK: So it's really a duplicate
24 ownership? It's almost --

25 MR. HANSEN: Almost identical, one for the other;

1 correct.

2 MR. SUNDWICK: Was there any -- you know, as you
3 put this program together, was there any idea of having
4 local involvement in your --

5 MR. HANSEN: Phil Bayt will address that
6 question. He was involved at the time with the letter of
7 intent and that issue.

8 MR. BAYT: Commissioner, when we put the package
9 together for an application for Hammond, we did look at the
10 issue, but we found it very difficult to understand how we
11 could attract real investors who would make a real
12 commitment of real cash and be willing to accept unlimited
13 capital calls, which our other owners were willing to
14 accept. As the hearings evolved, we couldn't understand
15 how we could craft a fair process, and we didn't want to
16 craft a process that would identify people as investors on
17 the basis of who they knew or who they were. And as a
18 result, we focused on maximizing local benefits, by having
19 the most aggressive local benefits package we could,
20 deciding to buy in Hammond first, both during construction
21 and operation, and to have an incubator program to maximize
22 the benefits for as many people as we could rather than to
23 enrich just a few.

24 MR. SWAN: Could I ask a follow up, please.
25 There was some question about local ownership and some 15

1 percent figure being tossed around. Could you address that
2 issue and clarify in my mind what the issue is and where it
3 stands now?

4 MR. BAYT: Yes. Mike Hansen.

5 MR. HANSEN: Yes, sir, Commissioner Swan. That
6 issue came up approximately when our letter of intent was
7 entered into in September of 1993. As I mentioned earlier,
8 Martin McNally, who will be one of our investors upon
9 licensure and who brought this idea to the Empress, was
10 mentioned at one time as being able to obtain up to a
11 maximum of 15 percent in Lake Michigan Charters. When all
12 of the capital was invested by the present owners,
13 Mr. McNally, who had also contributed legal services on
14 behalf of Lake Michigan Charters with respect to the
15 ongoing two and a half years, contributed the value of his
16 legal services at his regular hourly rate in exchange for
17 what then ended up to be a 2.5 percent interest in Empress
18 River -- excuse me; in Lake Michigan Charters. At the time
19 when Mr. McNally brought the idea to the table, we did not
20 know what that eventual figure would be. We put a cap on
21 it that it could go to 15 percent, but it only ended up to
22 be 2.5.

23 MR. SWAN: Was that really clear with the City of
24 Hammond when you talked with them as well? Did they
25 understand it that way?

1 MR. BAYT: Phil Bayt. The City of Hammond, after
2 the endorsement process, asked us to consider local
3 investors. As I indicated, we did take a look at that.
4 But as the hearings unfolded around the State, we just
5 couldn't figure out a way to do it fairly.

6 MR. SWAN: All of that happened after you were
7 endorsed by the City as far as the discussion on the 15
8 percent or any local investors?

9 MR. BAYT: That happened after.

10 MR. SUNDWICK: So we have a bunch of Illinois
11 investors that really started out in Joliet with an idea to
12 invest in Joliet in that opportunity, and they appear to be
13 mostly Illinois citizens; am I right?

14 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
15 All of the owners of Lake Michigan Charters are in fact
16 Illinois citizens. But I should point out that two of our
17 owners, Mr. McHenry seated behind me, is the owner of Gas
18 City gas stations, which own at least six stations, to my
19 knowledge, in Lake County, and also has the contracts for
20 the service stations along the Indiana Toll Road;
21 Mr. Lambert, the Chairman of our Board, has a construction
22 company. He does substantial work in the State of Indiana.

23 MR. SUNDWICK: That's all right. I'm just trying
24 to get an idea of who -- you know, local people in Illinois
25 originally invested in a Joliet boat. Now they have

1 interest in the Hammond boat. Am I correct?

2 MR. HANSEN: That's correct, sir.

3 MR. SUNDWICK: Okay. Do they have any other
4 interest in any other gaming within Indiana or Illinois,
5 collectively, separately?

6 MR. HANSEN: Commissioner Sundwick, Mike Hansen.
7 The only individual who is an owner of Lake Michigan
8 Charters who has another interest is Mr. McHenry, who is an
9 owner of -- part owner of the Alton Belle, the Alton Belle
10 Casino, otherwise known as Argosy. Also, therefore, he has
11 a small percentage interest, approximately 2.5 percent, in
12 the Lawrenceburg project.

13 MR. SUNDWICK: That's all? That's the only
14 other --

15 MR. HANSEN: That's the only one, yes, sir.

16 MR. SUNDWICK: Okay. Thank you.

17 MR. VOWELS: This Attorney Martin McNally, his
18 2.48 percent is in lieu of attorney fees; is that correct?

19 MR. HANSEN: Commissioner Vowels, Mike Hansen.
20 Mr. McNally did perform legal services on behalf of Lake
21 Michigan Charters, has submitted a bill for those services
22 at his regular hourly rate, was paid for those services,
23 and then will, upon licensure, contribute that money to the
24 Empress in the form of a capital contribution in order to
25 receive his stock in Lake Michigan Charters.

1 MR. VOWELS: What sort of services did he provide
2 specifically?

3 MR. HANSEN: Mr. McNally was instrumental in the
4 ongoing operation of this idea, starting first with the
5 leasing of the Milwaukee Clipper and early discussions,
6 negotiations with the City of Hammond back in 1993.

7 MR. VOWELS: All right. Speaking of that, and I
8 haven't kept a record of when the gaming companies became
9 incorporated in the State of Indiana, but Lake Michigan
10 Charters, Limited became incorporated on November 25, 1992;
11 is that correct?

12 MR. HANSEN: That's correct, sir.

13 MR. VOWELS: And that certainly is in
14 anticipation of the gaming statute that didn't pass until
15 June of 1993 and sort of took some of us by surprise. Was
16 there ever any intention anywhere else in the State of
17 Indiana or was it solely Hammond, and that began as far
18 back as November of 1992?

19 MR. HANSEN: Commissioner Vowels, Mike Hansen.
20 My understanding at that particular time was that
21 corporation was set up by Mr. McNally solely in order to
22 pursue an idea that he had, and he was doing it at that
23 time on his own.

24 MR. VOWELS: All right. When did you all come
25 into this after that?

1 MR. HANSEN: Mike Hansen, Commissioner Vowels.
2 We came in in approximately late December of 1992, early
3 January 1993, when the Hammond Port Authority happened to
4 put a notice in the newspaper advertising for bids for the
5 Milwaukee Clipper, lease of the Milwaukee Clipper.

6 MR. VOWELS: But it was your intention as a
7 gaming enterprise in anticipation of the statute eventually
8 passing; is that correct?

9 MR. HANSEN: Yes, sir. That was one of the
10 focuses with respect to that. Mr. McNally, as I indicated
11 earlier, an attorney, had been involved a few years before,
12 when, it is my understanding, that gaming had been
13 mentioned possibly in Indiana, although no legislation had
14 even been introduced in the late 80's. So he had these
15 ideas. He had been working with other people. And that's
16 what gave him the genesis then of -- when it looked like
17 this idea might come up again in 1992. He of course, being
18 a lawyer, wanted to set up a separate corporation so he
19 could protect liabilities, etc., as he progressed in that
20 venture.

21 MR. VOWELS: All right. How far is Joliet from
22 here?

23 MR. HANSEN: Joliet from the Milwaukee Clipper
24 site is 48 miles.

25 MR. VOWELS: How far a distance drive time; do

1 you know?

2 MR. HANSEN: It takes approximately one hour to
3 get from the Clipper to the Empress site.

4 MR. VOWELS: Okay. And you didn't have any
5 interest in any other areas in the State of Indiana; just
6 Hammond?

7 MR. HANSEN: Hammond was our only interest yes,
8 sir.

9 MR. VOWELS: All right. Without getting too
10 patriotic, can you tell me from a financial and business
11 standpoint, why Hammond?

12 MR. BAYT: Kevin Larson.

13 MR. LARSON: Kevin Larson. Commissioner, it
14 really goes back to the fact that we looked at our database
15 and did the analysis of where our guests were coming from,
16 and we weren't doing very well coming out of the central
17 part of Chicago. We weren't doing well coming out of the
18 north side or the near north suburbs. Also, we looked at
19 northwest Indiana. And frankly, we've just grown to have
20 almost 9 percent of our guests come from northwest Indiana.
21 Back in 1992, it was significantly less than that. We've
22 seen a terrific opportunity.

23 MR. VOWELS: When a boat comes to Hammond, do you
24 anticipate that you'll lose that 9 percent if you weren't
25 the applicant -- if you weren't the successful applicant?

1 MR. LARSON: Certainly some of it. We hope to --
2 expect to retain some of it as well. I think people enjoy
3 coming to the Empress.

4 MR. VOWELS: As far as the overlap, then it would
5 be a 9 percent overlap with Joliet if you had a boat here,
6 or anyone else in the market?

7 MR. LARSON: Maybe a few more points than that;
8 between 10 and 15.

9 MR. VOWELS: And that's the extent of the
10 competition that you would see, a 10 to 15 percent overlap?

11 MR. LARSON: Yes.

12 MR. KLINEMAN: What about a non-compete? What
13 are you willing to do in that respect?

14 MR. BAYT: Chairman Klineman, Phil Bayt. I'm
15 going to give you a shorter answer than yesterday: Yes.
16 And here's our promise to you: Charters, Charter
17 shareholders, Empress, and Empress shareholders will agree
18 for a period of five years from the date of issuance of a
19 license not to pursue other casino gaming activities within
20 a radius of 50 miles of the Empress Casino Hammond.

21 MR. KLINEMAN: Okay. And could we have the chart
22 again with the red and green circles as to where people
23 will be coming from?

24 MR. BAYT: Well, we'll try our best.

25 MR. KLINEMAN: Beg pardon?

1 MR. BAYT: We'll try our best to get it up there.

2 MR. KLINEMAN: John's been doing a good job of

3 calling them up.

4 (Discussion was held off the

5 record.)

6 MR. KLINEMAN: Does anybody know the one I'm

7 talking about?

8 MR. BAYT: It's on the video, and we'll try to

9 pull it up.

10 (Discussion was held off the

11 record.)

12 MR. BAYT: No, we can't pull it up. I'm sorry.

13 MR. KLINEMAN: Okay. Well, I'll go forward then.

14 What percentage do you view as coming from Illinois as

15 against coming from Indiana in your operation, your circles

16 and so forth?

17 MR. BAYT: Kevin Larson.

18 MR. LARSON: Kevin Larson. Between 80 and 85

19 percent.

20 MR. KLINEMAN: From Illinois?

21 MR. LARSON: Yes.

22 MR. KLINEMAN: Okay.

23 MR. SWAN: Could I ask one more question, please.

24 We discussed yesterday just briefly this concept of average

25 win, and there's quite a difference in numbers and the

1 proposals that we have. Would you give me your viewpoint
2 on the 48 dollar amount that you have in your projection,
3 please?

4 MR. BAYT: Kevin Larson.

5 MR. LARSON: Yes. The 48 dollar per passenger
6 win in our most likely scenario is based upon what we again
7 have experienced in the market. What we have seen is,
8 incrementally, that as more people have become interested
9 in gaming product that they are more casual gamblers, if
10 you will, than the people that showed up at the front door
11 when gaming was first introduced. What we have seen from
12 the Illinois boats across the state and also in Chicago is
13 that the passenger win has been declining over time.

14 I found it interesting, frankly, that one of the
15 applicants with the largest vessel had projected a number
16 that would exceed the best performing Illinois boat with a
17 single boat operation. With more boats in northwest
18 Indiana and certainly the continuing operations in
19 Illinois, I found that to be somewhat aggressive. But our
20 48 dollars we feel is realistic given the fact that, again,
21 we anticipate we're going to be bringing a lot of new
22 guests to our property, if it is our property, in Hammond,
23 that really history would demonstrate don't have as high a
24 worth, if you will, as people that have been coming
25 already.

1 MR. MILCAREK: You've stated an opening date of
2 July 4 with a penalty. What was that penalty, a million
3 dollars a month?

4 MR. HANSEN: Commissioner, Mike Hansen. Yes,
5 sir.

6 MR. MILCAREK: Does this mean that on July 5 you
7 would start on a penalty or do you have a 30-day grace
8 period there that you have to go an entire month, or when
9 would the penalty actually take effect?

10 MR. HANSEN: I'm going to shift that to Phil Bayt
11 because this is based in part on our letter of intent with
12 the City of Hammond, and he is the person responsible for
13 that letter.

14 MR. BAYT: Commissioner, Phil Bayt. We have a
15 letter of intent in place already with the City, and it
16 does describe a liquidated damages provision. And it had
17 an October 1, 1994 date in there; but of course, because of
18 delays in gaming, that date has come and gone. What we'd
19 do would be to insert that July 4, 1996 date into that
20 spot. And it would say that the penalty would start,
21 subject to matters beyond our control, July 5. And it
22 would be a daily per diem, so we wouldn't have any grace
23 period whatsoever. It would start July 5. I would suspect
24 and hope that we could pay it on a monthly basis if that
25 should come to pass. We don't expect to be able -- to be

1 in a position to have to pay it. We expect to be open.

2 MS. BOCHNOWSKI: Now, as far as your letter of
3 intent with the City, you have indicated that you're going
4 to make certain contributions, and one of those is -- wait
5 a minute. I've got to get to the right -- a foundation --
6 yes, here we go. Okay. Now that one is 909,000, I
7 believe. Wait. Community based foundation. Oh, okay.
8 Never mind. Don't worry about that number. It's based on
9 future predictions. But anyway, my question is about the
10 Hammond foundation. What is that foundation going to do?
11 Who's going to run it? Where is the control for that?

12 MR. BAYT: Commissioner, Phil Bayt. What we
13 would envision is that Lake Michigan Charters would not run
14 that foundation at all; rather the community at large,
15 based upon a wide representation of the community, from the
16 business community, from the educational community, from
17 neighborhood leaders and neighborhood groups, and from a
18 variety of different civic and not-for-profit organizations
19 would come together and form a board that would identify a
20 vision and a set of policies to utilize the million dollars
21 and other contributions that would be forthcoming and
22 distribute those moneys to other not-for-profits or to
23 worthy causes based upon the policies established by that
24 board.

25 MS. BOCHNOWSKI: Who will choose these community

1 people?

2 MR. BAYT: We would hope that a broad consensus
3 could emerge that would include the Mayor, the Common
4 Council, members of the Chamber of Commerce, civic
5 organizations, business leaders, and neighborhood leaders.
6 We don't have -- we are not trying to run that process. We
7 are trying to ask the City and city leaders to create a
8 process, but that has that kind of diversity and
9 representation.

10 MS. BOCHNOWSKI: Okay. And then the other thing
11 you have indicated, you would be purchasing the bird tract,
12 the NIPSCO property. How much are you going to be spending
13 for that?

14 MR. BAYT: The total price is 2.75 million
15 dollars as negotiated currently by the City. That's
16 actually for three different parcels of property. One is
17 the 16-acre parcel along the lakefront, and two others are
18 to the south that would be a part of Port Authority
19 property when everything is said and done. That property,
20 of course, then would be preserved for the bird sanctuary
21 and green space.

22 MS. BOCHNOWSKI: So you're purchasing property
23 from NIPSCO and from the Port Authority?

24 MR. BAYT: No. They're three different NIPSCO
25 parcels of property.

1 MS. BOCHNOWSKI: Oh, oh, okay. So it's all from
2 NIPSCO; this 2.7 million goes to NIPSCO? Has there been
3 any discussion of why NIPSCO has not in fact donated this
4 property, which I'm sure cannot be developed because it's
5 been identified as a bird sanctuary? I don't understand
6 why 3 million dollars can't go to something else and NIPSCO
7 can donate that.

8 MR. BAYT: That is a good question. We don't
9 have an answer for that.

10 MS. BOCHNOWSKI: Well, I'll ask the City, too.

11 MR. BAYT: I understand.

12 MR. VOWELS: The projected revenues that we show
13 here, are those based upon the performance of the Joliet
14 boats or how did you come to that figure? I show, just to
15 start off with a figure here, annual adjusted gross gaming
16 receipts, the first year you've predicted a little over 149
17 million dollars. Can you tell me how you came to that
18 figure?

19 MR. LARSON: Yes, Commissioner. This is Kevin
20 Larson. Those projections were developed based on our
21 knowledge of the marketplace as we've experienced it in
22 Joliet; analysis not only of where we were at when we put
23 those projections together, but the trends that were
24 developing. We continue to feel very confident in the
25 projections that we've made.

1 MR. VOWELS: Okay. I have in front of me an
2 Illinois average. It shows Illinois average of the boats
3 there, and I don't know if you're above or below this in
4 Joliet. But 84 million dollars as far as annual adjusted
5 gross gaming receipts; how does that reflect as far as what
6 you have in Joliet?

7 MR. LARSON: Gross receipts you said was 84?

8 MR. VOWELS: 84 million dollars is the Illinois
9 average.

10 MR. LARSON: The Empress in 1994 won
11 approximately 205 million dollars.

12 MR. VOWELS: All right. And that's two boats?

13 MR. LARSON: Two boats.

14 MR. VOWELS: Okay. Here's what I'm getting at:
15 It shows your applicant average over the five-year period
16 of 152 million, which is approximately 80 percent above the
17 Illinois average. Even if you have two boats, and if you
18 took the simple minded way and split what you just told me,
19 that would be a hundred million dollars a boat?

20 MR. LARSON: Commissioner, Kevin Larson. I feel
21 that an awful lot of that premium, if you will, is a
22 reflection of our ability to market the property, a
23 reflection of the brand equity, the name awareness, the
24 excellent reputation for guest service that we've
25 established.

1 MR. VOWELS: Are we talking about a bigger market
2 here, as far as the people within a certain radius, than
3 what you have in Joliet?

4 MR. LARSON: There are more people that live
5 closer to Hammond than Joliet, certainly.

6 MR. VOWELS: And would that account for the
7 annual attendance? I don't know what your annual
8 attendance is in Joliet. Do you know?

9 MR. LARSON: The annual attendance in Joliet is
10 about -- I think last year we did 3 million 160 thousand
11 passengers.

12 MR. VOWELS: And that's two boats?

13 MR. LARSON: Yes.

14 MR. VOWELS: All right. And your annual
15 attendance here, the prediction is 3 million 120 thousand?

16 MR. LARSON: That's correct. The difference --
17 where we may be heading with this, Commissioner, if I
18 could --

19 MR. VOWELS: I'm just trying to clarify.

20 MR. LARSON: Yes. The difference in cruise
21 schedules comes into play as well. If you've only got a
22 single boat operation, people are going to stay below --
23 excuse me; not below -- past the bottom of the hour. If
24 they stay past the bottom of the hour, even if they get off
25 the boat before the boat leaves again, it's another

1 admission. So therefore, with a single boat operation, the
2 admissions are somewhat inflated vis-a-vis the number of
3 people that actually show up at the front door.

4 MR. VOWELS: Okay. I'm also showing that your
5 excursions in Hammond will be one to three hours in length;
6 is that correct?

7 MR. LARSON: As we sit here today, it would be an
8 hour and a half.

9 MR. VOWELS: All right. The statute allows a
10 half an hour to embark and a half an hour to disembark. Do
11 you think that hour and a half cruise will be long enough?

12 MR. LARSON: Certainly.

13 MR. VOWELS: I've got a few questions that really
14 have no relationship to each other, so if you need to jump
15 in at some point in time, do. I've got a list of lawsuits
16 here. There is a shareholders suit that I saw here. And
17 was that the result of a buyout of four shareholders in
18 July or what was that?

19 MR. HANSEN: Are you referring to the Kruge
20 lawsuit?

21 MR. VOWELS: Let me look here and see (reviewing
22 documents). Right, yes.

23 MR. HANSEN: Commissioner Vowels, Mike Hansen.
24 That matter has now been settled. It was settled in June
25 of this year.

1 MR. VOWELS: Was that a result of that buyout of
2 the four shareholders? Is that connected? Is it the same
3 people or not?

4 MR. HANSEN: Really what -- the early question
5 that Commissioner Sundwick asked, is that what your
6 question pertains to? It really was kind of no relation, I
7 don't believe, to any earlier --

8 MR. VOWELS: Okay. I show here that in July of
9 1995, four former shareholders were bought out by the
10 remaining twelve individuals. Were those --

11 MR. HANSEN: Yes, that's correct. Mr. Frandsen
12 was at one point in time an owner of Lake Michigan
13 Charters. He elected to get out, and his shares were
14 redeemed by the other owners pro rata. There were also the
15 three Kruge siblings who were also owners in Lake Michigan
16 Charters as well as Empress River Casino. Those shares
17 were also purchased at that time pro rata by the other
18 owners of Lake Michigan Charters and Empress River Casino.

19 MR. VOWELS: Okay. And then moving on here, the
20 Bristol Court versus Empress case was to go to arbitration
21 on September 29. What's the status of that?

22 MR. HANSEN: The arbitration was held. Empress
23 ended up paying approximately 4,000 dollars to settle that
24 matter. It's now been completed.

25 MR. VOWELS: Okay. So everybody's in agreement

1 on that arbitration?

2 MR. HANSEN: Yes, sir.

3 MR. VOWELS: And then there was one other that
4 was to go to trial on October 2; status of the Richard Frye
5 versus Empress?

6 MR. HANSEN: That matter is an insurance defense
7 case. That matter was continued by the Will County Circuit
8 Court. Trial date is now going to be in December. But
9 that matter is being handled by our insurance carrier, and
10 there is full and complete coverage for that matter.

11 MR. VOWELS: I have nothing further.

12 MR. KLINEMAN: Okay. Mr. Thar?

13 MR. THAR: I don't have very many questions; and
14 if you'd keep the answers brief and to the point, I'd
15 appreciate it. If I understand your presentation
16 correctly, you showed revenues, annually generated revenues
17 today, of 193 million?

18 MR. LARSON: Yes. That's our best case.

19 MR. THAR: Okay. That is taken off your best
20 case scenario, not your most likely; is that right?

21 MR. LARSON: That's correct. This is Kevin
22 Larson.

23 MR. THAR: Second, you've mentioned your letter
24 of intent with the City of Hammond. There's been a lot of
25 controversy over an amended letter of intent. Could you

1 please list for the Commission members what the original
2 letter provided, what the amendments to it have been?

3 MR. BAYT: Yes. Phil Bayt. In June of this
4 year, when finalizing our part two, we took a look at the
5 local benefits package because of a change in the industry
6 and a change in the law, and we attempted to rework our
7 benefits package to keep the same or better benefits, but
8 to capture the change in the industry and the change in the
9 law. In 1993, riverboats in Illinois were all charging for
10 parking. In 1995, no one in Illinois was charging for
11 parking. Our letter of intent contained a provision for a
12 local benefit based upon so many dollars per car. Since we
13 couldn't charge that and since we wanted to have a free
14 flow of traffic through the parking garage, we wanted to
15 make sure that we captured that same local benefit for the
16 community. So instead of a 3 percent overage on gross
17 revenues, we bumped that to a 4-6-4 percentage in lieu of
18 the parking charge, and that provides the same benefit at
19 our mid case and a greater benefit to the local community
20 at the upper case.

21 MR. THAR: Could you explain what 4-6-4 means?

22 MR. BAYT: Yes. 4 percent -- instead of 3
23 percent across the board of gross revenues, 4 percent of
24 gross revenues up to 125 million dollars of gross
25 revenues -- gross gaming revenues, 6 percent between 125

1 million and 200 million, and 4 percent above 200 million.

2 In 1993, when we put our benefits package together, we
3 expected that the taxes on our vessel, the Empress III,
4 would be about 50 to 60 thousand dollars a year at the
5 marine tonnage rate. In 1995, due to a change in the law
6 in 1994, our boat, the Empress III, was going to be taxed
7 as real property and at real property tax rates, which
8 would be a property tax annually of somewhere north of a
9 million dollars, a million-one, million-two, maybe
10 somewhere in there. And as a result, we restructured our
11 benefits package to provide the same level of benefits as
12 we did in 1993, and we filed our amendment in that respect.

13 After the filing of that amendment -- and we
14 coordinated with the City on that filing. But after that
15 amendment, members of the local government, including
16 members of the Common Council, became concerned about those
17 changes, and they asked us to explain -- the Council in
18 particular asked us to explain those changes. In the
19 course of doing that, the Council members made it clear
20 that it should be a business risk of the gamer and not the
21 community, that a change in the tax law would impact the
22 gamer rather than the community; and that is certainly a
23 business decision. And the owners of Lake Michigan
24 Charters agreed with that business decision as put forth by
25 local government leaders. And as a result, we withdrew the

1 request with respect to the restructuring of the tax
2 component. So our benefits package now is what it was in
3 1993 with respect to taxes, plus obviously the obligation
4 to pay real property taxes on the boat that's in the law
5 now.

6 MR. THAR: Is that amendment what has caused or
7 seems to have caused, at least in part, a partial
8 withdrawal of support from the Council for Empress?

9 MR. BAYT: We had a meeting of the Common Council
10 on the issue where we explained the matter to the Common
11 Council, and our endorsement by the Common Council remains
12 intact.

13 MR. THAR: There's been a lot of press and
14 controversy over the role of Jim Bennett with the City as
15 to whether or not he's an Empress employee or being paid by
16 Empress. Could you answer that question as to whether or
17 not he is, and what the role, the relationship between
18 Empress and Jim Bennett has been?

19 MR. BAYT: Yes, Mr. Thar. Jim Bennett is a
20 member of the Hammond Riverboat Group. He's employed by
21 the City of Hammond, not by Lake Michigan Charters. In
22 1993, in the letter of intent, Charters agreed to pay the
23 City's reasonable gaming expenses because the City was not
24 financially in a position to pay those expenses. As a
25 result, Charters has received numerous invoices from

1 Mr. Bennett and the Hammond Riverboat Group, from the law
2 firm of Baker and Daniels, and from a variety of law firms
3 in Hammond and other professional companies that all have
4 worked on behalf of the City of Hammond. Lake Michigan
5 Charters has reviewed those invoices, sent them on to our
6 bond trustee. The bond trustee has approved payment.
7 Those invoices were also sent to the city comptroller. The
8 city comptroller approved those payments. We have
9 obviously kept records. We have the invoices. We have the
10 checks. And we've provided those to anyone who has had
11 interest in looking at those numbers.

12 MR. KLINEMAN: One quick question: After this
13 Commission passed its resolution in September of '93, was
14 there any talk of abrogating the letter of intent on the
15 part of Empress or on the part of the City and open the
16 proceedings up, since I believe your letter of intent
17 predated our resolution?

18 MR. BAYT: It did; it did. No, we did not
19 discuss with the City nor did the City discuss with us that
20 issue. We believe, of course, it's important to understand
21 that the Commission makes the decision, not the local
22 government; and we respect that situation. And I think
23 it's also important to understand who competed, who had an
24 open process. And those are issues that you're going to
25 have to address with the City in their City presentation.

1 MR. KLINEMAN: Okay. Anybody have anything
2 further?

3 MR. LARSON: Chairman Klineman, if I could
4 provide a point of clarification to a very early question
5 relative to the hotel development. I just would like to
6 point out that in fact we have committed to 25 million
7 dollars of additional non-gaming development for Hammond.
8 That was an element of our letter of intent going back to
9 1993. It's also contained in our application. I just
10 wanted to point out relative and in the context of the
11 hotel discussion that we had, that we have committed to 25
12 million of additional development, and the financing for
13 that 25 million is in place today. So I just wanted to
14 make sure that we had that.

15 MR. KLINEMAN: Okay. And this is the development
16 where you haven't decided exactly what it will be, but it
17 is a firm commitment that it will in fact happen over some
18 period of time?

19 MR. LARSON: Yes. In fact, it will happen over a
20 period of the first four years of our license, to the
21 extent that we're granted one. I'd also like to point out
22 there is one element that we'd like to suggest be
23 segregated, and that would be that 5 million dollars of the
24 25 million be directed towards housing in the Hammond
25 community. This would be for market rate housing in the

1 community. We'd like to be able to work with financial
2 institutions in the area to be able to put together an
3 effective program in that regard.

4 MR. KLINEMAN: Explain that real quick to me.
5 You're talking about you would make money available to make
6 mortgages to low income people or something, or you would
7 give 5 million dollars to build houses for people to live
8 in?

9 MR. LARSON: Phil, if you would.

10 MR. BAYT: Phil Bayt. No, the Hammond economic
11 strategy study identified a variety of visions for the City
12 of Hammond. That study was just done recently. And one of
13 those visions was for development along Indianapolis
14 Boulevard, which is consistent with our 1993 plan. But in
15 addition, it called for the revitalization of downtown and
16 noted that the housing stock in Hammond is getting quite
17 old, and there haven't been a lot of new opportunities for
18 housing in Hammond. We're going to have 1,234 good paying
19 jobs with good -- with well paid employees who are going to
20 want to live in good housing in Hammond. We're committing
21 that 5 million of the investment is going to be in housing,
22 either by way of houses that we will help build and sell or
23 mortgage money that would be available, or some variety of
24 components so that we can revitalize the housing stock of
25 Hammond.

1 MR. KLINEMAN: Okay. But that would not be an
2 outright grant? Basically it would be making available
3 mortgage money of some sort?

4 MR. BAYT: It would not be a grant. It is an
5 investment in the community in order to grow the economy.

6 MR. KLINEMAN: Anybody else have anything?

7 (No response.)

8 MR. KLINEMAN: What is your pleasure? It's now
9 quarter of 1:00. We were supposed to finish at 12:00 and
10 come back at 1:00. Should we come back at 1:30 or do you
11 want a full hour?

12 (Discussion was held off the
13 record among Commission.)

14 MR. KLINEMAN: Okay. Then we will -- thank you
15 Mr. Larson and Mr. Sabo for the presentation. And we will
16 then recess until 1:30, at which time we will have the City
17 of Hammond. Thank you.

18 (Proceedings were adjourned
19 for lunch recess at 12:45 p.m.)

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STATE OF INDIANA)
) SS:
COUNTY OF PORTER)

REPORTER'S CERTIFICATE

I, RUTH GRISSMAN, a duly qualified stenotype reporter and duly authorized to administer said oath, do hereby certify that the foregoing proceedings were had before me on Wednesday, October 18, 1995, at the Hammond Civic Center, 5825 Sohl Avenue, Hammond, Indiana.

I further certify that I then and there reported in machine shorthand the proceedings so given at said time and place, reduced the same to typewriting from my original shorthand notes, and that the foregoing is a true, correct, and complete transcript of said proceedings.

IN WITNESS WHEREOF, I hereby affix my name and seal this 22nd day of November, 1995.



Ruth Grissman,
Shorthand Reporter
My Commission Expires 4-30-99

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION

OCTOBER 18, 1995

BE IT REMEMBERED that the following
proceedings were had before me, TERESA D.
THOMPSON, Court Reporter, on October 18, 1995,
at the Hammond Civic Center, Hammond, Indiana.

KAREN M. PRICE & ASSOCIATES
COMPUTER-ASSISTED REPORTERS
P.O. BOX 11270
MERRILLVILLE, IN 46411
(219) 756-0702

APPEARANCES:

On Behalf of the Indiana Gaming Commission:

ALAN I. KLINEMAN, Chair

ANN MARIE BOCHNOWSKI, Vice-Chair

JOHN J. THAR

THOMAS F. MILCAREK

DONALD VOWELS

ROBERT W. SUNDWICK

DAVID E. ROSS, JR., M.D.

ROBERT SWAN

On Behalf of the City:

DUANE DEDELOW, Mayor, City of Hammond

JAMES M. BENNETT

DON THOMAS

JOE SCIMIA

ROCHARDA MOORE-MORRIS

STAN DOSTATNI

THOMAS FROEHL

DAVID L. JOHNSON

1 MR. DEDELOW: Members of the Indiana
2 State Gaming Commission, Director Thar,
3 Mr. Hannon. Thank you for being here this
4 afternoon, as well as gamers and ladies and
5 gentlemen in the audience.

6 It is indeed a pleasure for the Hammond
7 team to be here today; we have looked forward to
8 this occasion for years. We are here to share
9 with you our vision for Hammond within this
10 vision. We are going to explain what is
11 important to Hammond, and further, we will share
12 with you the reasons why one gaming operator has
13 been recommended as the best suited to help us
14 achieve our vision.

15 To successfully build Hammond's future, we
16 have to have a clear vision of that future.
17 First of all, I think it is important to
18 understand the context of this project by giving
19 you a brief overview of Hammond. Hammond is a
20 very urban heavily industrial city; to the west
21 less than thirty minutes away is the great City
22 of Chicago. Along our southern border is
23 Interstate 80/94, the second most heavily
24 traveled freeway in the U.S. The Indiana Toll
25 Road and the Chicago Skyway swing very close to

1 the lakefront.

2 To the east are the cities of Gary and East
3 Chicago, also selected is riverboat sites at the
4 lake, and to the east you can see the great
5 steel mills of the region. Several of Hammond's
6 key employers are also located on the lake.
7 Next to the marina is the Waterford Fishing
8 Plant, the source of drinking water for Hammond
9 residents and the source of considerable revenue
10 for the city as we market it to communities
11 further south.

12 Beyond the geography, what is Hammond like?
13 We are a city of distinctive neighborhoods,
14 diverse ethnic backgrounds, and strong citizen
15 participation. Volunteers of all ages are one
16 of our most valuable resources. We know how to
17 create partnerships and make them work. Our
18 Partners in Education Program have received
19 international recognition, business and
20 government leaders work side by side with our
21 colleagues, neighborhood organizations, and
22 churches to plan for everything that we do.
23 Whether it is Stop The Violence March or
24 creating an economic develop plan. With
25 lakefront development and gaming we are looking

1 to a package that addresses the areas most
2 important to the city of Hammond. Economic
3 development, community development quality of
4 life, and public health and safety.

5 What are the priorities for Hammond as they
6 relate to gaming and to these broader city-wide
7 goals? First of all, we must have control of
8 our lakefront. Until recent years we have
9 overlooked the recreational potential of this
10 area, the beach was, in fact, known as Beer Can
11 Beach. Many of our citizens have never been to
12 the lake, there was little reason to go unless
13 you work there. In the late 1980s we invested
14 twenty-four million dollars to build one of the
15 largest fresh water marinas in the U.S. A
16 priority in the development was to make the
17 lakefront as accessible to the public in every
18 sense of the word.

19 The marina area is visited by several
20 hundred people daily to fish, walk, bicycle,
21 jog, take pictures and just enjoy. The marina
22 is home to a scuba diving program to study Great
23 Lakes environments, an educational center that
24 has taught thousands of school children about
25 the Great Lakes, and an adapted sailing program

1 for those who are physically challenged.

2 As we continue to unlock the economic
3 potential of the area, we must remember that it
4 still belongs to the citizens of Hammond. The
5 City of Hammond intends to secure the best
6 economic package of benefits possible, and to
7 maximize those financial benefits from this new
8 development, which we believe is located on one
9 of the most outstanding sites available in this
10 country.

11 The Lakefront development must be a
12 carefully planned development. It is important
13 that we build a foundation that is as good for
14 the future as it is for the present. The
15 development must respect the integrity of nearby
16 neighborhoods and of the environment. The
17 revenues generated by the marina must be used to
18 benefit all Hammond's Citizens, all
19 neighborhoods. Only with equitable distribution
20 will the whole city gain in strength and
21 vitality.

22 This project must be entered into as a
23 partnership. We must be part of a decision that
24 is going to dramatically impact our city, and we
25 want a rapid start. But we also know what it

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means to persevere through challenges and obstacles, discussion, debate and compromise. I would like to site three recent examples of our determination, vision, and tenaciousness.

Lear Seating is a new employer committed to providing at least half of its three hundred plus jobs to Hammond residents. Lear Seating was down to a short list of potential sites before our economic development team even learned of the proposed economic facility. To make a long story short, despite a late start and in spite of the determination of other cities vying for this investment, including Chicago, Hammond landed the plant and its jobs. It is done.

The downtown overpass is also done. Only a few weeks ago we celebrated the completion of an overpass in downtown Hammond that solved problems dating back more than a hundred years. It is an important component of our downtown revitalization plan through changes of design, off again on again funding, and even local naysayers. We put the fast track on about a year and a half ago and it is done.

Thirdly, the Hammond Federal Courthouse is

1 slated for occupancy in 1997. This courthouse
2 has been challenged in every way imaginable; by
3 the courts, in the U.S. Congress, by our
4 northwest Indiana neighbors, by the judges who
5 would preside there. It was even removed from
6 the federal budget in a process that appeared to
7 be final.

8 But again, our citizens came together and
9 held on. Business and government leaders,
10 church groups and individual citizens did not
11 let up and continued to wage a battle one blow
12 at a time. The courthouse is coming, it to will
13 be done.

14 So my point is that even with the
15 challenges to this lakefront project, which are
16 well known to the Gaming Commission, Hammond has
17 made tremendous progress one step at a time. We
18 are ready to accelerate that project through
19 this process this week. Together with our
20 preferred gamer we have met the challenges to
21 this project head on and we have come a very
22 long and winding way. Lake Michigan Charters
23 has the same kind of determination that is
24 needed to face challenges, stay the course, and
25 get the job done as a true partner.

1 We are pleased to present our progress
2 report today, and at this time I would like to
3 invite Dick Henry, a life-long Hammond resident
4 and businessman to say a few words. Thank you.

5 MR. HENRY: Good afternoon, my name
6 is Dick Henry, I am a resident and businessman
7 in Hammond, and past president and long-time
8 active member of the downtown Hammond Council
9 which represents many businesses.

10 After many years of hard times I am happy
11 to report that our downtown is poised and in the
12 midst of a comeback. Gaming on the lakefront
13 will only help our effort. Two years ago the
14 voters of Hammond faced a referendum as to
15 whether or not to have riverboat gaming in our
16 community. The Hammond Opportunity Committee
17 was formed to support a favorable vote. I
18 followed the open process the city went through;
19 requests for proposals, the public meetings with
20 the Mayor's Commission on Gaming, the
21 negotiations with the top three vote getters,
22 including members of the City Council. The
23 process was a credit to our city. When asked to
24 have the referendum committee, I said yes.

25 The response was overwhelming and the

1 support our committee received was tremendous.
2 Now the referendum was able to focus on whether
3 or not to have gaming and not on which of the
4 three candidates should be given a license. As
5 a private citizen I am not here to endorse any
6 candidate, however, I will tell you the process
7 the city went through in its endorsement process
8 gave us a specific plan. Lake Michigan Charters
9 had that plan, we were able to refer to that
10 plan while talking with Hammond residents during
11 the referendum.

12 The level of interest by so many people was
13 incredible. I can't begin to tell you the
14 number of people who expressed hope in this
15 opportunity. We continue to value the jobs that
16 our major industries, such as our steel industry
17 give us, but we cannot depend on those jobs like
18 our fathers had. Our citizens great interest
19 and hope was reflected on Referendum Day,
20 November 2, 1993 when more than 40 percent of
21 the registered voters cast their vote.

22 Our citizens turned out for a single issue
23 ballot and voted 65 percent to 35 percent in
24 favor of Hammond's opportunity. Collectively,
25 the city of Hammond and its citizens want a good

1 working relationship with the license holder.

2 In today's business world confidence and
3 trust goes a long way in building a solid
4 relationship. Our citizens want jobs of all
5 types. We want the license holder to hire local
6 people and to support local businesses, which
7 will create even more jobs. We want the
8 opportunity to develop Hammond to its full
9 potential for today's citizens and for future
10 generations.

11 Now, it is my honor to introduce one of the
12 Hammond Opportunity Committee's hardest workers,
13 President of the Northwest Indiana District
14 Council of Carpenters, Jim Hornak.

15 MR. HORNAK: Good afternoon, my name
16 is Jim Hornak and I am here to testify before
17 you today from three perspectives. First as a
18 native and current resident of the City of
19 Hammond, who along with other homeowners and
20 residents are damn glad to see this type of
21 economic opportunity come to our city.

22 Second, as President of the Northwest
23 Indiana District Council of Carpenters and
24 Millwrights representing over three thousand
25 union tradesmen and women covering over six

1 local unions in thirteen counties in northwest
2 Indiana. And finally and foremost as a
3 representative of the City of Hammond Commission
4 on Gaming which sifted through the applications
5 of numerous gaming companies wanting a license
6 in our city.

7 From all three perspectives I am excited
8 about this opportunity of development that will
9 not only put many resident union trades people
10 and carpenters to work, but also provide a
11 steady revenue stream to help rebuild our city's
12 infrastructure to compliment the renaissance we
13 feel the city is experiencing.

14 My role as a member of the City's
15 Commission on Gaming will be the focal point of
16 my presentation now, but I look forward to
17 addressing you later as a resident of Hammond
18 and also president of District Council of
19 Carpenters. The panel which consisted of
20 fifteen members met in August and September of
21 1993 at various public locations throughout the
22 city. The members consisted of representatives
23 from organized labor like myself.

24 Representatives from the educational
25 institutions from within the city,

1 representatives of the Robertsdale Neighborhood,
2 that neighborhood nearest where the gaming
3 development would be, representatives from the
4 City Council, the Port Authority and the mayor's
5 staff.

6 At these public hearings we heard from many
7 residents from throughout the city discussing
8 their wants, fears, and hopes from the riverboat
9 development. We were then given six
10 applications that the mayor's staff determined
11 were responsive to both the city and its
12 resident concerns and questions on this
13 proposal. The challenge the mayor put to our
14 commission was clear. Come up with the three
15 best applicants so that he, along with others,
16 can negotiate the best deal for the city.

17 We met in some marathon sessions in that
18 week following Labor Day in 1993, after which we
19 forwarded to the Mayor in no particular order
20 three candidates, Boyd, Mirage, and Lake
21 Michigan Charters. From there the Mayor and his
22 team negotiated the best deal for the city, and
23 that proves to be Lake Michigan Charters.

24 I want to tell you why some of the members
25 of the commission were opposed to gaming; some

1 only favored one applicant. In the end we
2 accomplished what the mayor challenged us to do.
3 That was listen to the residents, look at the
4 candidates, ask pertinent questions, deliberate
5 thoroughly, and recommended three.

6 While at that time I personally favored the
7 Mirage Group and their proposal, I was satisfied
8 and content that the mayor negotiated the best
9 for the city when he endorsed Lake Michigan
10 Charters. Two years later, as we all know,
11 Mirage is no longer interested in Hammond but
12 Lake Michigan Charters still is. They are still
13 here, still interested, still maintaining their
14 level of interest and contribution to our
15 community on a daily basis.

16 During the referendum of November 1993 and
17 since, I have had a chance to work with some of
18 the local representatives of Charter, and I can
19 say unequivocally and without reservation that
20 they have lived up to their word to me, that
21 there have been no labor disputes in any
22 proposal brought before me for construction.
23 They continue to be an active partner in the
24 community, albeit with no guarantees, and their
25 commitment to expediting any problem along the

1 way is unwavering. I feel they, Lake Michigan
2 Charters, want to be a partner of our community,
3 a user of local organized labor, and a true
4 partner of the City of Hammond's renaissance.

5 Our proof is via the fact that although
6 they have not had a promise or commitment of
7 success with this board, they have not hid their
8 heads in the sand until this great week for our
9 city. They still walk the walk, as we say in
10 the construction trades, continuing like some of
11 our leaders to deliver.

12 Thank you. It is with pleasure now that I
13 introduce Ms. Rocharda Moore Morris, the
14 Executive Director of the Department of Planning
15 and development. Thank you.

16 MS. MOORE-MORRIS: Good afternoon, my
17 name is Rocharda Moore Morris, I am the
18 Executive Director for the Department of
19 Planning and Development for the City of
20 Hammond. In my capacity, my responsibility
21 with the city is to coordinate the Department
22 of Planning, Economic Development, and
23 Community development, and to supervise the
24 staff that carries out the long range plans for
25 the Redevelopment Commission. Hammond's

1 lakefront project is a complex undertaking
2 requiring cooperation of federal, state, and
3 local agencies, and it must have the support of
4 the Hammond community.

5 I am happy to report that we have made
6 significant progress in order to bring gaming to
7 our lakefront. One of the primary issues that
8 had to be resolved was the proposed location for
9 the gaming operation. I want to emphasize
10 several issues that are extremely important in
11 regards to the site. We have a beautiful
12 location, a premier spot on the lake, but it
13 isn't large. Careful planning is crucial and we
14 must be sensitive to the interest that will be
15 affected by this development.

16 A significant of the land is already
17 occupied by industrial and commercial users. In
18 addition, our Hammond Water Filtration plant is
19 located here. The city remains committed to
20 maintaining public access to the lake and for
21 recreational purposes, as well as protect the
22 existing investment of our marina. Preserving
23 property values in the quality neighborhoods
24 surrounding the lakefront is of utmost
25 importance, and we are also interested in

1 protecting the unique migrant bird sanctuary.
2 Beyond that we are committed to being ready for
3 gaming. As you can see with these criteria, the
4 locations that can be developed for gaming is
5 very limited. The site Hammond has chosen is
6 approximately four acres. It is located on
7 property created by the water department in the
8 bed of Lake Michigan. Until recently the site
9 was owned by three entities; the Port Authority,
10 the Department of Water Works, and The State of
11 Indiana. Under the lakefront development plan,
12 this property will come under the jurisdiction
13 of the Hammond Redevelopment Commission. The
14 commission was chosen as a local agency to
15 oversee the gaming site for a number of reasons.

16 The Redevelopment Commission's role is
17 outlined in the state statute. It has the
18 responsibility for planning, replanning,
19 developing and redeveloping areas within the
20 city of Hammond in a manner that best serves the
21 interest of the city and its residents.
22 Consequently, the powers and laws applicable to
23 the redevelopment commission are flexible and
24 suited to this kind of development. The Hammond
25 Redevelopment Commission has undertaken many large

1 projects which have involved land acquisition,
2 complex finance arrangements with multiple
3 financing sources, and public/private
4 partnerships that generate revenue. The
5 commission has a distinguished track record
6 demonstrating the spirit of cooperation which is
7 required to bring us successful development as
8 quickly as possible, and with a thorough
9 attention to detail. We have received many
10 awards for excellent management as well as for
11 creativity in designing projects with broad
12 participation and benefit.

13 The commission can bring gaming to
14 Hammond's lakefront in a timely and responsible
15 manner. The Port Authority, the Department of
16 Water Works, and the Redevelopment Commission
17 have been working through a number of issues
18 that must be addressed in order to transfer the
19 gaming site to the Redevelopment Commission.
20 Although there are still few final actions that
21 need to be taken, the parties have reached a
22 working agreement that will allow these
23 transfers to occur.

24 In addition, the city has taken the
25 following steps to enable gaming operations to

1 operate on Hammond's lakefront. We have applied
2 for and secured the necessary permits from the
3 Department of Natural Resources. We are in the
4 process of attaining permits from the Army Corps
5 of Engineers. In addition, we are in the
6 process of attaining land patents from The
7 Department of Natural Resources. We have
8 commenced condemnation proceedings that will
9 allow the city to take immediate possession of
10 land and you ultimately own property needed to
11 construct an overpass.

12 We have entered into working agreements
13 with the property owners who are not subject to
14 pending condemnation proceedings that would
15 allow the city access to and ultimately
16 ownership of property needed to construct the
17 overpass. We have acquired the necessary
18 property rights and commence the construction of
19 necessary infrastructure. We have also
20 developed a plan for acquisition, annexation,
21 and rezoning of the property that will allow
22 gaming operations and the controlled development
23 of Hammond's lakefront. We have adopted
24 resolutions for the expansions of the
25 redevelopment area to include the area necessary

1 for gaming operations. And lastly we have
2 developed the documentation and a proposed
3 timetable for taking all actions that are
4 necessary to accomplish and finalize gaming.

5 As you can see the city has researched and
6 undertaken the necessary process that is
7 necessary in order to bring gaming operations to
8 Hammond's lakefront. However, the project
9 boundaries and development of the site cannot be
10 finalized until the actual gamer is selected.
11 In addition, several of the local agencies
12 awaiting to take final actions until the gamer
13 is selected. We eagerly await the decisions of
14 the Indiana Gaming Commission so that we can
15 finalize the remaining components of this
16 project.

17 Now I would like to introduce you to
18 Attorney Dave Johnson from Baker and Daniels who
19 will describe other issues that are crucial to
20 this project.

21 MR. JOHNSON: Thank you, Rocharda,
22 members of the commission, executor director,
23 thank you.

24 My name is David Johnson, and I am a lawyer
25 with the firm of Baker and Daniels. We have

1 served as special counsel to the City of Hammond
2 for the development of this exciting project
3 over the last two years. We have worked as
4 special counsel for the City of Hammond and a
5 number of other units for Lake County Government
6 really over the past decade but never on a
7 project as exciting as the one we are
8 considering today.

9 I am going to try to cover a great deal of
10 ground in a very short period of time and I know
11 that our schedules are increasingly compressed
12 because of time overruns today. It is an
13 occupational hazard for a lawyer to try to speak
14 quickly and cover a lot of technical details,
15 and subject to the Mayor's direction I will be
16 happy to answer any further questions you may
17 have on any of this material during our question
18 and answer session.

19 What I would like to talk about briefly is
20 to refocus on the priorities of the city that
21 the Mayor and Rocharda Moore-Morris have talked
22 about, to talk about the process that the city
23 itself has used to focus upon those priorities
24 and to organize them and to move ahead toward
25 riverboat gaming. To speak about the

1 partnership that the city has formed with its
2 endorsed gamer and try to realize those
3 priorities, and to give you a brief update along
4 the lines that Rocharda mentioned of the
5 progress we have made to date.

6 We are proud of the record, we expect to be
7 questioned on all of it, and want to establish
8 the groundwork for you in this presentation. As
9 the Mayor has mentioned, the city has several
10 priorities going into the consideration of
11 riverboat gaming; those priorities were control
12 of the lakefront. Hammond is proud of its
13 lakefront, it has spent a great deal of time and
14 effort trying to regain control of it from
15 private hands, it is a very limited, and as
16 Rocharda mentioned, a very precious resource,
17 and the city is determined not to have the
18 lakefront be overrun by any activity, including
19 riverboat gaming.

20 Additionally, the city has had a great
21 emphasis on the planned and focus development of
22 the marina and surrounding neighborhoods. The
23 Hammond Port Authority has done a marvelous job
24 in developing the marina project that you saw on
25 your visit to the marina the other afternoon.

1 It is a vital and successful project, the City
2 Port Authority, the Marina Commission have no
3 intention of letting that project, again, be
4 overrun by riverboat gaming. We believe that
5 the recreational activities and the Hammond
6 Waterfront are compatible with gaming, but
7 gaming needs to be held in balance. And it
8 needs to be part, a very significant part, but
9 still only a part of a focused plan for economic
10 development.

11 Additionally, there is concern that gaming
12 could overwhelm the surrounding neighborhoods,
13 again, if not properly developed. And more to
14 the point, the City of Hammond is concerned that
15 it does not want to mortgage its future solely
16 to riverboat gaming. While it is an important
17 activity, while it will certainly generate
18 resources and revenues for this community, The
19 City of Hammond has a vital economic development
20 plan, as articulated by the Mayor, which
21 includes many priorities besides riverboat
22 gaming. Riverboat gaming is a key, it is not
23 the only doorway through which the city intends
24 to pass through the future of economic
25 development.

1 Third, it is no secret that not only is the
2 lakefront a precious and prized resource of the
3 citizens of Hammond, it is a very valuable
4 potential gaming site. Its location close to
5 interstate highway access in the middle of a
6 densely populated area, the fact that the harbor
7 has been developed and protected and can
8 accommodate year-round riverboat gaming make
9 this a site that will be a very great success in
10 riverboat gaming activities. The City of
11 Hammond has been determined from the start,
12 without hesitation, without reservation that the
13 city should share in those benefits, not simply
14 in tax distributions but directly in revenue
15 sharing with the ultimately selected gamer.

16 The City believes that its fourth priority
17 that that sharing will best be accomplished
18 through the rapid start of riverboat gaming at
19 the Hammond Marina. The city is prepared for
20 it, it has been prepared for it for some time.
21 Again, it is no secret that riverboat gaming
22 will be coming elsewhere, specifically to the
23 west in Chicago, and it is important to take
24 maximum advantage of this opportunity at the
25 earliest possible time for the benefit of the

1 citizens of Hammond and indeed the citizens of
2 the State of Indiana.

3 Finally, in approaching riverboat gaming,
4 the city has been intent upon forming a true
5 partnership, a partnership not only with the
6 selected gamer but with this commission of which
7 the City has been respectful and mindful from
8 the very beginning and has sought to work
9 closely to accommodate the commission's
10 priorities. We believe you wanted to have a
11 competitive license process; we believe we have
12 given you that. We believe that you have wanted
13 us to develop good sight and the prospect for
14 successful operation, we believe we have given
15 you that. We believe we can continue to
16 demonstrate that throughout our comments today.

17 The City believed, very quickly, after the
18 adoption of the Riverboat Statute in July of
19 1993 that its priorities were more than an
20 academic concern. There was a invariable gold
21 rush of gamers that descended upon the site once
22 the statute was adopted. Each of them seeking
23 to tell the City of Hammond what were its best
24 interest, what its future should be. The City
25 had a very clear idea of what it wanted that

1 city so be and it also wanted to bring some
2 order to the process itself, and strictly set
3 out to find out which among the gamers were
4 really responsive to Hammond's views and
5 Hammond's needs. As Jim Hornak has mentioned,
6 the City issued a request for qualifications and
7 received eight responses from interested gamers.
8 Of those, six were deemed to be responsive
9 because they involved companies that had
10 substantial experience in the gaming business,
11 the other two did not.

12 Those six responses were then submitted to
13 the Mayor's committee, a broadly comprised
14 committee of public and private sector
15 interests, and business and neighborhood groups,
16 citizens groups, and individuals of which Jim
17 Hornak was a member, and that committee
18 proceeded to evaluate all other requests for
19 qualifications. The committee, after intensive
20 deliberation, conducted an open roll call vote
21 and on the basis of accumulated voting
22 recommended three candidates to Mayor Dedelow
23 without priority.

24 The Mayor, in consultation with his staff
25 and other representatives, and also in

1 consultation with members if the Hammond Common
2 Council, then proceeded to interview in detail
3 each of the recommended gamers, asking each
4 gaming company exactly the same standard
5 questions and seeking through dialog to develop
6 true answers. Out of that process the City
7 emerged with a clear favorite, Lake Michigan
8 Charters, for reasons that we will go into in a
9 moment.

10 But it was very productive process and we
11 believe it was productive for all that
12 participated in it. I want to stop for a moment
13 to talk about one legal matter, and that is what
14 happened next with respect to the Letter of
15 Intent. Mr. Thar raised some issues about that
16 this morning and it is probably an important
17 point to tell you what the city did do and what
18 the city did not do in September of 1993.

19 The city believed it was important because
20 it had a project on which to develop, to have a
21 partner in that development. So it entered into
22 an endorsement of one gaming company. It was an
23 endorsement agreement, it contained a broad
24 package of promises and benefits, it stressed
25 the city's concerns for the project, it stressed

1 the city's desires to be sure that the project
2 made maximum use of local and unionized labor,
3 paid prevailing wage rates, and made extensive
4 use of minority and women-owned business, and
5 generally met all of the priorities that the
6 City brought to the riverboat gaming process.

7 However, what the agreement did not do,
8 unlike in some of the other sites the commission
9 has considered, was to transfer any title, any
10 rights, any interests in any land to any private
11 party. The City believed it was very important
12 for the City to retain control of the waterfront
13 and to retain that control in its own name in
14 its own hands. Some of those reasons, probably
15 all of them, were self interested but some of
16 them, particularly, were self interested because
17 the city desired to maintain maximum leverage
18 until such time as a final development agreement
19 could be negotiated. The city wasn't sure where
20 gaming was heading but it seemed to be
21 developing along a very productive and
22 potentially profitable path. The Mayor was very
23 satisfied and we believe the council was
24 satisfied with the deal that was negotiated in
25 September of 1993. We also believe that the

1 deal might very well be able to be better, and
2 that at such time as this commission met and
3 awarded a Certificate of Suitability, we would
4 have a better sense of what the possibilities
5 were and a full development agreement could be
6 entered into.

7 I would not hesitate to say that I think
8 that that presupposition proved to be correct
9 and the City was wise to wait until now to
10 enter into any agreement that would change
11 anything having to do with title to the
12 property at the Hammond Marina.

13 Furthermore, this Letter of Intent was
14 adopted on September 20, 1993. It preceded the
15 adoption of the Commission's resolution
16 1993-10. In fact, the negotiations for this
17 Letter of Intent were undertaken at the same
18 time the Commission was having its initial
19 organizational meetings. The city appreciated
20 the Commission's concerns over jurisdiction
21 this matter; the city appreciated the
22 Commission's desires that the process here that
23 you are about today be competitive and that it
24 allow many applicants to pursue the license.
25 Again, it seemed to be the most prudent course

1 for the City of Hammond to have an endorsement
2 agreement but not to tie the commission's hands
3 in the award of the license by mortgaging,
4 selling or transferring title or interest to
5 property, and that is what we did.

6 The final chapter remains to be written,
7 the City is prepared to negotiate the
8 development agreement with full consultation of
9 all the affected agencies of the Common Council
10 as soon as this commission awards a Certificate
11 of Suitability. One other thing I would
12 mention in the process is that we believe the
13 City has remained open to all of the gaming
14 companies, the city has had good relations with
15 all of the gaming applicants before you here
16 today. It has been a good strong working
17 relationship with everyone, and we believe,
18 although we certainly can't prove it, that the
19 extent, vigor, and the energy of the
20 competition for license you see today indicates
21 that your desires for competitiveness have been
22 fulfilled.

23 The city did endorse Lake Michigan
24 Charters; the city does endorse Lake Michigan
25 Charters. The city has believed from the

1 beginning that lake Michigan Charters has been
2 the first, and in many cases, the only gaming
3 applicant to focus exclusively on Hammond, to
4 seek no license anywhere else in the State of
5 Indiana, but to seek to develop a very
6 successful facility in Hammond, in their case
7 based upon equal success in Joliet, Illinois,
8 which we also feel were directly applicable to
9 this circumstance here.

10 The City believes Lake Michigan Charters
11 was actually truly the applicant most willing
12 to commit to all of the city's programs,
13 priorities, and desires for riverboat gaming
14 without reservation. Whether it had to do with
15 the construction of the overpass, the
16 assistance with the shortfall in marina bond
17 payments, which were of critical importance to
18 the city and remains so, whether it had to do
19 with the referendum or with beginning to
20 develop the concepts and the plans for the
21 overpass, in all of these areas Lake Michigan
22 Charters stepped up to the plate without
23 reservation, with a commitment to do whatever
24 it took to get the job done. I don't mean to
25 imply by that that the other developer

1 applicants were not interested, and in many
2 cases willing to make a very strong commitment,
3 what I do mean to say, Lake Michigan Charters
4 was willing to commit without reservation.
5 Lake Michigan Charters was also willing to
6 pledge a package of benefits similar to its
7 commitments that were second to none. We
8 believe that Lake Michigan Charters continues
9 to pledge a package of benefits that is second
10 to none as you have seen here this morning.

11 Finally, Lake Michigan Charters was
12 willing to act and did act. It acted to work
13 with the city to assemble the parcel, to work
14 on the planning and development of the
15 overpass, to work on the permitting issues and
16 environment issues that attend a project like
17 this, and generally to order the boat, which
18 they did the moment the endorsement came in.
19 Every aspect of this project that we asked for
20 their cooperation on, we received it. That
21 cooperation, candidly, became all the more
22 remarkable the longer this licensing process
23 has continued. For more than a two-year period
24 Lake Michigan Charters has been willing to
25 focus, commit, pledge, and act with no

1 guarantees, with no guarantees of receiving the
2 license, with no guarantees of being
3 reimbursed, the substantial out-of-pocket
4 expenses they incurred, and we believe that
5 many of those expenses reflect city priorities
6 and city interests and not the propriety
7 interests of any gamer.

8 They have been willing to act, frankly,
9 during one particularly tough period during
10 1994 when it looked as though we might not have
11 riverboat gaming at all depending on the
12 decisions of the Indiana Supreme Court. It has
13 been a successful partnership, and we believe
14 the city has been able, through this
15 partnership, to succeed in developing a very,
16 very viable project. There have been some
17 questions raised, and we expect more to be
18 raised by this commission over what we have
19 been doing for these two years awaiting this
20 particular day. Rocharda has mentioned some of
21 the things we have done, and again, I would
22 like to put them in a final perspective before
23 returning the platform back over to Mayor
24 Dedelow.

25 The city has made progress in six critical

1 areas toward developing this project. First
2 with respect to planning, the city has
3 developed a comprehensive plan for the
4 acquisition, annexation, zoning and development
5 of all of the parcels and all of the various
6 aspects necessary to make this an immediately
7 viable and successful project. The city has
8 also been willing to entertain additional
9 concepts and ideas for retail, hotel, and other
10 types of development, but those have not been
11 the primary focus. The city has been primarily
12 focused on gaming activities themselves and
13 those plans are ready to go. The permits for
14 those plans are also largely ready to go. The
15 city in its own name has received the DNR
16 Permit for the project. We believe, although
17 we cannot prove, that we came close to being
18 able to receive the Army Core of Engineers
19 permit for the project once this commission has
20 made its decision and once fewer issues are
21 resolved with the Army Core Engineers.

22 With respect to environmental matters,
23 Phase 1 assessments on all affected parcels are
24 complete. Phase 2 assessments are also
25 complete or in process or required, and the

1 good news here is that environment or
2 remediation requirements are minimal. This is
3 a good site; it is a clean buildable site; it
4 is a site that is prepared for gaming activity.

5 With regard to land, again I mentioned the
6 importance of city ownership and control of all
7 of the land required for this project, with a
8 couple of exceptions today, is in the hands of
9 the City of Hammond, and in the name of the
10 City of Hammond I should also add. With
11 respect to its several outstanding eminent
12 domain matters, those have either been
13 successfully resolved or in the final appraisal
14 or court ordered stage, and we expect their
15 final order expeditiously. With regard to all
16 of the railroad tracks that all of us can see
17 affect this project, the city has either
18 definitive agreements or good working
19 agreements with all of the railroads for the
20 relocation of tracks where required, or for the
21 necessary easements or air rights, with one
22 exception, and with respect to that exception
23 the City has had a good working agreement to.
24 the extent that working agreement is not
25 successful, the city is prepared to, and has,

1 in fact, begun the process for eminent domain
2 proceedings.

3 With regard to the overpass, which has
4 been emphasized by all of the gaming applicants
5 to you as important, it is, it is vital.
6 Without it gaming activities really cannot
7 commence on the waterfront. The overpass is
8 planned, the plans are in place, the easements
9 are in place. Many structural components, the
10 H-pilings have been ordered for the overpass.
11 The overpass, we believe, and have independent
12 reason to believe, can be built on a very rapid
13 basis. All of your gaming applicants have told
14 you that, we can confirm it. We have consulted
15 with the independent engineering firm of
16 Cordino Associates -- or the Cordino Group,
17 rather, based in Louisville and Indianapolis,
18 and their opinion as to how quickly the
19 overpass can be constructed. Cordino has not
20 had access to all of the permits and all of the
21 information that we have with regard to the
22 project, but the answers they have given us are
23 that the overpass can certainly be built in
24 less than a year. And if indeed we are in the
25 situation we, in fact, are in with regard to

1 permits and other aspects of readiness, that
2 this overpass can be built within a nine-month
3 period or less.

4 With regard to other infrastructure
5 matters, the city has worked with the
6 Robertsdale List Station, and that improvement
7 is complete. The Sewage Works necessary to
8 serve the site are also complete, and the fuel
9 tank relocation for the port authority also is
10 in the process of completion.

11 The city is prepared, the city is very
12 eager to receive the license. We have taken
13 this process about as far as it can go without
14 knowing who the selected gamer will be. We
15 have an obvious and very definite preference as
16 to whom you give the license to; we would ask
17 for the speedy deliberation of this gaming
18 commission and for the speedy award of the
19 license.

20 Now, I would like to turn the podium over
21 to Mayor Dedelow, who has some final comments
22 on the endorsement process and on the outlook
23 for things to come. Thank you.

24 MR. DEDELOW: You have heard the
25 story Dick Henry described about the readiness

1 of the community for this development. Jim
2 Hornak emphasized the importance of these jobs
3 to our city. Rocharda Moore-Morris have
4 described the capability of the Redevelopment
5 Commission to complete the job. David Johnson
6 has given you the rundown of the contractual,
7 legal, and countless other details that have
8 been completed. I have here a binder which is
9 on the table that has a paper trail that shows
10 what we have accomplished. We are ready to
11 compile another and another such binder until
12 this project is completed with the greatest
13 possible speed.

14 As a community we have been looking to the
15 opportunity that will best help us reach our
16 goals. We are looking for the gaming partner
17 who understand our broad economic development
18 plan for the community and who understands how
19 gaming can help us reach our objectives. Just
20 as we had brought representation on the
21 referendum committee, the City's Gaming Review
22 Committee on the Robertsdale Development Plan
23 Committee, and for all other plans we have
24 developed we will also have the same broad
25 representation on the oversight team that will

1 work with our licensed gamer to develop the
2 lakefront. All voices will continue to be heard
3 as we develop this project. Our gaming partner
4 needs to understand that. We are looking
5 forward to the revenue that will allow us to
6 improve our aging infrastructure, streets,
7 curbs, sidewalks in all neighborhoods. We are
8 looking forward to the revenue and the partner
9 with the vision who will help us complete our
10 marina and lakefront development. We are
11 looking forward to revenue that will help us
12 strengthen public safety programs, resolve our
13 debts, maintain and expand our parks and
14 recreation programs, and provide for many other
15 needs throughout the city.

16 We look forward to financial support from
17 many organizations to provide valuable programs
18 and services to meet the needs of the Hammond
19 citizens; children, adults, and senior citizens.
20 This revenue will help them provide more
21 services and to reach more people. We look
22 forward to the new jobs this development will
23 bring for women and minorities, for union
24 workers, for citizens of Hammond and northwest
25 Indiana. We look forward to the beautiful

1 addition that will draw thousands of visitors to
2 the lakefront and to the rest of our unique and
3 welcoming city.

4 We look forward to achieving all these
5 goals in partnership with Lake Michigan
6 Charters. Why did we name Lake Michigan
7 Charters our preferred gaming operator? For the
8 reasons that David just outlined. We believe
9 that the partnership of Lake Michigan Charters
10 will best allow Hammond to begin successful
11 gaming at the earliest possible time with a well
12 conceived, well-managed operation. Charters is
13 a partner that shared and was willing to work
14 within our vision of what gambling should and
15 should not represent for our city's future.

16 From the beginning Charters has, number
17 one, demonstrated the commitment to get a boat
18 in the water first; two, offer the best
19 financial package overall; three, provided the
20 most substantial penalties for delays; four,
21 provided the needed financial backing; five,
22 demonstrated the strength and experience in the
23 construction field; and six, was willing to
24 enter into a strong Letter of Intent that
25 supported our vision for Hammond.

1 Additionally, Lake Michigan Charters is a
2 proven company, one that has tremendous
3 experience and expertise necessary to make this
4 a premier operation. Lake Michigan Charters, as
5 the city's endorsed applicant, has lived up to
6 its promise to work with the city, to bring
7 gaming to an early and successful start. The
8 last two years of waiting for these hearings
9 have not been easy for ones us, but as you can
10 see with our substantial package of documents we
11 have not been merely waiting, we have been
12 making progress one step at a time.

13 Lake Michigan Charters has been a good
14 partner through all of this, whatever support
15 has been needed, whether the support be
16 financial backing, specific expertise or simple
17 perseverance. We have come this far because of
18 their support and understanding of the need to
19 be ready. Our endorsement of Lake Michigan
20 Charters has never been a negative statement in
21 regards to other gaming applicants, but the fit
22 with Charters has always been the right fit from
23 the start. They have demonstrated this time and
24 time again, they have stayed the course, they
25 have been a partner. We are eager and ready to

1 complete this project, but we want to be able to
2 say much more than it is done. We want to be
3 able to say it is done and it couldn't have been
4 done any better. I am excited about this
5 opportunity to build Hammond's future, and all I
6 can say now is let's get on with it. Thank you.

7 MR. KLINEMAN: Thank you, Mayor. I
8 have been asked to give the parties a chance to
9 realign themselves for the question and answer
10 period, so we will take a couple of minutes or
11 a thirty second break.

12 (A recess was taken.)

13 MR. KLINEMAN: I will start off. I
14 have heard how your process went, my only
15 question is the question I think I posed this
16 morning. After we passed our resolution in
17 1993, was there any thought to abrogating your
18 Letter of Intent or whatever had been done and
19 then to go forward in any other means since you
20 have absolutely, as we did basically, nothing
21 against answers as to how exactly things ought
22 to be done.

23 The question, I guess, occurs to me
24 whether or not the opening of the process might
25 not have resulted in additional benefits to the

1 city.

2 MR. DEDELOW: Certainly, Mr. Chairman
3 when the gaming commission passed the
4 resolution the city did discuss that
5 possibility very briefly, but then we decided
6 that because of the process that we went
7 through believing that it was fair and open and
8 leading to good competition between gaming
9 companies, we felt that our package of benefits
10 we received was very good for the city. And
11 knowing we would be back here before the gaming
12 commission sometime in the future for you to
13 award the license taking everything into
14 consideration, we felt that going through the
15 endorsement process once again would not be
16 productive.

17 MR. KLINEMAN: One of the reasons I
18 asked that is because there were other
19 instances, and this may not apply to Hammond,
20 where the location, the local groups were
21 pretty far down on the road, and as a result of
22 our resolution, I am rather proud of it. They
23 then took a brief recess, so to speak, and came
24 back, and the benefits -- the direct benefits
25 to the local community were enhanced many fold

1 from what had previously been proposed. I
2 guess my question is: Do you feel that you
3 have got the best possible agreement based upon
4 your Letter of Intent?

5 MR. DEDELOW: I believe that seeing
6 the presentation that we have this past two
7 days that the benefit package has been
8 substantially increased and I would say that
9 the initial endorsement and going with charter
10 service was to move and push the process
11 forward and gain progress during there past two
12 years. Knowing, again, that we would be before
13 the gaming commission to have the gaming
14 commission make the ultimate decision on who
15 gets the gaming license. I think it has been
16 proven out through these hearings that through
17 this process the gamers have increased the
18 benefit package to our community. And to
19 answer your question, in short, yes, I believe
20 the City of Hammond through our entire process,
21 not only our initial endorsement, but also
22 going before the gaming commission have given
23 or will give us the maximum benefit package
24 when we get and start talking about the final
25 development agreement which will encompass

1 everything and the benefits that the city will
2 realize.

3 MR. KLINEMAN: Going back to 1993, we
4 have been trying to establish who first decided
5 that the 4.7 acre was the only location and
6 only part of your waterfront that was to be
7 used for gaming operation. Was it Charters or
8 was it somebody in this city?

9 MR. DEDELOW: It was the city in
10 consultation with community members. As it was
11 pointed out earlier we have a very, very small
12 lakefront so far as mileage wise. And it was
13 felt, specifically in Robertsdale, that we
14 wanted to preserve as much of the lakefront
15 that we had for open space for community and
16 family enjoyment. So we proceeded to try to
17 protect not only that open space but also to
18 try to confine the gaming in a certain area so
19 the development was at least in one area so it
20 would enable not only for open space but it
21 would allow for the marina to operate as a
22 marina and not interfere with the marina and
23 the boating public.

24 MR. KLINEMAN: As I have viewed it
25 and this is the only time I have been out there

1 was the other day when you were nice enough to
2 show us around, the public has access to the
3 bird sanctuary area, the NIPSCO property, so to
4 speak, but as far as the rest of the quote
5 waterfront, that is really already occupied, is
6 it not? It is either occupied by the marina or
7 by the parking lot, we are talking about the 4
8 acres, or by the water infiltration plant,
9 there is nothing else.

10 MR. DEDELOW: Certainly the area
11 which is the NIPSCO property which is part of
12 the migrant bird trap is the rest or a large
13 part of the remainder of the lakefront on our
14 shoreline of Lake Michigan. However, we do
15 also have property that is directly south of
16 that area, south of the shoreline that can be
17 developed, and we envision, can be made into
18 parks and the like for public enjoyment along
19 with being in conjunction and compliment with
20 the migrant bird trap.

21 MR. KLINEMAN: Just directly south of
22 the migrant bird area, or south gets into the
23 railroad tracks?

24 MR. DEDELOW: Well, the railroad
25 tracks are going to be consolidated and there

1 will be a certain area just west of the -- or
2 excuse me, south of the migrant trap that is
3 going to be able to be made into public green
4 space and open space for public enjoyment.

5 MR. KLINEMAN: That is the question I
6 think that has been coming up, based upon just
7 the feel for the thing, pushing the gaming
8 operation into that 4 acres really shortchanges
9 what could be a better economic package. And
10 that is what I am talking about, I not talking
11 about trying to take anybody's recreation away
12 from them or their ability to fish. What we
13 are trying to do is maximize the economic
14 benefits for Hammond and for the state, and if
15 you limit the development of certain areas and
16 don't allow some expansion you lose jobs on
17 maybe the additional construction. Obviously
18 you lose jobs on the operation of some
19 additional facilities and so forth. I think
20 that is what we have been talking about.

21 MR. DEDELOW: Sure, Mr. Chairman, we
22 certainly appreciate that, we to are looking at
23 the maximum benefit package for the community.
24 Our approach has been taking all community
25 input and desires into the whole process

1 through what we have been going through this
2 past, almost two years. We wanted to put the
3 gaming on the lakefront, get it up and
4 operational as soon as we could, do something
5 that made sense for the lakefront and our
6 overall economic development plans, and then in
7 the future if the market determined it and
8 dictated it, we certainly would look to doing
9 over things such as a hotel or other economic
10 development to compliment what we had on our
11 lakefront.

12 MR. KLINEMAN: I guess I have a
13 feeling if you don't get it now, you may not
14 get it. I have heard people say that is later,
15 next phase, et cetera. They are very sincere
16 here today and mean everything they say but
17 still if you get a firm commitment today you
18 are going to be better off than a phased
19 commitment. Anybody else?

20 MS. BOCHNOWSKI: In your process, it
21 is my understanding you have brought a group of
22 citizens together, community leaders and
23 citizens to give you, maybe narrow down the list
24 of applicants to three, and then you would move
25 on from there. Who were the final choices of

1 that committee and were they in any particular
2 order?

3 MR. DEDELOW: The final choices out
4 of the six applicants that were brought before
5 the commission or committee, the final ones
6 were Boyd, Lake Michigan Charters, and Mirage.
7 The scoring was done on an accumulative total
8 with not specific ranking.

9 MS. BOCHNOWSKI: So do you know who
10 got highest accumulative total or would that be
11 misleading?

12 MR. DEDELOW: I would have to refer
13 that to Don Thomas, who was very involved in
14 that process, Don.

15 MR. THOMAS: Don Thomas, I am the city
16 planner, I was the chairman of the Mayor's
17 committee. There was a great deal of discussion
18 on whether or not the recommended gaming
19 operators would be ranked and that there was --
20 during committee meetings and it was determined
21 by the committee on a vote of -- they would not
22 be ranged but the votes were as follows: It
23 was -- actually we only heard from five of the
24 six operators did not attend. Carnival 1, Boyd
25 10, Lake Michigan Charters 9, Mirage 13 and

1 Gamma 3.

2 MS. BOCHNOWSKI: Thank you.

3 Following up on that, then, apparently those
4 three came to the Mayor's office and negotiated
5 with you; is that correct?

6 MR. DEDELOW: Yes, that is correct
7 with the --

8 MS. BOCHNOWSKI: What I am trying to
9 figure out is how you were able to -- how you
10 came to choosing Lake Michigan Charters above
11 the other two. Were there some hard and fast
12 rules, for example, Boyd basically has fit into
13 your plan as well as Lake Michigan Charters.
14 Was the Milwaukee Clipper something that was
15 absolutely required -- that would be the
16 beginning. Did they have to go along with the
17 Milwaukee Clipper's rehabilitation in order to
18 get your endorsement?

19 MR. DEDELOW: Initially, when we
20 entered into negotiations all the gamers, the
21 ones who were selected by the commission or
22 committee, were asked the exact same questions.
23 And we went down a list with these questions
24 and at the end we had accumulative totals of
25 what each gamer promised and that is how we

1 ended up endorsing Lake Michigan Charters.

2 MS. BOCHNOWSKI: What were your
3 requests?

4 MR. DEDELOW: In regards to the
5 Clipper itself, either David Johnson or Jim
6 Bennett can answer specifics in regard to that.

7 MR. JOHNSON: Ms. Bochnowski, I don't
8 recall the Clipper being an issue really among,
9 well, certainly involving Boyd or Lake Michigan
10 Charters. Mirage Gaming, of course, favored an
11 entirely different site on the west end of the
12 marina where the NIPSCO property currently is.
13 The city made no bones about it at the time, we
14 had problems with that site, it would have had
15 to have a break wall, it would have taken lots
16 of permitting, and it was not what the
17 community wanted to do. But with respect to
18 east end site where I think both Boyd and Lake
19 Michigan Charters have indicated they were
20 wanting to locate the project from day one,
21 there was pretty much of a close match.

22 As the Boyd gamers indicated yesterday,
23 they did have some different ideas as to where
24 they wanted some of the project components that
25 did not match where city was. And in addition

1 there were some differences on some substantive
2 issues that were discussed. But as I mentioned
3 in my remarks, and I think Jim Bennett would
4 also confirm, the negotiations or really
5 discussions with all three were quite cordial
6 and competition was close. If you would like I
7 can tell you what the factors were that were
8 used.

9 MS. BOCHNOWSKI: I would be very
10 interested, yes.

11 MR. JOHNSON: Okay. These were
12 really in no particular order, and we stressed
13 to the gaming applicants at the time that they
14 were in no particular order, they were largely
15 factors that were put together from looking at
16 all of the gaming applications that the city
17 had received, not only from the three who were
18 before us at that point, but from all of the
19 gaming applicants who had responded to the
20 request for qualifications.

21 We ended up with sixteen issues, and again,
22 I do want to stress to you these were not in any
23 particular order. What we did in the process
24 was that Jim Bennett on behalf of the mayor set
25 the agenda, read through each of these questions

1 I will now indicate to you briefly, and then
2 said we will take them in any order that the
3 gaming applicant wanted to receive.

4 They were, first, a commitment to at least
5 3 percent of gross gaming revenues. Again, the
6 concept of direct revenues sharing. A concept
7 of -- basically a question to describe parking
8 facilities, parking spaces, how much would be
9 involved, estimates for parking revenues.
10 Again, at that time, all the of gamers were
11 recommending charging for parking. Coupled with
12 that was a request by the city for the gamers to
13 consider essentially a demolition bond or some
14 kind of surety bond whereby if gaming were to go
15 away, the city would not be left with a parking
16 structure or other structures on the waterfront
17 that really had no use.

18 The third was investment in the overpass.
19 The city was actively exploring the overpass at
20 that point and was in the process of trying to
21 develop plans for it, and was wanting to get a
22 commitment from each of the gamers to make a
23 firm investment in the overpass.

24 A fourth issue was referendum funding.
25 These discussions, of course, were taking place

1 in late September of 1993. The referendum was
2 in early November, the city needed some help, or
3 rather the Hammond Opportunity Committee of
4 Hammond citizens needed some help in putting the
5 referendum together and was looking, obviously,
6 for some support from the gamers in getting that
7 done.

8 An additional point was the Robertsdale
9 study, as I believe Don Thomas could tell you
10 that study was in process or under way or at
11 least had been conceived at that point. The
12 city was looking for funding to carry it out and
13 bring it to fruition.

14 The sixth point -- Commissioner, am I going
15 too fast or too slow on this?

16 MS. BOCHNOWSKI: No, this is fine.

17 MR. JOHNSON: The sixth point was the
18 funding for the foundation, the 501C3 for the
19 city to be used for essentially charitable
20 purposes, and to be -- the funding to be done
21 in consultation with the Mayor and the Council
22 and other affected authorities.

23 The seventh point, and a very critical
24 issue was a commitment to supplement the debt
25 service shortfall in the marina bond payments.

1 We will be happy to go into whatever length you
2 want to on that issue, but suffice it to say at
3 that point there was anticipated to be a
4 significant several hundred thousand dollar
5 shortfall in the December payment and beyond.
6 In fact, we felt that was such an important
7 point that the Letter of Intent required the
8 selected gamer to fund our December payment
9 shortfall even if gaming were defeated in
10 November of 1993 because we did not want to end
11 up with a default of those broad payments in
12 December of 1993.

13 The eighth point --

14 MR. KLINEMAN: Excuse, me can I
15 interrupt for just a second?

16 MR. JOHNSON: Sure.

17 MR. KLINEMAN: Did all the people
18 agree to that particular item?

19 MR. JOHNSON: My recollection is that
20 different people had different levels of
21 awareness of the problem. The agreement by
22 Lake Michigan Charters was unequivocal to fund
23 those shortfalls. But Jim, I can't recall what
24 Boyd's position was, I think that they were
25 certainly open to that although I think they

1 wanted to have an idea of what the limitations
2 would be. I honestly can't recall what that
3 was.

4 The other gaming applicant was less
5 interested in that, we got kind of an equivocal
6 commitment on that point.

7 MR. KLINEMAN: Thank you.

8 MR. JOHNSON: We felt that,
9 Commissioner, we felt that that was absolutely
10 an essential point for us and believed in full
11 confidence that we would end up getting there
12 with whoever received the endorsement because
13 it was something we had to have.

14 MS. BOCHNOWSKI: What would have
15 happened had you defaulted on those funds?
16 What would the results have been?

17 MR. JOHNSON: Well, there are various
18 potential consequences to that. The marina at
19 that point was and is today subject to a
20 Certificate Participation financing. As a
21 technical matter if there had been a payment
22 default on those bonds, the trustee at the
23 direction of the bond holders could have taken
24 control of the marina.

25 MR. KLINEMAN: Are those general

1 obligation bonds for the City of Hammond?

2 MR. JOHNSON: They are not, Mr.
3 Klineman, they are revenue backed bonds solely.
4 They are Certificates of Participation
5 technically issued by the trustee. The City of
6 Hammond is a party to the lease and has
7 certainly a moral obligation in the transaction
8 to make lease payments, but there is no tax
9 backing behind them.

10 MR. KLINEMAN: Okay.

11 MR. JOHNSON: The eighth point was a
12 strong commitment to local minority owned,
13 women owned, and unionized labor in the
14 construction of the project.

15 The ninth was the willingness to form a
16 partnership committee between the city and the
17 endorsed gamer. I believe that was a very
18 important point to move the project ahead.

19 The tenth was, frankly, a legal point
20 seeking indemnification in the event of any
21 litigation.

22 The eleventh was a concern for additional
23 security funding for sworn officers to the
24 extent of up to a million dollars a year.

25 The twelfth was a commitment to the green

1 spaces, the beaches, and the other recreational
2 developments of the waterfront that the city has
3 a top priority, and specifically, of course, to
4 working with the city to acquire the property
5 then and now owned by Northern Indiana Public
6 Service Company.

7 The thirteenth, and this may interest you,
8 was really sort of a statement, and that was
9 that the city would not commit and would not
10 enter into any kind of a binding agreement with
11 respect to the development of hotel and retail
12 facilities, but remain open to that possibility
13 so long as there was consultation between the
14 gamer and the city. What the city did not want
15 was someone coming in and saying this is what
16 you need to have on your waterfront. Again, we
17 are focusing primarily on the basic
18 infrastructure of the gaming facility. There
19 was an openness to look at a lot more, but there
20 was desire to be further consultation. I might
21 also add that we believe this would all be
22 worked out in much more definitive language by
23 the time we achieved the final development
24 agreement. Please do keep in mind this was not
25 the final development agreement that we were

1 entering into.

2 MS. BOCHNOWSKI: This was your
3 initial negotiation?

4 MR. JOHNSON: Right. And what we
5 wanted to do and if you have a copy of the
6 Letter of Intent, I would be happy to provide
7 you with one because it is a public document,
8 the Letter of Intent contemplated how the
9 development would read, and it contemplated
10 really virtually all the provisions I am
11 mentioning to you now. Most of them were
12 reserved for further discussion and inclusion
13 as binding terms and conditions in that
14 agreement.

15 The fourteenth point was the pledge of a
16 payment of dollar per capita of traffic to the
17 gaming facility, which would be dedicated to the
18 Hammond Marina and the Port Authority.

19 The fifteenth was a commitment to get a
20 boat up and running as quick as possible, with
21 substantial penalties if the boat was not up and
22 running. We were asking for a lot on that and
23 got criticized from the community for asking for
24 a lot, but we thought the boat was a critical
25 component. Again, we were working under the

1 impression that the license would probably be
2 issued within a year rather than a longer period
3 of time.

4 And finally, and this should have gone back
5 at the beginning, there was a desire for a
6 commitment to the development of engineering for
7 the overpass, engineering planning and designing
8 for the overpass as quickly as possible. Those
9 were the sixteen points.

10 MR. ROSS: One question about the
11 overpass funding.

12 MR. JOHNSON: Yes, sir.

13 MR. ROSS: Was that a non-recourse
14 funding for the applicant?

15 MR. JOHNSON: Yes, sir, and I
16 appreciate your asking that question. In the
17 course of these discussions we made clear that
18 everything we were asking for was to be done at
19 the risk of the endorsed gamer. Now, to be
20 fair, Commissioner, again we were under the
21 impression that the gaming license would be
22 issued in a lesser period of time than two
23 years. So we weren't necessarily sure we would
24 have a huge commitment of construction dollars
25 for that overpass construction because we were

1 simply in the process of planning it and
2 designing it.

3 But whatever expenditures were made by the
4 endorsed gamer were made at their risk without
5 recourse back to the city, with one exception, I
6 should mention, and that was the marina bond
7 shortfall payments, which we did specifically
8 contemplate that at such time the development
9 agreement was entered into the city would
10 reimburse the endorsed gamer for those shortfall
11 payments.

12 MR. ROSS: Did all three of your
13 chosen applicants agree to that?

14 MR. JOHNSON: I am sorry, to which?
15 To the overpass?

16 MR. ROSS: To the overpass.

17 MR. JOHNSON: They have differing
18 responses to that. Again, my recollection is
19 that Lake Michigan Charters agreed without
20 limitation to the funding for the overpass. I
21 believe that Boyd Gaming was willing to pay a
22 specified amount for the overpass because they
23 believed it could be done for a specified
24 amount. I believe they believed they could do
25 it for five million dollars. Jim, do you want

1 to supplement that?

2 MR. BENNETT: If my notes are
3 correct -- my name is Jim Bennett -- in those
4 discussions Boyd agreed they would pay for half
5 the cost of the overpass up to five million
6 dollars in their initial response to us at
7 their presentation. If I remember right,
8 Mirage said they would negotiate with the city
9 on the amount that they thought we should share
10 in the cost of the construction of that
11 facility.

12 MS. BOCHNOWSKI: Was Bally's involved
13 at all with that original group or did they
14 come later?

15 MR. DEDELOW: They were not involved
16 with the original negotiations. However, at a
17 later date they paid their specified
18 application fee and continued to pursue the
19 license in Hammond.

20 MS. BOCHNOWSKI: Did they go through
21 that committee you had chosen at that time?

22 MR. DEDELOW: Don?

23 MR. THOMAS: They were not a
24 respondent.

25 MR. VOWELS: Mayor, my understanding

1 is you were appointed, mayor and I see now you
2 are up for re-election, is that correct.

3 MR. DEDELOW: Pardon?

4 MR. VOWELS: When did you become
5 mayor?

6 MR. DEDELOW: October 19, 1992.

7 MR. VOWELS: So you were mayor during
8 all of this negotiation time; is that correct?

9 MR. DEDELOW: Yes.

10 MR. VOWELS: The Letter of Intent, I
11 believe, was entered into September 29, 1993?

12 MR. JOHNSON: September 20,
13 Commissioner.

14 MR. VOWELS: September 20. The
15 resolution 1993-10 that we had passed, I
16 believe it was on October 1993, I don't have
17 that in front of me but my impression of that
18 resolution was that we give little or no weight
19 to that endorsement, and that occurs prior to
20 the application deadline. Your statement to
21 the chairman's question was that city discuss
22 reopening, and I wrote that very briefly. With
23 that in mind, assuming and at least my position
24 is that I give little or no credence or weight
25 to your endorsement. Why is it that it was

1 only discussed very briefly given in the view
2 of resolution of 1993-10 coming into play in
3 just a little over a couple of weeks after you
4 guys entered this Letter of Intent. What would
5 have discouraged you from reopening the
6 process?

7 MR. DEDELOW: Commissioner, we again
8 did consider the negotiation, so as far as
9 reopening them, I did say briefly and you are
10 correct. However, I will go back to the fact
11 that we established this process with a lot of
12 input from a lot of people in our community and
13 we thought it was an open and fair process. We
14 believed we were getting a very, very good
15 benefit package. We do understand that the
16 gaming commission after passing the resolution
17 did say that they would probably give little or
18 no endorsement -- weight to our endorsement.
19 However, we believe that after having the
20 opportunity to state our case to the commission
21 as we have today that you potentially would
22 look at it for its merit and hope to see that
23 we went through a painstaking process to make
24 sure we insure the best process, the most open
25 process, and the best benefits package for the

1 city.

2 MR. VOWELS: My understanding is that
3 it is your feeling that the city's position is
4 reflective of the community sentiment. Can you
5 explain to me how that is so, were there poles
6 taken? It seems there was a 40 percent turnout
7 on a single issue, and a referendum of 65 was a
8 yes vote, 65 percent, which seems to be a lot
9 of involvement. But I am not hearing anything
10 other than certain people in the community were
11 on the selection process committee. Were there
12 poles taken? Give me some more understanding
13 of how it is reflective.

14 MR. DEDELOW: We had the referendum
15 process, we went through our public process so
16 far as selecting three gamers. We went into
17 extensive negotiations with those three gamers,
18 we had participation from city staff, we had
19 participation in the Hammond City Council, and
20 we went through the exact same points with all
21 three gamers and we came down to the bottom
22 line with the best package that we thought at
23 that particular point in time. But if the
24 question is, Commissioner, did we put it out
25 for a public vote as to what the general public

1 thought of this particular benefit package, we
2 did not. However, the City Council did have
3 public meetings and did talk about the benefit
4 package, and through their public process, I
5 believe, affirmed what the city's
6 administrations position was and that we got a
7 good package and that is why they endorsed Lake
8 Michigan Charters, also, as the preferred
9 gamer.

10 MR. VOWELS: Was there some hearing
11 where the public was able to present public
12 comment to --

13 MR. DEDELOW: They had council
14 meetings, sir.

15 MR. VOWELS: And the public did have
16 an opportunity for public comment?

17 MR. DEDELOW: Commissioner, I would
18 just state that, yes, there was an opportunity
19 for public comment.

20 MR. VOWELS: Did they take that
21 opportunity and what was that opportunity?

22 MR. KLINEMAN: Describe what
23 happened, how was the public input received?

24 MR. DEDELOW: In the process that we
25 went through with the referendum itself, that

1 again was a public process, and being that we
2 went through the public process and pulling the
3 three required gamers and the best required
4 gamers that was picked by a community group as
5 well as the staff, that limited it down to a
6 potential field of three gamers.

7 So the public was given an opportunity to
8 talk about those specific gamers and that
9 specific process where we entered into three --
10 or entered into negotiations with three
11 operators. That was the public input at that
12 particular point in time.

13 MR. KLINEMAN: The fifteen points
14 that Mr. Johnson read to us, those were not
15 points which the public was aware of as being
16 points that became important in the final
17 selection; is that not correct?

18 MR. DEDELOW: The community was not
19 represented at the final negotiations. We had
20 city staff there as well as council members,
21 and from the final negotiated package the
22 council, again, went through their public
23 process, I believe, allowed time for public
24 input, and through the council they endorsed
25 our decision.

1 MR. KLINEMAN: My question, I want to
2 focus on one particular thing. How much was
3 the payment that was due in December on the
4 bonds on the marina?

5 MR. DEDELOW: I would like to turn
6 that over to Jim, and before I do that, David,
7 do you have any comments in regards to the
8 process and public input?

9 MR. JOHNSON: David Johnson from
10 Baker and Daniels. The fifteen or sixteen
11 points that I just mentioned to you were, in
12 fact, public. They became published shortly
13 after the deliberations with the gamers, were
14 well known, widely circulated and, I believe,
15 even published prior to the execution of the
16 endorsement agreement.

17 MR. KLINEMAN: But prior to the
18 selection of Charters or after they had been
19 selected?

20 MR. JOHNSON: During the negotiation
21 and discussion process.

22 MR. KLINEMAN: But there was no
23 returning, you said they were made public
24 through the newspapers. Is that what you are
25 saying?

1 MR. JOHNSON: There was no intention,
2 Commissioner, if the question is was there any
3 desire to keep any part of this in any way --

4 MR. KLINEMAN: That is not my
5 suggestion.

6 MR. JOHNSON: But you understand why
7 it is important for me to clarify it. There
8 was no intention, whatsoever, to keep any part
9 of it away from the public.

10 MR. KLINEMAN: We get off on this
11 because the Mayor said the public knew
12 everything and were in favor of what he was
13 doing. Then we came back and saying did they
14 know the fifteen points and you are saying they
15 didn't know the fifteen points, okay, that is
16 enough.

17 My question was, what was the payment that
18 was due in December of 1993 on the marina bonds?

19 MR. BENNETT: We believe that that
20 initial payment was seven hundred and fifty
21 thousand dollars.

22 MR. KLINEMAN: I am coming around to
23 the place where I am about to conclude that the
24 reason you couldn't abrogate even after our
25 resolution 1993-10, the Letter of Intent was

1 because you had this pledge to pay this
2 shortfall that you needed and you wanted that
3 shortfall paid. Am I wrong in concluding that?

4 MR. DEDELOW: David?

5 MR. JOHNSON: Commissioner, I think
6 the Mayor is probably the best person to speak
7 to, to what overall the city concluded in the
8 process. I can only tell you that that
9 honestly had nothing to do with the decision
10 that his advisors made in recommending that we
11 continue to stay the course.

12 MR. KLINEMAN: Well, as you said, the
13 mayor could answer that probably best.

14 MR. JOHNSON: Could I elaborate on
15 that?

16 MR. KLINEMAN: Sure.

17 MR. JOHNSON: We believed, and we may
18 have been incorrect on that belief, we were in
19 active consultations with commission staff
20 certainly throughout -- from October of 1993
21 on. We believe that what was most important to
22 the commissioner, and we concluded this on our
23 own behalf, was that we not take actions that
24 were either behind closed doors, not subject to
25 public scrutiny or input, and would be

1 frustrating the competition in the process. We
2 believed that because the RFQ process had been
3 very public, and because the priorities of the
4 city had been very well developed, and because
5 all of this had been widely discussed both by
6 the mayor and then later by the common council,
7 there was nothing secretive about the process
8 whatsoever.

9 We were also very confident, at that time
10 it was just confidence, that this process would
11 be kept competitive because we had not been
12 seeking to exclude anybody in the negotiations,
13 and I do think we have kept it that way.

14 MR. KLINEMAN: I am not suggesting
15 that you did anything behind any closed doors
16 of any sort, and I do want to get back to the
17 question about the seven hundred and fifty
18 thousand dollars, standby.

19 My problems is we have Bally's here,
20 Bally's was never really a participant for the
21 very reason we passed our Resolution 10, which
22 is we wanted the cities to consider all of the
23 people who were on the playing field. We didn't
24 know who all the people were that might be on
25 the playing field and neither did you.

1 Along comes Bally's, the program is over,
2 you refused to abrogate it and we are left with
3 a situation where we have three applicants, two
4 of them whom went through your process, and one
5 didn't even get a chance to go through your
6 process. Even if you may have been cooperative
7 with them and so forth since they have become an
8 applicant, but they were never given a chance to
9 receive your endorsement. That is my one
10 problem. So to the extent that you read our
11 resolution as saying that the process should be
12 open, you read it right, but secondly you did
13 not apparently understand that the reason we
14 wanted it to be open and so forth and to wait
15 until all the applicants were on the playing
16 field was for the very problem we have here. So
17 I again ask you, why did you not abrogate your
18 endorsement of charters after we passed the
19 resolution, go back include everybody, was it
20 because you needed the seven hundred and fifty
21 thousand dollars for payment?

22 MR. DEDELOW: No, it was not.

23 MR. KLINEMAN: And that is the
24 answer. Was that considered in what you were
25 doing to abrogate your Letter of Intent was the

1 fact that they had agreed to pay seven hundred
2 and fifty thousand dollars in December, which
3 was coming right up. Was it considered?

4 MR. DEDELOW: That was not a
5 consideration in our decision not to reopen the
6 endorsement process.

7 MR. KLINEMAN: When you say "our
8 decision" that means you and your advisors and
9 the council, and that is the group?

10 MR. DEDELOW: Myself and my advisors;
11 I cannot speak for City Council.

12 MR. KLINEMAN: Were they involved in
13 the question about whether you were going to
14 open the process back up again or not?

15 MR. DEDELOW: I don't know that that
16 question was ever addressed to the City
17 Council.

18 MR. JOHNSON: I believe the Common
19 Council did consider that. I am recalling a
20 series of newspaper articles that came out in
21 February of 1994, and I don't pretend to speak
22 for anybody, but the articles, at least, quoted
23 the council as saying that they thought at the
24 time they would not abrogate the endorsement,
25 because there was no reason to do so.

1 It is hard to convey a feeling about it,
2 but I think the feeling we had overall was that
3 there would be no point to it, that we would end
4 up in the same position and simply have lost
5 time.

6 MR. KLINEMAN: You didn't have a
7 chance to consider Bally's application, that is
8 open and shut, they never had a chance as far
9 as where your endorsement is concerned.

10 MR. SUNDWICK: In your endorsement
11 didn't you say that you had three endorsements
12 that you proposed to the Mayor as counsel,
13 wasn't there three?

14 MR. JOHNSON: The Mayor's commission.

15 MR. SUNDWICK: The Mayor's
16 commission. In your voting process, there were
17 points that you were talking about, right? You
18 had the Mirage, Boyd, and Lake Michigan,
19 correct?

20 MR. JOHNSON: The Mayor's Commission
21 recommended those three to the Mayor, that is
22 correct.

23 MR. SUNDWICK: There was a point
24 system?

25 MR. JOHNSON: There was an

1 accumulative point system?

2 MR. SUNDWICK: Who had the highest
3 point system.

4 MR. JOHNSON: Mirage.

5 MR. SUNDWICK: Who was second?

6 MR. JOHNSON: Boyd.

7 MR. SUNDWICK: And third?

8 MR. JOHNSON: Lake Michigan Charters.

9 MR. SUNDWICK: So as far as you were
10 concerned it was turned over and the public now
11 had had their say and said here is three to the
12 mayor.

13 MR. JOHNSON: Well, sir, the numbers
14 were thirteen, ten, and nine. I am not sure
15 that that was a tremendous reversal.

16 MR. SUNDWICK: I just asked the
17 question, I am trying to understand.

18 MR. VOWELS: Just real quick. You
19 said you didn't see any point in reopening, I
20 am talking to the attorney. You read
21 Resolution 1993-10 where it said you would give
22 little or no weight to the endorsement so you
23 may have been wasting your time with the Letter
24 of Intent. How can you not see that as a point
25 to reopen?

1 MR. JOHNSON: You are asking me for
2 my advice or conclusion?

3 MR. VOWELS: I am asking, you read
4 the 1993-10?

5 MR. JOHNSON: Of course.

6 MR. VOWELS: Was it ambiguous?

7 MR. JOHNSON: The language was not
8 ambiguous, but I also did not read the language
9 to be saying this was something that had to
10 occur. You simply convey to the communities
11 that they were at their own risk if they had
12 conducted an endorsement process prior to that
13 vote. It strengthened the burden of proof that
14 we have had to give to this commission as to
15 the value of our decision. We had to prove it
16 on the merits not just on the endorsements.

17 MR. VOWELS: Succinctly, what was the
18 advantage of taking that chance?

19 MR. JOHNSON: The advantage was time.
20 The advantage was definitely time because again
21 the community had moved very quickly to put
22 together the kind of blueprint that it wanted
23 for the project. The belief again, rightly or
24 wrongly, was that time was a precious resource
25 because of the approaching onslaught of gaming

1 in Chicago, in that area. And the belief was
2 that since the city was really willing to
3 proceed, it should be moving ahead to proceed
4 as quickly as possible. We were very concerned
5 about jurisdictional issues. And the main
6 impression that we got, and again you can fault
7 us for this, but the main impression we got was
8 that the commission was most concerned and
9 deliberation that the commission undertook
10 really focused on the concept of frustrating
11 competition for the license.

12 MR. VOWELS: What jurisdictional
13 issues are you talking about?

14 MR. JOHNSON: Your jurisdiction.

15 MR. VOWELS: Of what --

16 MR. JOHNSON: Your jurisdiction to
17 license a gamer.

18 MR. VOWELS: From what aspect, I
19 don't follow you.

20 MR. JOHNSON: Well, we believed that
21 there was a clear statement in this resolution,
22 1993-10 that it was the commission that was
23 empowered to select the gamer. The community
24 was not going to do that for you, and that you
25 had power to make that decision, and the

1 resolution underscored that. And we
2 believed -- and again that we're going back to
3 the context for the discussions and
4 deliberations. At that time we believed
5 looking at other locations in the state that
6 what the concern was, was that the communities
7 would have a process that would not be in their
8 best interests or anybody's best interest
9 because it would not be competitive. We
10 thought we had a competitive process we thought
11 we would be able to maintain a competitive
12 process for the license. Obviously, if we had
13 only one applicant sitting here today we would
14 feel differently about it. But we continued to
15 promote competition among the applicants who
16 were licensed, including Bally's, who was not
17 on the scene at the time this occurred.

18 MR. DEDELOW: Commissioner, if I may.
19 It was never the intent of the city to ever do
20 anything to supersede the authority of the
21 commission or the intent of resolutions or any
22 other actions that they had taken. We have
23 just been going through this process doing what
24 we thought was in the best interest of our
25 community. And if you take exception to that,

1 I can understand that it is certainly your
2 responsibility to award the license and I am
3 sure you will do so accordingly.

4 MR. VOWELS: Just one other question.
5 Will you be able to work with any other
6 applicant if they are the successful applicant?

7 MR. DEDELOW: Yes, we can work with
8 any of the applicants if they were the
9 successful applicant. I would say the city
10 would be willing to work with them as long as
11 they were willing to work with the city and
12 give us the best benefit package possible at
13 the best possible and earliest time.

14 MS. BOCHNOWSKI: Are we done with
15 this subject, I wanted to jump to a different
16 one.

17 MR. KLINEMAN: Just to conclude about
18 what Commissioner Vowels has brought up. I
19 don't know if I got a yes or no from the Mayor.
20 Are you willing to work with anyone chosen to
21 receive the Certificate of Suitability?

22 MR. DEDELOW: If it is the
23 commission's decision to award the Certificate
24 of Suitability to somebody else other than Lake
25 Michigan Charters, yes, the city would work

1 with that gaming operator.

2 MR. KLINEMAN: If that gaming
3 operator happened to have, as Bally's does, a
4 proposal now that takes a little bit more
5 property than does the original four acres, can
6 you still work with them?

7 MR. DEDELOW: It is certainly an
8 interesting question and we would certainly
9 want to work with that gamer as long as it
10 didn't negatively impact our community at
11 large. As I mentioned before we value very
12 much our lakefront and we want to preserve it.
13 If there is a way to potentially, as you say
14 enlarge or pick up more property and not
15 disrupt the marina as well as take up
16 additional lakefront, we would certainly be
17 open to that.

18 One thing I might want to add is if another
19 gamer is awarded the Certificate of Suitability,
20 they would take a certain amount of time to get
21 up to speed on the entire process that we have
22 been going through over the past almost two
23 years, and certainly time would be lost and
24 therefore revenue to both the City of Hammond as
25 well as the State of Indiana.

1 MR. KLINEMAN: As we have established
2 already, Bally's wasn't even involved in the
3 process, so how can you now say, for instance,
4 if we did choose Bally's that they would be
5 putting the City of Hammond at a disadvantage?
6 It is really kind of a catch 22.

7 MR. DEDELOW: If I could,
8 Commissioner, I would like to call on Pat
9 Reardon who works with the Urban Enterprise
10 Association with the City of Hammond.

11 MR. REARDON: Good afternoon. I
12 co-chaired the Mayor's commission, it is my
13 recollection that the Bally Corporation did, in
14 fact, have an opportunity, it did appear before
15 the Hammond Common Council to present their
16 plan.

17 MR. KLINEMAN: At what time frame are
18 we talking about?

19 MR. REARDON: This was approximately
20 two years ago when the council held their own
21 public hearing.

22 MR. KLINEMAN: After the Mayor had
23 selected Charters?

24 MR. REARDON: That's correct.

25 MR. KLINEMAN: Okay, that's all

1 right.

2 MR. REARDON: Pardon me. After we
3 had concluded our process, the council had
4 engaged in their own process. And Bally's was
5 invited and Bally's did, in fact, appear.

6 MR. KLINEMAN: Who chose, I am really
7 getting confused now. The Mayor had this
8 committee recommend three to him. He choose
9 from the three based upon the fifteen criteria
10 that we have heard about. Tell me where
11 Bally's comes in?

12 MR. DEDELOW: In this very
13 competitive situation the companies were trying
14 to lobby, but whoever they put we would make a
15 decision, my office along with my staff had
16 made a decision as to who we would endorse in
17 the process. Apparently Bally's did not agree
18 with that process. But Hammond City Council
19 Bally's proved them in some way shape or form.
20 I am not even really how they were approved but
21 in the end the Hammond City Council, after the
22 city administration endorsed Lake Michigan
23 Charters went through their process and had all
24 the gaming people rank so far as who they
25 thought should be awarded the license. And I

1 think they only considered the three that were
2 recommended to the mayor's office to enter into
3 negotiations.

4 MR. SUNDWICK: You basically indicate
5 you would have some problem if Bally's was
6 chosen. The next question, if Boyd was
7 indicated that they might, under certain
8 circumstances, want to expand their project
9 that they would -- might have a desire to
10 expand their project off this 4 acre. Is your
11 answer to whether you could work with them the
12 same as to Bally?

13 MR. DEDELOW: I would say it is
14 certainly a subject of negotiation; anybody
15 reasonable would be considered by the city.

16 MR. SUNDWICK: The generic footprint
17 site that we talked about that lake Michigan
18 and Boyd have as their proposed facility, who
19 developed that footprint of the city or Boyd
20 and Lake Michigan as a city footprint?

21 MR. DEDELOW: The city wanted to
22 develop a plan. It was in the interest of the
23 city to do that.

24 MR. VOWELS: So there is more to the
25 negotiations with NIPSCO than just the original

1 sixteen acres and the bird trap area. So I
2 would just say that NIPSCO has been working
3 with the city for a period of time; we have not
4 finalized any agreement but we are in final
5 stages of that agreement and we would be glad
6 to go back and take your recommendations to
7 them.

8 MS. BOCHNOWSKI: I have no authority
9 over NIPSCO, I just want you to get all you can
10 get, that's all.

11 MR. DEDELOW: We are trying to
12 negotiate a fair and honest deal that would
13 benefit the citizens.

14 MS. BOCHNOWSKI: Going in a different
15 direction --

16 MR. KLINEMAN: Excuse me, would you
17 like to take a break and then we will come back
18 and conclude this; we have been going almost
19 two hours and I think the court reporter could
20 use a break.

21 MS. BOCHNOWSKI: All right.

22 (A recess was taken.)

23 MR. KLINEMAN: You are the Chief of
24 Staff?

25 MR. BREMMER: I am here for the

1 Congressman, the Congressman isn't here but he
2 is conducting public business in Washington.

3 MR. KLINEMAN: Very well, very well.

4 MR. BREMMER: Yes, sir, the House is
5 in session and it demanded his attention.

6 MR. KLINEMAN: But his ideas of
7 redeveloping the shoreline, we are pleased that
8 you are here today to express his opinions.
9 This is Chuck Bremmer, Chief of staff.

10 MR. BREMMER: Thank you for letting me
11 take the Congressman's place. I am going to
12 read his testimony.

13 As someone who has worked on lakeshore
14 development for many years, I'm very pleased to
15 be given an opportunity to testify here today
16 before the commission.

17 There is obviously a great deal of debate
18 over the future allocation of public and private
19 enterprises along urban shorelines. Northwest
20 Indiana has worked hard to enhance the potential
21 of waterfront lands for both private development
22 and public use. Unfortunately, while our local
23 government supports the widespread public use of
24 the water's edge, few can afford the costs
25 directly associated with development.

1 At the federal level, I have worked hard to
2 promote a long-range plan for the redevelopment
3 of Northwest Indiana and its water resources.
4 Based on a blueprint I set forth in 1984, the
5 "Marquette Project," we have moved forward to
6 recapture the lakeshore for recreational use and
7 responsible development. The Marquette Project
8 calls for recapturing at least 75 percent of the
9 lakeshore and ensuring a sound economic and
10 recreational development plan which incorporates
11 important industrial corridors, low impact
12 natural areas, and mixed use areas that are
13 dedicated to high public use and compatible
14 development in the public domain.

15 Since that time, I have authored and
16 steered through the Congress and into law two
17 bills enlarging and enhancing the Indiana Dunes
18 National Park and Lakeshore. This federal
19 legislation has provided local communities and
20 groups with a strong base on which to build.

21 At this time, the commission is preparing
22 to take another step towards recapturing and
23 improving our lakeshore by making an important
24 decision about the kind of natural developer
25 that will be allowed to help steward one of

1 Indiana's most precious natural resources. I
2 would certainly caution that while similar
3 development projects are often successful,
4 others can be ineffectual.

5 For your information, I have brought with
6 me today a copy of a book entitled Waterfronts:
7 Cities Reclaim Their Edge. With my compliments,
8 I would like to present this academic work to
9 the commission in order to provide a framework
10 for some of the most needed factors in
11 waterfront development. Published by the
12 Waterfront Center, this book contains frank and
13 independent appraisals of 75 national waterfront
14 projects. It puts into perspective such
15 particular waterfront features as marinas,
16 marketplaces, and gambling facilities.

17 For example, the book outlines how the City
18 of Chicago has been extremely successful in
19 enhancing its water resources by selecting
20 development projects which leave large open
21 spaces with plenty of trees and grass.
22 Buildings in Chicago do not crowd out views of
23 the lake but help frame and outline the
24 coastline. Lakeshore Drive provides a common
25 thread by which a number of important locations

1 on the lakeshore are linked, including museums,
2 community centers, sports complexes and marinas.

3 Beyond our neighbor Chicago, the Inner
4 Harbor at Baltimore becons as probably the
5 best-known piece of waterfront development in
6 the world. What makes the Inner Harbor the
7 successful attraction it continues to be is its
8 strong mixture of commercial and public
9 enterprises. Instead of focusing solely on its
10 primary business, the National Aquarian, Inner
11 Harbor successfully maintains a variety of other
12 enterprises which attracts visitors, including a
13 hotel, a convention/conference center, a
14 boardwalk and promenade, numerous restaurants,
15 and a separate land-based menu for music,
16 entertainment, and shows.

17 In contrast, Detroit Michigan is a prime
18 example of the type of waterfront development
19 northwest Indiana must avoid. Detroit failed to
20 properly plan its development and ended up
21 blocking out much of the public's view and
22 access to the water. The Renaissance Center
23 Complex has been further criticized because of
24 its blocky fortresslike design.

25 The structure is not set back from the

1 water and views are blocked. Furthermore,
2 adjoining Hart Plaza has few trees and even
3 fewer places to sit and enjoy the water.
4 Instead of blocking views, large physical
5 structures should provide a proper edge and
6 containment from marinas and boardwalks giving
7 them a stronger identity and sense of place.
8 Detroit clearly failed to live up to its
9 possibilities provided by the new waterfront
10 development.

11 However, by selecting responsible,
12 experienced companies committed to improving the
13 locale, the commission can avoid any of the
14 problems associated with poor waterfront
15 development and irresponsible gaming companies.

16 In order to avoid these problems I would
17 ask the commission to consider the various
18 development proposals with the following factors
19 in mind.

20 Specifically, what market trends are the
21 various companies intending to take advantage
22 of? Do all the companies have credible plans
23 for long-term development in northwest Indiana?
24 How do the companies view joint ownership of
25 the new development? What plans do the

1 companies have for bringing more than just
2 gaming dollars to our community? What other
3 attractions will the proposed development
4 include, such as retail shops, tourist
5 attractions, recreational boating, and lodging
6 plans. How do they intend to insure that
7 developments are attractive year-round?

8 We must also carefully examine the tourism
9 infrastructure plans of each proposal. How do
10 the various proposals measure up in terms of
11 their plans for hotel rooms, dining, and
12 transportation access?

13 While the economic benefits of increased
14 private investment and construction along the
15 lakefront are indisputable, the public's right
16 to have direct access to the water's edge
17 should not be limited to a private development
18 of lakefront land. Urban shorelines are a
19 public source and should be managed to benefit
20 the greatest number of people in the best
21 possible way. In light of this it is critical
22 to select private developers that will enhance
23 the public use and enjoyment of urban
24 shorelines by providing access to the water's
25 edge.

1 Because these are usually large-scale
2 development proposals which will serve actively
3 as focal points, the commission should be
4 especially sensitive to design opportunities
5 and local environmental conditions. The
6 special nature of urban design values of the
7 site should be incorporated into the
8 commission's consideration of various
9 proposals.

10 In closing development proposals currently
11 being considered by the commission offer
12 exciting possibilities for revitalizing
13 Hammond's and east Chicago's urban waterfronts
14 providing water-dependent activities and public
15 access in achieving the objectives of the
16 Marquette Plan. I would ask in its
17 deliberations the commission look beyond the
18 initial dollar figure offered by the various
19 proposals and take a serious look at long-term
20 benefits of each plan.

21 Finally, we must insure that the company
22 selected by the commission are committed to
23 serving as partners with local government and
24 the State of Indiana in enhancing the lakeshore
25 and improving the quality of life for everyone

1 in northwest Indiana. Thank you.

2 MR. KLINEMAN: Thank you. I don't
3 think I could have said it better myself. I
4 appreciate the sentiments of the congressman
5 and we will take them into consideration as we
6 always have.

7 MR. BREMMER: The text that we refer
8 to has been left with your staff.

9 MR. KLINEMAN: We have got a copy of
10 it. Mayor Dedelow, I guess we are trying to
11 wind up the questioning.

12 MS. BOCHNOWSKI: I kind of feel
13 inadequate here because that was a really nice
14 speech. Now I am going to get down to some
15 real little items, I guess this isn't little at
16 all, actually. In the various proposals and in
17 your talk you talked about security, and I
18 assume that includes all emergency services.
19 It is my understanding that you had a
20 reciprocal agreement with the City of Whiting,
21 and it is also my understanding that the City
22 of Whiting often is called on when the
23 Robertsdale area needs emergency service. Have
24 you entered into any kind of conversation with
25 the administration of the City of Whiting about

1 providing them with some help also, because
2 they probably, with more people coming into
3 this area, more people coming through Whiting
4 or close to it, their emergency services will
5 be called on even more than they are now, and I
6 don't know if it is fair for them not to get a
7 piece of this.

8 MR. DEDELOW: I certainly think we
9 have to take into consideration instances such
10 as those. And certainly when we have our
11 process through our oversight committee of the
12 development, I think some of those issues must
13 be addressed because they potentially will
14 impact the neighborhood negatively and we
15 certainly do not want to do that if at all
16 possible.

17 MS. BOCHNOWSKI: As of now you
18 haven't had any talks with them about --

19 MR. DEDELOW: Only to the extent that
20 I have talked to Mayor Bercik and said we need
21 to sit down and talk about this at some point
22 in time as to how we can work together in order
23 to have this not negatively impact one or the
24 other. And also we have had meetings with the
25 Whiting/Robertsdale Chamber of Commerce,

1 Hammond specifically in great detail talked
2 about any designing.

3 MS. BOCHNOWSKI: Are you open to
4 providing them with the funds that they might
5 need to provide this extra service?

6 MR. DEDELOW: I would certainly look
7 to Lake Michigan Charters to find additional
8 funds for something like this, yes.

9 MR. KLINEMAN: Anything further?

10 MR. MILCAREK: Would you please
11 elaborate on the diving area or diving part?
12 What were they referring to in the marina to
13 remove slips to put in something for diving?

14 MR. DEDELOW: I will have to refer
15 that to Jim benefit.

16 MR. BENNETT: We have presently
17 located on the clipper and in the marina and
18 has been there for a number of years, a
19 resource center, an Aquatic Resource Center
20 which is recognized nationally as being -- has
21 done some study on sponges. I'm not versed on
22 the real details, but they have been an actual
23 benefit to the City of Hammond. We have worked
24 very closely with them from the very first day
25 and have tried to accommodate their needs as

1 well as other people in the marina.

2 They asked us early on because of the
3 relocation of the gasoline docks and the
4 potential of the Clipper that we try to
5 accommodate them somewhere in the marina so that
6 they can continue to use the benefits of the
7 marina as well as the city getting the benefit
8 of having them in our city.

9 We in the original proposal to the Army
10 Corps specified an area inside the marina that
11 would relocate some dock space and would
12 accommodate the ability of the Aquatic Resource
13 Center to continue to function as a viable
14 entity. We continue to try and work with them
15 on that, and as this project concludes we hope
16 to be able to accommodate the Aquatic Resource
17 Center in their contributions to the city.

18 MR. MILCAREK: So it is for research
19 only and not open to the public to do diving,
20 or --

21 MR. BENNETT: Again, I would have to
22 refer to the director, who I think is going to
23 speak later at the public session, but my
24 understanding is they also do do some
25 certification in diving, and I think people

1 that learn in swimming pools and other areas
2 have to do some fairly deep water dives to get
3 their different certifications, and they have
4 used this center as a certification center and
5 are nationally recognized. I think one of the
6 national organizations has designated this as a
7 prime site, so they do use public -- I think
8 just as a certification center, I am not sure
9 if it is used as a direct dive site.

10 MR. SUNDWICK: Let me ask the
11 question, and maybe I have missed the answer
12 earlier, is there any plans to share tax
13 revenues to the adjoining cities that are being
14 impacted by this casino boat?

15 MR. DEDELOW: Not at this time,
16 Commissioner.

17 MR. SUNDWICK: You have heard
18 testimony that we have had down state, the
19 southern part of the state, why wouldn't that
20 be something that would be appropriate?

21 MR. DEDELOW: I am not sure that it
22 would be.

23 MR. SUNDWICK: Would you like to
24 explain that?

25 MR. DEDELOW: Certainly the City of

1 Hammond has put together this opportunity based
2 on its needs. However, the relationship you
3 are talking about, specifically the City of
4 Whiting, they are our neighbors, we co-exist
5 together, and certainly we have to be sensitive
6 on how this opportunity, which is potentially
7 beneficial for us also impacts us because they
8 are very very close to the Hammond Marina.

9 So what I am saying is that we need to sit
10 down along side with the mayor of Whiting and
11 his administration and talk about what the
12 potential negatives are to his community and how
13 we can hope to address them.

14 MR. SUNDWICK: So you are willing to
15 sit down and review some profit sharing or tax
16 sharing program with them?

17 MR. DEDELOW: I am willing to sit
18 down and talk about what potential problems
19 there are and with successful gaming applicant
20 who receives this certificate, I would really
21 not like to take anything away from the City of
22 Hammond, but would like to, if the need is
23 there for another community, get additional
24 incentives from them for the problems that may
25 occur in the community, and in this specific

1 instance Whiting.

2 MR. SUNDWICK: You are going to have
3 to leverage somebody here pretty quick, then,
4 aren't you?

5 MR. DEDELOW: Well, we still have to
6 talk to the development agreement, which is the
7 final agreement, where we tie everything
8 together.

9 MR. SUNDWICK: If we give somebody a
10 letter of suitability, then you don't have much
11 leverage.

12 MR. DEDELOW: We have got control of
13 the property.

14 MR. SUNDWICK: I don't think that is
15 much leverage, but it is nice to see that you
16 are willing to sit down with them and talk to
17 them. Of course the --

18 MR. KLINEMAN: Has there been any
19 discussions with Whiting, for instance on these
20 last two years or so on whether or not because
21 of the increase everything and they do provide
22 the fire and police, is that right, for this
23 area?

24 MR. DEDELOW: It is a reciprocal
25 agreement and it is not all one way.

1 MR. KLINEMAN: They do or do not
2 provide the fire and police for this area?

3 MR. DEDELOW: The City of Hammond has
4 their own services in the area of Robertsdale,
5 but we do have reciprocal agreement in the
6 instance where if each of us need help we
7 certainly try to respond to each other needs.

8 MR. KLINEMAN: So you are primarily
9 responsible, your police and fire are primarily
10 responsible in this area?

11 MR. DEDELOW: Yes.

12 MR. KLINEMAN: And they become
13 secondary and you would do the same thing for
14 them.

15 MR. DEDELOW: Correct.

16 MR. KLINEMAN: I misunderstood, I
17 thought they had the full responsibility in
18 this area.

19 MR. DEDELOW: No.

20 MS. BOCHNOWSKI: But it is my
21 understanding that more often than not they are
22 called to handle the calls in that area?

23 MR. DEDELOW: I have no reason to
24 believe that isn't correct, unless I am shown
25 some specific documentation to back up that.

1 MS. BOCHNOWSKI: But if you were
2 shown some documentation, I would think you
3 would want to help them.

4 MR. DEDELOW: I am willing to sit
5 down and talk about whatever negatives for
6 whatever the situations are in relationship to
7 both of our communities to make and co-exist as
8 neighbors.

9 MR. KLINEMAN: Do you have plans to
10 beef up your fire and police in this area, with
11 the advent of the gaming?

12 MR. DEDELOW: Sure, we have in the
13 Letter of Intent that we have signed up to a
14 million dollars for additional public safety
15 type of personnel and equipment per year.

16 MR. KLINEMAN: But my question was:
17 Do you have any plans, for instance, to build a
18 fire station or police station down in that
19 area to help serve that neighborhood, not
20 whether you are going to get a million dollars,
21 that could be spent anyplace in the City of
22 Hammond.

23 MR. DEDELOW: It is supposed to be
24 spent in the general area of the marina to
25 augment the protection of what we have there.

1 And talking about a police station, we already
2 have one, but certainly the potential is there
3 that we may have to improve or enlarge that,
4 but that will be determined in the future.

5 MR. SUNDWICK: Was your commission an
6 appointed commission, your decision commission
7 that we heard from earlier?

8 MR. DEDELOW: The one that selected
9 the three applicants?

10 MR. SUNDWICK: Yes.

11 MR. DEDELOW: Yes, it was an
12 appointed commission by myself.

13 MR. KLINEMAN: Change the subject.
14 Does anybody else have anything on fire safety?

15 MS. BOCHNOWSKI: No.

16 MR. KLINEMAN: One of the applicants,
17 of course, showed us a slide showing that the
18 marina as it now exists is a chain-linked
19 fence, and we have seen the fence.

20 Tell me what access the public has to the
21 marina, I am not talking about the people that
22 have ships there or who are going out on boats.
23 What access presently does the public have to
24 the marina area?

25 MR. DEDELOW: The public right now

1 can go through the marina, go to the Clipper
2 and enjoy the restaurant and the Clipper.
3 Also, they can walk and enjoy the Bin Wall
4 fishing and things of that nature at the
5 marina. Access, however, does need to be
6 enhanced to have them further enjoy in the
7 future.

8 MR. KLINEMAN: I don't know what you
9 mean.

10 MR. DEDELOW: Right now we have got a
11 situation where we have got railroad tracks
12 that inhibit, not on-foot traffic but vehicular
13 traffic, and that situation needs to improve so
14 that people have better access to the marina.

15 MR. KLINEMAN: But there is no
16 limitation at the present time from either
17 security or otherwise for people to get into the
18 marina at any time they want?

19 MR. DEDELOW: There may be some
20 limitations insofar as the people from the town
21 getting into the area where the boaters park.
22 But other than that I am not aware of any other
23 limitation so far as people going and enjoying
24 the Clipper in the marina itself.

25 MR. KLINEMAN: Are there any

1 park-like facilities, benches or anything, any
2 place around there that the public can enjoy,
3 and if so where are they?

4 MR. DEDELOW: There are some benches
5 and such for public enjoyment. However, there
6 is not nearly enough and it needs to be
7 approved.

8 MR. KLINEMAN: See, we get down to
9 the point that as --

10 MR. DEDELOW: Excuse me,
11 Commissioner, Jim would like to add something.

12 MR. BENNETT: I think that just for a
13 comment, that the Bin Wall on the west end of
14 the marina is a handicapped-accessible area so
15 the people can go out on to the wall and
16 they can fish. It is absolutely open to the
17 public. The both ramp is a public access boat
18 ramp, there is no fees and charges to use that
19 ramp. The marina is, in fact, a public access.
20 Again, once this expansion takes place there
21 will be more parking, there would be more
22 access, some has been limited only by the space
23 and limitations that we have right now.

24 There were Federal dollars used to make
25 sure that these places in these areas were made

1 assessible.

2 MR. KLINEMAN: When I say
3 chain-linked fences, I don't think of open
4 waterfronts, which is what the Congressman is
5 speaking of in his fine remarks that were just
6 delivered to us.

7 MR. BENNETT: Again, that is not my
8 total expertise but I can tell you that right
9 on the other side of that chain-linked fence is
10 a railroad track, and in some cases you don't
11 want people wandering across railroad tracks
12 when they are not going across the crossing.
13 So in some cases that has been done to protect
14 the public not to hinder the public area. Once
15 these railroad tracks get relocated we have
16 some better access, and we think that would
17 make it more accommodating.

18 MR. KLINEMAN: But if you made as the
19 Bally plan indicates, a part of the frontage in
20 front of the marina available for further
21 development that would not affect that wall
22 where the handicapped can have access, that is
23 at the other end, right?

24 MR. DEDELOW: I believe that the way
25 Bally presented the plan, I believe that is

1 correct.

2 MR. KLINEMAN: They would only take
3 part of it, they wouldn't take the whole
4 frontage. Anybody else have anything?

5 MS. BOCHNOWSKI: Just a few
6 questions. I just wanted to ask your opinion
7 on that both ramp there. Are you sure that is
8 really safety to have the little boats going in
9 at the same kind kind general vicinity as the
10 big boat?

11 MR. DEDELOW: You are talking about
12 public access boats?

13 MS. BOCHNOWSKI: That's right,
14 because I think Bally's proposed having it down
15 further and away from --

16 MR. DEDELOW: That certainly isn't
17 going to present a safety issue, but we believe
18 it can be done properly so far as allowing
19 people out at that both ramp to have access to
20 the marina and go out around the gaming
21 vessels. However, certainly if there are
22 safety issues that arise and we need to do
23 something differently, we will be able to do
24 that in the future.

25 MS. BOCHNOWSKI: And as far as your

1 design goes the other concern that was brought
2 up, and I want your opinion on it, is everybody
3 trying to get into the Bally parking and the
4 parking garage in a very narrow area. Are you
5 concerned about traffic jams? Once you have
6 traffic jams people are not going to be
7 inclined to come back.

8 MR. DEDELOW: Certainly we need to
9 provide the best traffic flow that we can. And
10 whoever our design, whoever the successful
11 applicant is we would certainly take that into
12 consideration.

13 I would like to introduce you to our City
14 Engineer, Stan Dostatni, because he is more
15 qualified to answer that question.

16 MR. DOSTATNI: I have got twenty years
17 experience with the city in the engineering
18 department and I have worked closely with the
19 design engineers for the bridge structure and
20 for access into the lakefront. We think we have
21 got an excellent plan which will service all the
22 facilities up on the lakefront, it is going to
23 provide access through that bridge for the bird
24 sanctuary, for people using the boat launch
25 area, for the Hammond Marina, for the gaming

1 facility and also for the Wahala County Beach
2 Park at the south end.

3 We have got plenty of lane capacity, we
4 have got oversized lanes through the bridge
5 structure so that people towing boats won't have
6 any problems.

7 MS. BOCHNOWSKI: I wasn't as much
8 concerned about the overpass, just the area
9 that people have to go to get into that little
10 area, where they have to go into the parking
11 garage.

12 MR. DOSTATNI: That is going to
13 actually be widened. It is sort of deceiving
14 if you have been out here right now, that it
15 does look narrow. We are going to take out
16 some of the that grassy berm area so that we
17 can widen it out so that we have adequate
18 traffic lanes through there.

19 MS. BOCHNOWSKI: Thank you.

20 MR. KLINEMAN: There are some
21 questions now.

22 MR. ROSS: This is a geographical
23 question, but I have have heard you mention the
24 Robertsdale project, and it seems like
25 Robertsdale is the city that is -- the little

1 town that is around the water area?

2 MR. DEDELOW: Robertsdale is the area
3 of Hammond on the lakefront that is the
4 Robertsdale neighborhood, and it is bounded on
5 the north by the lake and south by A-12.

6 MR. ROSS: How far up the lake does
7 it go?

8 MR. DEDELOW: How far?

9 MR. ROSS: Does it go all the way up
10 to the NIPSCO?

11 MR. DEDELOW: It goes from the state
12 line on the west to the Whiting City line on
13 the east.

14 MR. ROSS: How many people live in
15 that area?

16 MR. DEDELOW: In Robertsdale?

17 MR. ROSS: Yes.

18 MR. DEDELOW: Fifty-eight hundred.

19 MR. ROSS: Just a comment about
20 getting into the marina. Yesterday I took
21 Commissioner Sundwick up to see the boat
22 because he hadn't, and it took two pieces of ID
23 for us to get past that guard.

24 MR. DEDELOW: Thank you for that
25 point of information.

1 MR. SWAN: I have a question, too,
2 about Bally's proposal, which included building
3 a boat on site. I wondered what the city's
4 reaction to that possibility was, especially
5 considering the number of jobs that might be
6 involved in that sort of activity?

7 MR. DEDELOW: That certainly brings
8 to mind an interesting possibility, the city is
9 also interested in creating jobs.

10 MR. SWAN: Have we looked into the
11 extent that you think it is not feasible to do
12 that, or do you think it is feasible to do
13 that.

14 MR. DEDELOW: We have not, being the
15 city, looked into it in great detail. However,
16 I would like David Johnson to say something in
17 that regard.

18 MR. JOHNSON: Just to clarify the
19 point, my understanding coming away from the
20 hearings yesterday was that the proposal was
21 not necessarily to build the boat in Hammond
22 but at the Port of Indiana. So it would not
23 necessarily be built on site here.

24 MR. SWAN: Right, I was still
25 thinking about the economic impact of the job.

1 MR. JOHNSON: Right.

2 MR. SUNDWICK: Who would like to
3 address the hotel issue, I know we have heard
4 from the -- one developer said they think a
5 hotel would be appropriate. One said, yes,
6 probably we should do that, and the other one
7 said, we don't think so but maybe we would.
8 What is the City's position?

9 MR. DEDELOW: Our position on the
10 hotel, as I stated earlier, first let's get the
11 gaming facility up and operational, if it is a
12 market-driven decision for the mandatory hotel
13 is shown, absolutely, but on the lakefront.

14 MR. SWAN: It seems to me that
15 testimony I have heard over the past couple of
16 days and the information you heard from your
17 commission, it seems to me what we have done is
18 limited the opportunities by the footprint that
19 you have approved to develop it. That is just
20 an opinion, that is just listing everything
21 that I have heard.

22 MR. DEDELOW: We developed this
23 opportunity based upon community input, and
24 based on the Robertsdale plan which was
25 representative of the community in that area.

1 This is not something that I have just
2 arbitrarily picked out of the air with any
3 particular interest in mind or any particular
4 development in mind, this is something that the
5 people of Robertsdale have directed me to do as
6 mayor. As mayor I must represent their wishes.

7 MR. VOWELS: That was the question I
8 had earlier as far as the community sentiment,
9 and I am trying to figure out, you said the
10 people of Robertsdale have told you this. Are
11 you talking about representatives of the people
12 of Robertsdale, or did you go to Robertsdale
13 and talk with these people or did they come
14 call you? Tell me specifically what that
15 means?

16 MR. DEDELOW: All of the above.

17 MR. VOWELS: How many people did you
18 talk to?

19 MR. DEDELOW: I have talked to the
20 committee themselves.

21 MR. VOWELS: Is that the committee
22 that you appointed?

23 MR. DEDELOW: That is the committee
24 that took part in the Robertsdale process. Did
25 we appoint those individuals --

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MR. THOMAS: Don Thomas, City Planner. We asked some of the people, we asked some organizations to appoint people.

MR. VOWELS: Some, what do you mean, some?

MR. THOMAS: Some of it was city staff, some of them were residents that were active in the area.

MR. SUNDWICK: Was the majority of your commission appointed, or were these -- we are still trying to struggle, I certainly am, it just seems to me that it is still -- and when I say your footprint it is without a personal issue, I am talking about the city's appointed staff, this is what we would like, what we as a group think ought to happen. That is what I get out of it, if I am wrong, tell me how --

MR. DEDELOW: This is not a city staffed decision this is a community decision based on community input by not only committee members but residents within the Robertsdale community. And we also, being a mayor, you have to be out in the community and I certainly do that on a regular basis. I go door to door

1 and talk to residents in the community. So it
2 is my business to have a pulse insofar as what
3 the community wants, and more specifically in
4 this area and specifically because it has such
5 a big impact to the future of not only the
6 neighborhood but the entire city. So that is
7 my job and that is what I must do.

8 We went out and I personally had a lot of
9 contact with city residents. Do I know how
10 many? No, I do not, but it was many, many city
11 residents. And we also had input through the
12 committee process of this Robertsdale plan that
13 we invited people to participate in this public
14 process to determine, not what I want, or what
15 my staff wanted, but what the people of
16 Robertsdale wanted in their particular
17 neighborhood.

18 MR. KLINEMAN: The material that was
19 brought to us from Councilman Visclosky, it was
20 really interesting in that respect, and this
21 may speak to that question that the commission
22 seems to be having as whether it is a footprint
23 or otherwise. And it poses these questions
24 which I am not too sure Hammond has considered,
25 in fact, I think you have considered the other

1 side of the coin. What plans do the companies
2 have for bringing more than just gaming dollars
3 to our community? What other attractions will
4 their proposed development include, such as
5 retail shops, tourism attractions, recreational
6 boating, and lodging plans? How do they intend
7 to insure that the developments are attractive
8 year round? I think that is the challenge the
9 City of Hammond has, and I am not too sure that
10 it has fulfilled that challenge, at least that
11 is as I see the challenge of the City of
12 Hammond.

13 MR. SCIMIA: Commissioners, I would
14 like to discuss a little bit about the
15 Robertsdale plan because I don't believe the
16 commission fully understands the --

17 MR. KLINEMAN: I am not even sure we
18 know what it is.

19 MR. SCIMIA: Prior to the adoption of
20 the Indiana Gaming Statute, the only document
21 that was in place to guide the development of
22 the lakefront area, the Robertsdale area, was a
23 comprehensive plan for Hammond. Some of you
24 may not be aware of the fact that the
25 comprehensive plan is the overall document that

1 guides planning and development in an area.

2 And governmental agencies are required by
3 statute to give reasonable regard to the
4 comprehensive plan when making decisions.

5 With the agumentation of the gaming statute
6 or the adoption of the gaming statute, the city
7 recognizes that the comprehensive plan did not
8 address gaming because it was not a possibility
9 at the time the plan was created. In fact, the
10 plan gave a lot of attention to the development
11 of the Lake Calumet Airport, that at that time
12 was one of the developments considered for this
13 area, which as you know no longer came to
14 fruition. So in regard to the fact that there
15 was immediate need to discuss and determine how
16 this area would be developed and the fact that
17 they knew the gaming operations were imminent,
18 it would have a significant impact on this area.

19 The city sought out a comprehensive study
20 of this area by recognized land use consultants
21 in the field, and as part of the request, or the
22 RFQ process, basically considered requiring each
23 of the applicants actually fund that process.
24 It turned out, though, that they did not require
25 as part of the RFQ process, but after the Letter

1 of Intent was negotiated, it did include a
2 funding of the neighborhood plan. As a result
3 of that HNTB corporation was engaged to
4 basically study the entire Robertsdale
5 Neighborhood and lakefront to determine how it
6 can best be developed. The result of that
7 process was this final report.

8 I must inform you that the selection of
9 those results was done by the city at the city's
10 request; it was commissioned by the city to
11 determined -- to have professionals determine
12 what would be the best use of this property. In
13 this report, if you would like a copy of it we
14 will be glad to provide it to you, you will see
15 that the consultants determined that there were
16 a number of competing interests for this small
17 amount of shoreline that was around the Hammond
18 lakefront. As you can see there was a
19 significant investment in the marina at the
20 time. There is the infiltration property and
21 just to the west of this property is the
22 existing Wahala Park area. Then there is
23 probably the only really large piece of
24 undeveloped land along the lakefront and that is
25 the NIPSCO property, which consists of

1 approximately sixteen acres but does have a
2 migrant bird trap on it and a committment by
3 many people that that would remain in an open
4 space environment, whether it be parks or
5 another sort of open space development.

6 So recognizing there are a limited number
7 of resources here, the planners looked at those
8 issues as well as the necessity to plan for
9 gaming which was coming to Hammond, and came up
10 with a plan. What they tried to do was balance,
11 I believe, in my reading of the document, is to
12 balance the competing interest for the small
13 amount of lakefront which does exist, and to
14 develop a plan that would accommodate not only
15 the existing neighborhoods and the committment
16 of the city to preserving those neighborhoods
17 and the quality of those neighborhoods and the
18 property values in those neighborhoods but also
19 allow development to occur and also preserve its
20 commitment to providing open space, recreational
21 opportunities, committment to the marina and
22 accommodate the gaming that was sure to come.

23 I think what you are asking the mayor here
24 is at what point do you sacrifice some of those
25 commitments in order to take advantage of this

1 incredible opportunity that they are presenting
2 by gaming. The struggle, I believe, that is
3 faced by the city is by allowing these
4 operations to expand beyond a dedicated
5 footprint, you do so at the expense of some
6 other commitment. As that balance there is
7 struggled with but it is exactly that commitment
8 to things other than purely gaming, and being
9 forced with this opportunity with increased
10 revenues, which you all recognize is a
11 tremendous economic boom to the city, but not
12 basically betraying those initial commitments to
13 the neighborhoods, to the marina to the
14 preservation of recreational space, to the
15 preservation of open space.

16 Some of the respondents to those requests
17 presented projects that did not, in the mind of
18 the city, create the appropriate balance. But
19 the hotel issue states that as well as some
20 other issues.

21 MR. KLINEMAN: First, I am very
22 familiar with comprehensive plans, I serve on
23 another board that I hardly get paid for, which
24 is The Planning Commission and The Board of
25 Zoning Appeals, so I am familiar with it. We

1 are even familiar with HNBT who are presently
2 doing a project for the community that I live
3 in, so they are competent people. Timing wise,
4 when did this HNBT thing come out? I have a
5 feeling that the footprint that the city
6 designed came out prior to any survey by HNBT?

7 MR. SCIMIA: The final report was
8 dated 1995 and it was true -- but I think you
9 would have to read the report to make the
10 conclusin that this dictated the report. You
11 are obviously aware, Commissioner Klineman, of
12 the integrity of HNBT?

13 MR. KLINEMAN: They are the highest
14 in my opinion.

15 MR. SCIMIA: When you read the report
16 you will see that there was input into the
17 process, there was even a committee formed, the
18 Robertsdale and Lakefront Development
19 Committee, which we have talked here, and you
20 will see, if you look at the list, there were
21 three council members on it, there were
22 representatives from the Robertsdale area,
23 representatives from the Planning Commission,
24 from the County Parks Department, from the
25 Calumet College. It was really a broad-based

1 committee to provide the type of representation
2 of the community that you have been asking
3 about. They have significant input into this
4 process and in the development of this machine.

5 MR. KLINEMAN: But my problem, and we
6 were not serving as the Planning Commission for
7 the City of Hammond, we are not here to do
8 that. And it really makes me feel bad that we
9 get down into this any kind of nitty gritty, I
10 will call it, it really makes no sense. My
11 problem personally, and I don't know about the
12 other commissioners, is that we are charged to
13 enhancing economic development. The economic
14 development package that has been presented
15 here on the four acres is not, in my way of
16 thinking, the maximum that could have been
17 gotten out of the this economic development.

18 It may be a lot of money for the City of
19 Hammond, it may do a lot of things that you want
20 to do in Hammond, and that is good and that
21 should stay in place. But I am just wondering
22 how many more people could be employed if you
23 had a project of larger magnitude than what you
24 have now and that is where I end up. I am
25 sorry, but if that involves my becoming the

1 planning commission for the City of Hammond, I
2 don't want to assume that job.

3 MR. DEDELOW: Mr. Chairman, if I may,
4 certainly again we have an opening for another
5 stage of this development if the market
6 dictates so. This is not the final product, so
7 as far as what you see on this four and a half
8 acres. We have the opportunity and we have
9 property that can be developed along
10 Indianapolis Boulevard to compliment what we
11 are doing on the lakefront, to have that hotel,
12 to have whatever we need in that area to work
13 in conjunction with the gaming operation
14 itself. It is not that we have not considered
15 it. It is that the citizens have said, here is
16 how we want it done on the lakefront, let's see
17 what happens so far as that opportunity, if it
18 makes sense, if it will create more jobs, if it
19 is good for the community, then yes, we want
20 it, but we don't want it on the lakefront. We
21 have property on Indianapolis Boulevard and
22 other places to potentially do that.

23 MR. KLINEMAN: Anybody else have
24 anything further?

25 MR. DEDELOW: If I may, David

1 Johnson.

2 MR. JOHNSON: Chairman Klineman, I
3 think the other thing to mention in negotiating
4 and considering the Letter of Intent. It was
5 our guide and principle that economic
6 development should not be confined to the
7 waterfront. What we were looking for was a
8 particular project that would be the maximum
9 revenue generator that would permit broadly
10 dispersed economic development throughout the
11 city. The package of cash benefits and other
12 benefits which could be determined and used by
13 the mayor, by the council, and by the city
14 administration, rather than committed to
15 particular infrastructure improvements on the
16 lakefront. That was the city's direction to us
17 in the process of negotiating the agreement.

18 MR. KLINEMAN: Does anybody have
19 anything?

20 MR. THAR: I have a series of
21 questions.

22 MR. KLINEMAN: Please.

23 MR. THAR: I want to go over some
24 impressions I got as a result of some of the
25 discussions out here. The first one is with

1 regard to what the city has stated is the
2 preferred area of the waterfront. You have
3 indicated that that was driven by impact from
4 the community. If you could please tell us
5 what was utilized to obtain that community
6 input?

7 MR. DEDELOW: Very good. If I could
8 I would like to have Don Thomas explain the
9 Robertsdale planning process.

10 MR. KLINEMAN: Don, please keep it as
11 brief as possible.

12 MR. THOMAS: Besides the committee
13 there was a variety of open meetings, I can't
14 tell you exactly the number. I am sure it was
15 more than five, at which not just the members
16 of the committee spoke but also any other
17 residents that wished to have some input. We
18 had other -- there was also a process of
19 interviews with local citizens that was done by
20 the consultant, and all that is in the report
21 or previous segments of this report.

22 MR. KLINEMAN: What would you say the
23 level of citizen participation was?

24 MR. THOMAS: I forgot to add that we
25 did a survey of the residents, it was mailed to

1 every water bill, that was the best way we
2 could determine. I am thinking our return on
3 this survey was better than 38 percent in one
4 of the previous documents, and I will give them
5 to you, is a breakdown on the responses.

6 MR. THAR: So then if I take it to
7 the next step it is not that the city doesn't
8 want to see further economic development, it is
9 that they don't want to see it based upon
10 community sediment on the lakefront beyond that
11 one area of ground; is that right.

12 MR. THOMAS: That is correct.

13 MR. THAR: If one were to consider
14 the Bally's plan, first of all when was the
15 first time the city saw the Bally's plan
16 presented to them?

17 MR. THOMAS: I am sorry?

18 MR. THAR: The Bally's plan, the
19 Bally's lake house plan?

20 MR. BENNETT: We were notified, we
21 had discussions extensively with Bally's for
22 months and we understood that they had agreed
23 to move to our site. We had only found out
24 that they had made massive changes and had
25 converted back to their latest plan. They did

1 not meet with us before they made a public
2 presentation of that. They did call us after
3 that and asked to sit down and make a
4 presentation and give a explanation as to why
5 they had done what they had done, but we were
6 not consulted with the fact that they had
7 decided at some point not very long ago to make
8 that change.

9 MR. THAR: To get back to the
10 question, when did the city first hear of that
11 plan; a year ago, month ago?

12 MR. BENNETT: I would say less than
13 three weeks ago.

14 MR. THAR: You have not had an
15 opportunity to explore with Bally's whether
16 they are going to have stores, not have store,
17 or whether or not the plan would fit on the
18 amount of the property.

19 MR. DEDELOW: If I may, Jim. We have
20 been having, besides this plan which was
21 presently unveiled, we have been having
22 conversations and talking about this
23 development on the lakefront with Bally's.
24 Jim, can you please delineate that?

25 MR. BENNETT: We have been doing that

1 almost this entire time. But again, no, they
2 have not discussed in detail what that entails.
3 All we see is a futuristic drawing, we don't
4 know, in fact, how many parking spaces it
5 takes, what we get, how we would have to expand
6 our lakefront. As you know with the
7 notification that we can't move the EJ&E track
8 -- or the CSX tracks. That, in fact, limits
9 even access to that. We are not sure that that
10 even fits within the scope of the marina.

11 MR. THAR: I would like you to keep
12 your answers shorter, if possible, more towards
13 what the questions asks. I am sorry to be this
14 way it is just getting late.

15 MR. BENNETT: I am sorry.

16 MR. THAR: Hammond has submitted the
17 Army Corps of Engineering application for a
18 permit in its name; is that correct?

19 MR. BENNETT: Yes, it has.

20 MR. THAR: Bally's has indicated that
21 they see it would only take minor modifications
22 to that permit application in order to get
23 approval for its lakehouse plan. Does the city
24 agree with that?

25 MR. BENNETT: No, we do not.

1 MR. THAR: Why?

2 MR. BENNETT: We believe if we make
3 substantial changes to the present permit that
4 we have applied for it would require the permit
5 be started basically from the beginning, and we
6 would think -- we have been in that process for
7 over a year. If we come back and make
8 substantial changes of relocations, it would
9 not -- we would have to start the process over.

10 MR. THAR: If faced with a choice,
11 and I will put this question to the City,
12 either you get your endorsement candidate or
13 the area that you have designated is the
14 development goes, what's more important?

15 MR. DEDELOW: The area that has been
16 designated.

17 MR. THAR: So Hammond, at least from
18 your representation today, is more strongly
19 geared toward limiting the development at the
20 marina than it is anything else; is that the
21 priority?

22 MR. DEDELOW: In this initial stage
23 yes, as long as the benefit package is
24 maximized.

25 MR. THAR: Now, if I understood you

1 correctly, it is not that you are against
2 further economic development, it doesn't
3 necessarily have to take place at the marina,
4 it can take place --

5 MR. DEDELOW: Right, it could take
6 affect, Stage II, off the lakefront.

7 MR. THAR: There have been
8 accusations -- or, let's put it this way, their
9 have been comments during the course of the
10 presentation that the city, while it was well
11 meaning in trying to develop the overpass,
12 generic and other aspects to its development,
13 the city didn't make enough progress on it and
14 therefore that is the reason that it is no
15 longer important to have a time line that would
16 be any shorter from a year from now. Would you
17 care to comment on the fact that it has been
18 suggested that the city's process has not
19 progressed to the point it should have been?

20 MR. DEDELOW: I would take exception
21 to that because the city process from day one,
22 if you see what we have compiled here and
23 certainly willing and able to review that at
24 the appropriate time will show we have made
25 substantial progress. We have made substantial



1 progress so far as upgrading the pump station
2 of Robertsdale to better protection in the
3 area. We have also, in the process of an Out
4 For Bid on the overpass, as well as the parking
5 facility, so I believe that that does show
6 substantial progress when you are at that point
7 in time. And we have been able to put it under
8 the Redevelopment Authority the proper control
9 mechanism so that we can properly develop and
10 control that four-and-a-half acre site to the
11 city's benefit.

12 MR. BENNETT: I think one more point
13 needs to be made, and that is that the city has
14 been in condemnation for at least two years on
15 a couple of parcels of these properties, but we
16 have continued to move along with all the other
17 aspects and now we believe we will very shortly
18 have the appraisal reports filed on these
19 properties and we will be able to move forward
20 immediately.

21 MR. THAR: That raises the
22 opportunity that represents that two suits have
23 been filed and dismissed; is that correct?

24 MR. DEDELOW: I will have to turn
25 that over to somebody like David Johnson or Joe

1 Scimia.

2 MR. SCIMIA: I am one of the
3 attorneys representing the city. One suit has
4 been dismissed because of the inability to take
5 the CSX track. We have started over that
6 track, we do have the appraisals in. Most came
7 in last week, one was filed yesterday so the
8 money can be deposited and money can be taken
9 tomorrow.

10 MR. THAR: There are a few more
11 things I would like to get the city's response
12 that have been brought to our attention by
13 other applicants. First is a relative one,
14 like the development, specifically in on behalf
15 of Lake Michigan Charters. Can you respond to
16 that, please.

17 MR. DEDELOW: We don't necessarily
18 agree with that. We have said that the site we
19 want to develop comes to proposal any way you
20 want to do it.

21 MR. THAR: It has also been suggested
22 that Mr. Bennett is an employee of Lake
23 Michigan Charters. Whose work could that have
24 been?

25 MR. DEDELOW: Mr. Bennett is an

1 employee of the City, he is paid according to
2 the original Letter of Intent that we signed,
3 so far as they would pick up any and all gaming
4 charts that would be incurred over the course
5 of this development.

6 MR. THAR: Before riverboat gaming
7 was any pay initiated?

8 MR. DEDELOW: Yes, it was. Jim, can
9 you please respond?

10 MR. BENNETT: I have been a financial
11 adviser to local governmental union for over
12 twenty years and have represented a number of
13 unions of government in and around Lake County.
14 My experience is basically in the finance area;
15 I have worked with Mayor Dedelow from the
16 beginning of this process and under his
17 direction; that is the only direction I have
18 received.

19 Again, my expertise has been in the field
20 of finance working with the city. I think I
21 have worked years with the city before this
22 project started, so I have experience with the
23 city and not with any other entity.

24 MR. THAR: I was left with the
25 impression before we took a break, and some

1 others could have been left with the impression
2 that the reason the city did not reevaluate the
3 endorsement process after passage by this
4 commission is because they were staring at
5 three quarters of a million dollars payment due
6 on the marina which had no other way, other
7 than by sticking with the endorsement. If that
8 is incorrect, will you please correct it and
9 don't spare any word so you don't get the wrong
10 impression.

11 MR. DEDELOW: Thank you. As I
12 stated, that did not claim the plan or the
13 situation so far as endorsement. The reason it
14 did not is because the City of Hammond could
15 have gotten that revenue to match that
16 shortfall from the Hammond Water Department.

17 MR. THAR: Is that it?

18 MR. DEDELOW: David?

19 MR. JOHNSON: Mr. Thar, this is David
20 Johnson. The City of Hammond is a signatory to
21 the lease for the marina bond shortfall
22 payments. As such, it has a moral obligation
23 standing behind those payments to make those
24 payments. It had every incentive in the world
25 to come up with the funds from within the city

1 to be sure those payments were paid. It would
2 have had grave and adverse affects on the
3 credit rating of the city if they had not made
4 those payments.

5 MR. KLINEMAN: Just a moment, you
6 keep saying moral obligation. If it is a lease
7 and signed it is a legal obligation. Which is
8 it?

9 MR. JOHNSON: Mr. Klineman, the lease
10 is unusual in its structure. It is a lease
11 which is supported entirely by the revenues of
12 the marina. In does not have a tax backing
13 with it.

14 MR. KLINEMAN: It is exculpt?

15 MR. JOHNSON: That's correct. And
16 the distinction I am making is between a
17 general obligation of the city for taxes and a
18 moral obligation of the city to make up any
19 shortfall in payment, which it incurred by
20 signing the lease. There is no tax backing in
21 back of it, so the city would have to find the
22 revenues to do that.

23 MR. KLINEMAN: It is exculpt or it is
24 not? Is it legally bound to pay the lease so
25 that the payments can be made to the bond

1 orders or is it not legally bound to make those
2 payments? Just a simple question, I think.

3 MR. JOHNSON: I understand it is a
4 simple question, but the answer is not
5 completely simple. In the State of Indiana the
6 concept of moral obligation is that one is
7 compelled to do something even though one may
8 not be legally obligated to do something
9 because of the debt limitations that apply at
10 both the state and local levels. The State
11 Government of Indiana has the same concept,
12 where the state will not let certain payments
13 go without being made, even though there is no
14 legal obligation to make them. It has put its
15 name behind it and therefore in order to
16 support the credit rating it will come up with
17 the money to make the payment. My suggestion
18 here is the City of Hammond was in exactly the
19 same position and had other sources of funds to
20 make that payment.

21 MR. KLINEMAN: But the payment --

22 MR. DEDELOW: Mr. Chairman, if I may.

23 MR. KLINEMAN: Yes.

24 MR. DEDELOW: Had the City of Hammond
25 not made that financial commitment to meet the

1 debt service, they may have run the risk of
2 having the marina go into default and therefore
3 losing control of the marina and therefore
4 potentially this opportunity and the revenue
5 which it would provide. So it was very very
6 critical that we did meet that obligation, and
7 as I stated earlier we could have met that
8 obligation through city resources.

9 MR. THAR: I have one final question.
10 Obviously the commission has been very
11 interested in what the public's views are with
12 regard to development of the marina as well as
13 what their comments are to be about gaming as
14 soon as we are finished here. What do you
15 believe is the public sentiment regarding
16 riverboat gaming in Hammond, Indiana?

17 MR. DEDELOW: Well, I believe that,
18 first of all, the community is very anxious and
19 maybe frustrated at some people to get on with
20 the process and start developing the gaming
21 opportunity. Certainly we appreciate the
22 Gaming Commission being here to further that
23 process and we appreciate your effort.

24 It is very very important that whatever we
25 do with this opportunity is for the maximum

1 benefit of our community. Certainly we have
2 tried to structure it in this light. From the
3 very beginning, as I mentioned going through
4 what we do in this very public process is get
5 public input, and we have tried to develop plans
6 not only in how to develop this property but
7 also once it is developed with my input as well
8 as the Hammond City Council we have structured a
9 document as to how those revenues are going to
10 be spent. The majority of those revenues are
11 going to be going into infrastructure and things
12 to rebuild the City of Hammond over a period of
13 years to facilitate in the long term residential
14 and commercial growth in our community.

15 There is other caveats in the agreement
16 with the counsel that they have asked about bond
17 reduction and debt reduction, things so far as
18 park improvements and things of that. But the
19 majority of the funds, 70 percent with the
20 approval of the City Council, 70 percent are
21 going to other revenues, going to infrastructure
22 improvements. We are very very anxious to get
23 going with this process, we are very very
24 anxious to have our prospective developer, our
25 endorsed developer, be chosen because we think,

1 again, and not to belabor the point, Lake
2 Michigan Charters has been here from the
3 beginning, they have invested in our community.
4 I believe they have worked with us to determine
5 the needs of the community and therefore that is
6 what we have before you today.

7 We have presented a plan we believe from
8 beginning to end that it comes not from us, the
9 staff, or mayor, or any particular portion of
10 city government, it comes from the people of
11 Hammond for the benefit of the people of
12 Hammond. Thank you.

13 MR. KLINEMAN: Mayor, on behalf of
14 the Commission I want to thank you for your
15 presentation, for your forthcoming answers to
16 the questions we have been asking. I want to
17 state publicly that none of the questions were
18 meant in any fashion to be critical of you as a
19 person or critical of you serving as public
20 official, and that goes for all the gentlemen
21 you have brought with you, Mr. Johnson and
22 everybody else from the City of Hammond. All
23 we are trying to do is develop the kind of
24 facts I think the State of Indiana has required
25 that we do develop before we give out these

1 licenses, because they are very valuable and
2 hopefully they will be a long term, maybe
3 partial solution to some of problems that exist
4 in some of those areas. But I want to publicly
5 state that none of the questions that have been
6 asked should imply in any way shape or form
7 anything towards you personally or anything
8 towards any of the processes you have been
9 going through. I think you have been going
10 through the processes as you, in your heart,
11 believe were absolutely correct, so I thank you
12 for coming with that. We will take a couple of
13 minutes recess.

14 (A recess was taken.)

15 MR. KLINEMAN: On the stage, please
16 when you rise will you please spell your last
17 name so the reporter can make a record and have
18 the correct spelling of your name.

19 Secondly, we have a system, basically other
20 than people who represent a group, everybody has
21 five minutes. We have a system which will be
22 operated by Pam and Frank, who will be seated
23 over in this area that I am pointing to right
24 next to the gentleman with the blue jacket. We
25 have a yellow card which they will flash when

1 you have one more minute, so that would be an
2 indication for you to wrap up your comments.
3 And we have the red one, which is like the old
4 fashioned hook they used to have. We would like
5 you out of here when you see the red one. We
6 would very much like to try to keep your remarks
7 limited. If you finish early we will all
8 applaud you because we do have quite a list of
9 people and we want to hear all of you but we
10 also want to get out of here sometime.

11 Per the ground rules, if you have any
12 written materials you can submit it to the staff
13 to be included in the record. If you want to
14 expand your oral statements with written
15 material, likewise get that to the staff and it
16 will be included in our records. And also, if
17 you were not given an opportunity under the
18 ground rules to speak, if you want to submit
19 written materials that will be included in the
20 ground rules.

21 The other good news, or bad news depending
22 on how you look at it, we have received word
23 that the order preventing us from having
24 hearings in East Chicago has been dissolved, so
25 we will be having the hearings tomorrow pursuant

1 to our schedule at the Intergenerational Center
2 in East Chicago starting at 9:00 o'clock
3 tomorrow morning. So that is our public
4 announcement that we are back on schedule.

5 With that I will turn my theoretical gavel
6 over to Ms. Bochnowski who is our vice chairman
7 and she will call the people in order.

8 MS. BOCHNOWSKI: And the first
9 person, Steve Levin, has 15 minutes.

10 MR. LEVIN: Mr. Chairman, members of
11 the Indiana Gaming Commission Mr. Thar, thank
12 for allowing me the chance to speak before you.
13 I hope this last break you are in a better frame
14 of mind than you were the last two hours.

15 MS. BOCHNOWSKI: Excuse me, could you
16 state your name for the court reporter?

17 MR. LEVIN: I am Dr. Steve Levin,
18 L-E-V-I-N, president of the Whiting/Robertsdale
19 Chamber of Commerce. I represent the
20 organization that promotes specific economic and
21 social welfare of the people of Whiting and the
22 Robertsdale area of Hammond. We have a hundred
23 and fifty-four members and we are seven years
24 old. I am here today because our organization
25 remains committed to the improvement of the

1 overall economic growth while maintaining the
2 quality of life in the Robertsdale area.

3 I read in Tuesday's paper that you toured
4 the Hammond Marina. I don't know if you were
5 given an opportunity to visit the
6 Whiting/Robertsdale residential community or
7 downtown Whiting. Allow me to give you a brief
8 background of our community.

9 We are very unique. In many respects the
10 Whiting/Robertsdale area is considered one
11 community, even though divided by city lines.
12 The citizens of Robertsdale pay Hammond taxes,
13 but their mailing address reads Whiting, Indiana
14 and their telephone prefix is 659, the same as
15 Whiting. Robertsdale residents consider
16 downtown Whiting their own business district and
17 Robertsdale residents use city services, like
18 the Whiting Public Library, community center,
19 post office, and all to frequently the Whiting
20 Police Department.

21 Robertsdale, the northern-most section of
22 Hammond, is adjacent to Whiting to the west.
23 Robertsdale citizens are within walking distance
24 of downtown Whiting, but several miles from
25 downtown Hammond. The entire residential area

1 of Whiting lies within 1.3 miles of the Hammond
2 Marina. The entire land in Whiting lies within
3 two miles of the Hammond Marina. Downtown
4 Hammond is approximately six miles from that
5 site. If you can look at the map, we drew a map
6 for you. Are you familiar with where the town
7 of whiting is in relation to Robertsdale?

8 Whiting/Robertsdale is one community. We feel
9 we will have the greatest impact, positive or
10 negative, at the Hammond Marina. 100 percent of
11 the Whiting/Robertsdale area will be directly
12 affected by this development. We look forward
13 to the potential economic impact that the gaming
14 industry will bring to our community. We will
15 all benefit from the gaming tax revenues,
16 increased tourism, increased job opportunities,
17 and overall improvement. However, as with any
18 major development, serious community concerns
19 need to be addressed. They include the
20 following:

21 Our first concern is traffic, an estimated
22 six thousand additional cars per day will flood
23 Indianapolis Boulevard and Calumet Avenue to get
24 to the overpass. The congestion that now exists
25 will definitely increase, especially when

1 Illinois citizens find that Indiana gas is 20
2 cents cheaper per gallon. We will have a real
3 safety issue on our hands and a major
4 inconvenience to our residence as they travel in
5 and out of their own community.

6 Another concern is beautification,
7 beautification of the gateway. During the past
8 two days we heard gaming applicants refer to
9 Hammond as the Indiana gateway to Lake Michigan
10 South Shore. We would like to see the chosen
11 gamer and the City of Hammond beautify our
12 community gateways, specifically, Indianapolis
13 Boulevard and Calumet Avenue.

14 As citizens we must all be concerned with
15 security and safety. Whiting and Robertsdale
16 presently have a reciprocal police and fire
17 department agreement. Whiting does respond to
18 hundred of calls from Robertsdale every year,
19 specifically police calls.

20 We are concerned that police, ambulance,
21 and fire personnel will be pulled from Whiting
22 to respond to emergencies in Robertsdale and at
23 the gaming development, leaving citizens of
24 Whiting vulnerable.

25 We are also concerned with closing of

1 Calumet Avenue. This action will limit our
2 resident's access to the lakefront and force
3 them to use the overpass. We feel this access
4 should remain open, or at least to remain open
5 on an unlimited basis for pedestrians, bikers,
6 and emergency vehicles. Another concern to the
7 members of our Chamber of Commerce is jobs. We
8 have been told that over fifteen hundred new
9 jobs will be created through gaming. Because of
10 the close proximity to the gaming facility, we
11 ask that Whiting residents be given the same
12 consideration of employment as Hammond does. We
13 also ask that to the extent possible, the
14 majority of management and executive personnel
15 be from our region also.

16 Furthermore, we ask that education and
17 training be done at our local Indiana schools
18 and colleges. We are also concerned about
19 business opportunity. The gaming company should
20 allow local vendors to service the needs of the
21 gaming establishment. This includes such
22 business as cleaners, restaurant supply, food
23 wholesalers, limousine services, uniform supply,
24 et cetera. Also, the gamers should allow local
25 businesses to exist or develop at the Hammond

1 Marina, or at the gaming facility. In obvious
2 cases Whiting should be treated the same as
3 Hammond. The City of Whiting would also welcome
4 the opportunity to develop a shuttle system
5 connecting the marina in downtown Whiting.

6 As a final concern we have a long-term
7 commitment, a five-year project is not long
8 term. We hope the gaming development will have
9 the vision and financial commitment to remain in
10 the area beyond the initial five year licensing
11 period. This commitment is essential for the
12 continued stability of the area and continued
13 revitalization of the cities of Hammond and
14 Whiting. We understand there are no immediate
15 answers or solutions to our concerns. However,
16 we welcome the opportunity to participate in a
17 discussion with the City of Hammond and the
18 chosen gaming entity. We look forward to
19 developing a short and long range plan to
20 address these concerns as they arise.

21 The City of Whiting needs to be recognized
22 as an important player in any development in the
23 Whiting/Robertsdale area. Our Chamber of
24 Commerce recently passed the following
25 resolution: It states that the Whiting Chamber

1 of Commerce endorses a revenue sharing agreement
2 that would ensure the City is likely to receive
3 an appropriate share of gaming revenue in
4 accordance with current legislation. The
5 Whiting/Robertsdale Chamber of Commerce believes
6 the city of Whiting will be strongly affected by
7 the initiation of gaming in the Robertsdale
8 section of Hammond, and therefore should receive
9 some compensation and/or benefit for the
10 licensee of the City of Hammond. This
11 compensation will give Whiting the needed funds
12 to continue to improve the overall economic
13 growth of the city, while maintaining the
14 quality of life paralleling the City of Hammond.

15 I want you to know that several members of
16 the Whiting/Robertsdale Chamber of Commerce have
17 attended these hearings yesterday and today.
18 Within the next several days we will meet to
19 discuss what we have learned about these
20 applicants and their plans for our lakefront.

21 Subsequent to that meeting, I expect we
22 will forward to you a brief letter indicating
23 our opinions and additional concerns, if any. I
24 only ask that you receive this letter in the
25 spirit in which it was sent. That is that a

1 concerned group of civic leaders anxious to
2 resolve this issue in the best interest of the
3 Whiting/Robertsdale community. Personally, I
4 have been in practice in the Whiting/Robertsdale
5 area for over twenty-two years. There are good
6 people here, they deserve the best, and I am
7 confident that you will give it to them.

8 MS. BOCHNOWSKI: Thank you, very
9 much. Mayor Bercik.

10 MR. BERCIK: Thank you, very much. I
11 was going to deviate a little bit from the
12 prepared statement, but it is always helpful to
13 follow Dr. Steve Levin because he has already
14 mentioned some of the things I was going to
15 talk about. But one of the things I would like
16 to start out with, first of all, would be to
17 thank the commission, the chairman, and Mr.
18 Thar for allowing me to come and appear before
19 you and to make some statements so they would
20 be on record.

21 I would like to say that there is a
22 Whiting. I have heard some of the members
23 didn't know that there was a Whiting or where it
24 was. I have a little legacy that I would like
25 to mention, and that is that my dad was mayor in

1 the City of Whiting, my mom was mayor in the
2 City of Whiting, in fact she was the first woman
3 ever elected mayor in the State of Indiana, and
4 low and behold thirty something years later here
5 comes the son-in-law and he becomes mayor.

6 I do have a boy, he is in the service in
7 Texas and he always gets quizzed on whether he
8 has any political aspirations also.

9 I have been mayor, this is my 8th year,
10 whether it is fortunate or unfortunate my
11 opponent in the November election has withdrawn;
12 I have no opposition so if I do vote for myself
13 I will be around if the Good Lord so permits it.
14 It's like I have another four years while the
15 gaming industry comes to our community.

16 Mayor Dedelow and I have not talked, we did
17 mention that in the commission meetings in
18 regards to the last two years that we had to sit
19 down one of these days, I didn't push the issue
20 because it seemed like there were a lot of ways
21 and rightfully so, there should have been. But
22 now that it seems to be coming to a close I
23 think it is important that I and my staff make
24 myself available to the commission to the City
25 of Hammond and certainly whoever is unfortunate

1 enough to get the gaming license to sit down
2 with them because we are concerned. The
3 concerns we have are mainly the police
4 protection, the ambulance service, traffic
5 congestion, the volume of persons using the
6 gaming facility, and the safety, health, and
7 morals of our community.

8 The city of Whiting is unique as Dr. Levin
9 has stated; I have many brothers and sisters and
10 some uncles that live in Robertsdale. Our
11 population probably sits at about fifty-two
12 hundred right now. In '89 when -- it was
13 Standard Oil Company of Indiana at that time,
14 came to Hammond they built the largest refinery
15 in the world. Right now we are still the second
16 largest Amoco refinery; Texas City, Texas is the
17 biggest.

18 So we are an industrial town, a hundred
19 percent of our population is within a 1.5 mile
20 radius of the proposed location of the Marina.
21 So we are going to be impacted very
22 tremendously. I had my Chief of Police within
23 the last couple of months relay to the Hammond
24 chief that about the many calls we do make in
25 Robertsdale, more so the city of Hammond has

1 been good to Whiting, also. I am concerned
2 about in the future, how many more additional
3 calls that we will be asked to respond to.
4 Every time we do respond we leave our city at a
5 little bit of a shortfall. Fortunately Whiting
6 has a very good tax base because of Amoco Oil.
7 Whiting has a nice compliment of policemen and
8 firemen, but the big concern is what will we be
9 doing in the future, and I think this is one of
10 our most important things that have to be
11 addressed.

12 If I may, my city planner Dan Voltage is
13 here with me. He was referring to the
14 Robertsdale lakefront plan in October of '94 and
15 adopted by the City of Hammond, which recognizes
16 the fact that riverboat gaming will have
17 potential impacts on the Robertsdale
18 neighborhood and surrounding communities. We
19 understand that, we are here to be good
20 neighbors, we know that gaming is here, we want
21 to make sure it is done right and we appreciate
22 my having come before you and I thank you very
23 much.

24 MS. BOCHNOWSKI: Thank you, Mayor
25 Bercik.

1 Next we have Mr. Nutall. If you could just
2 state your name and spell it.

3 MR. NUTALL: McKinley Nutall,
4 N-U-T-A-L-L.

5 MS. BOCHNOWSKI: Thank you.

6 MR. NUTALL: Councilman 3rd District,
7 City of Hammond. I am very thankful that you
8 have allowed me this privilege, and I would just
9 like to say that the bottom line that I
10 considered when this project began was for the
11 benefit of Hammond and its citizens. The
12 projects that have been presented to you, some
13 of them have taken into account what the
14 citizens of Robertsdale wanted. Some of them
15 did not. I think it was stated from the city's
16 point of view what they wanted on this north
17 end; I think that certainly should be a
18 consideration. I want to say that others
19 following your talk about economic impact of
20 this project, that environmental concerns and
21 everything of that nature, that is not what I
22 want to talk about this afternoon. Yes,
23 Dr. Ross, you asked the question what would be
24 the minority participation, and I think,
25 Mr. Klineman, yesterday you had problems with

1 the definition of a word, so I to have a
2 definition of a word. You asked what would be
3 the minority participation. The answer was we
4 held a job fair and we sent out cards and said
5 they would be given applications. I don't know
6 how that is synonymous with the participation
7 because I have not seen, when I speak now of
8 minority participation, I am talking about
9 African Americans, Hispanics, Native Americans.
10 I am excluding women from what I am speaking
11 about now. I have yet to see that participation
12 on the front side and if I don't see it on the
13 front side as you use the word leverage earlier,
14 Mr. Klineman, I see no leverage for it on the
15 back side. That is what puzzles me about all of
16 the companies.

17 I would just like to say that two and a
18 half years ago, approximately, I married with
19 Lake Michigan Charters. For whatever reason I
20 see you don't particularly think the process was
21 a good one and I am not going to debate that,
22 but we married with Lake Michigan Charters at
23 that time. They made some commitment, like in
24 every marriage there is a commitment. To this
25 date in this Councilman's mind, they have lived

1 up to their commitment and I don't think they
2 should have to apologize for that because I
3 think that was the intent from the start. But
4 just let me say this: The other word I have a
5 lot of problems with the definition of is
6 "local". I understand, and it was my
7 understanding that it be local investors, and I
8 was certainly looking for local minority
9 investors. Well, I don't know of any of the
10 companies that have any local minority investors
11 and that is another problem with me.

12 This has been my first experience with
13 anything of this nature so I wouldn't have
14 known -- I do not know how to go about getting
15 involved in the process of selecting investors.
16 But I would think that these companies with all
17 their technicians, strategies, and marketing
18 people, that they would have expertise and the
19 wherewithal to seek out investors and protect
20 minority investors. I would just like to say
21 this: I have a slight problems with, and the
22 problem is not just slight, it is bigger than
23 that, but I do not know how to go about getting
24 this job done and correct this, what I think is
25 a flat out oversight, but I would hope you take

1 this into your consideration when you deliberate
2 to get your final decision. Now, Dr. Ross, I
3 was a little disappointed that you only asked
4 that question one time. I was hoping you would
5 ask every company what was their minority
6 participation. I want to see what their answer
7 might have been. But in any case I know you
8 will take it up in your deliberations. I thank
9 you.

10 MS. BOCHNOWSKI: Thank you.

11 MS. COSTA: Good afternoon, my name is
12 Bernadette Costa, C-O-S-T-A.

13 Thank you for giving me the opportunity to
14 come before you today. Some of the things that
15 you will hear from me and other people speaking,
16 I want to address it just a little bit
17 differently. As a Hammond Council person, I am
18 also on the Port Authority and I am lifelong
19 resident of the City of Hammond. I am here to
20 voice my concerns as they apply to the gaming
21 development on our lakefront. As a city we have
22 traveled quite a road since we overwhelmingly
23 voted yes for the opportunity almost two years
24 ago. At last the years for Hammond gaming are
25 nearly completed.

1 In evaluating the proposals of the gaming
2 companies I trust you. I trust you, that you
3 will consider the impact to the city, especially
4 to the neighborhoods surrounding the city,
5 surrounding the development, the needs of the
6 voters who occupy our marina. The concerns of
7 the people in preserving the open spaces as well
8 as the integrity and financial background of the
9 three firms that have made proposals to you.

10 In the last two days we have heard a lot of
11 fluff as well as substance, we have had some
12 checks and some balances, and I am confident
13 that your research, your background checks,
14 reports from financial experts, and common sense
15 will lead you to the best choice for the City of
16 Hammond.

17 As a member of the Mayor's Commission, my
18 personal choice was Boyd. However, as a member
19 of the Hammond Common Council, I supported a
20 resolution supporting Lake Michigan Charters.
21 Now you, the members of the commission, have to
22 make a choice. In awarding the Certificate of
23 Suitability, I urge you to choose the gamer that
24 will give Hammond not only the best financial
25 package but the best vision for development that

1 will take us into the next century. By choosing
2 the best all-around company, you will allow
3 Hammond and our citizens to truly realize
4 rewards and benefits of their vote when they
5 voted for the opportunity.

6 Finally, just as a side note, if you give
7 me a choice between a ship and five million, I
8 would take the five million. Thank you.

9 MS. BOCHNOWSKI: Is Councilwoman
10 Janet Moran here?

11 MS. MORAN: Thank you for allowing me
12 this opportunity to speak. I am councilwoman
13 Janet Moran, and that is spelled M-O-R-A-N. I
14 have served on the Hammond City Council for
15 twelve years. I have been an active participant
16 in Community Affairs in Hammond for over
17 twenty-five years. All of the applicants that
18 have appeared before the gaming commission today
19 and yesterday have been exciting. They are
20 really exciting and an impressive development to
21 our city. Hammond is very honored to be the
22 recipient of Lake Michigan Charters, Boyd, and
23 Bally's interest. I do not envy you the task of
24 choosing between these three highly qualified
25 riverboat operators.

1 The economic development and economic
2 returns to the city and state have been and will
3 continue to be examined and compared. But I
4 wish to discuss philosophical points of concern.
5 In 1993 I was a member of the Mayor's Advisory
6 Committee to evaluate gaming proposals, but much
7 has changed in the gaming industry in the two
8 years since Hammond has completed its
9 endorsement process. The economics of
10 riverboats now question their ability to charge
11 admission of parking fees. The riverboat gaming
12 market is fast becoming symbiotic with the
13 destination resort theory; riverboats,
14 restaurants, entertainment facilities, and
15 hotels are advantageous and necessary to each
16 other but not harmful to either. By the
17 admission of one applicant and an internal memo,
18 which was inadvertently released to the public
19 it was stated that quote, these days it takes
20 more than a vote, a boarding facility, and a
21 garage facility to produce sustainable long-term
22 development.

23 Hammond is located fifteen minutes away
24 from Chicago's loop via the Chicago Skyway.
25 Hammond's Lakefront, development correctly, can

1 be a viable riverboat destination and
2 entertaining position even in the face of
3 Chicago's Casino competition. All of the
4 applicants have discussed a hotel in one
5 location or another. I would respectfully ask
6 the gaming commission to check with the travel
7 and marketing consultants, if you haven't done
8 so already, I assume you probably have, on the
9 desirability and availability of the proposed
10 remote site hotels as well as the lakefront
11 hotels as to what would be the marketing rate
12 that they would have as far as occupancies.
13 Should the riverboat pull up anchor and leave
14 permanently, Hammond does not want to be stuck
15 with a white elephant building that can only be
16 used in connection with the riverboat. Hammond
17 needs lakefront and sell rate development with
18 stand-alone long-term capability. I was
19 somewhat surprised to hear in the
20 administration's presentation today that in 16
21 points there was a demolition component to that
22 that they would, if the riverboat was actually
23 left, that there was a demolition plan to
24 demolish what had been built, I would not agree
25 with that theory.

1 In addition to the day trip riverboat
2 visitors that will make up the vast majority of
3 coming to the riverboats, I believe there is a
4 market in Hammond's lakefront for a midwestern
5 regional conference site that would be
6 attractive by the riverboat development. Small
7 regional conferences tend to get swallowed up in
8 big cities which are often too large and
9 overpriced for the comfort of regional
10 conference goers. Hammond's lakefront
11 development can offer a very unique active
12 conference alternative that has good interstate
13 and toll roads access and is on Chicago's
14 doorstep. When Hammond decided in its RFQ's as
15 to its preference for the actual footprint for
16 riverboat development on the lakefront, its
17 primary concern was a gambling activity should
18 not drive away the boaters, and that the
19 riverboat development should enhance the Hammond
20 Marina and build upon what we already have here.
21 I believe that all three proposed riverboat
22 plans in their own individual way enhance the
23 marina and compliment boating, but just as the
24 city remembered the non-voting public and
25 provided it access to the breakwater wall and

1 fishing peer at the marina, I remind the gaming
2 commission to remember the non-gaming public as
3 it makes its riverboat choice for Hammond.

4 In addition to developing the casino there
5 should be new developments for those who just
6 want to enjoy the lakefront and not gamble. I
7 would say there has been much discussion about
8 cutting off the lake view; I feel that all of
9 the plans that have been presented here in
10 Hammond have, in effect, cut off the panoramic
11 lake view. But keep in mind that you will be
12 entering this marina from an elevated overpass
13 so that we are going to have a bird's eye view.

14 I see my time is up so I will present these
15 to you in writing if that is all right. Thank
16 you for your time. I do want to just say that
17 whatever you decide as gaming commission who
18 should receive this Certificate of Suitability,
19 I as an elected official and community activist
20 will work toward helping that applicant be
21 successful here in the City of Hammond.

22 MS. BOCHNOWSKI: Thank you. Anything
23 that you have in writing you can give it to the
24 staff and they will make it part of our
25 permanent record. Councilman Golec.

1 Mr. GOLEK: Mr. Chairman, members of
2 the board. My name is Rob Golec, G-O-L-E-C. I
3 am the 6th District Councilman for the City of
4 Hammond. I have been representing my district
5 for the past seventeen years. A few weeks ago
6 you received a letter from me withdrawing my
7 support behind Charters for economic reasons. I
8 think those economic reasons were as important
9 at that time as they are tonight, as they were
10 two years ago. I have heard a lot of dialog go
11 on today, especially some of questions that
12 Mr. Klineman had asked representatives of the
13 City of Hammond, and that included the Common
14 Council.

15 Unfortunately, you should have asked the
16 Common Council the responses of those questions,
17 and I think you would have had a diametrical
18 different opinion, or opinion, as to what was
19 happening or not happening during those periods
20 of time. No one can really speak for the
21 council except ourselves, and we have members
22 here that could have attested to the correctness
23 about what was being said about the council's
24 participation in this process. But
25 notwithstanding, when I looked at new

1 application, the amended application, I think it
2 was June 24, 1995, I had realized that the
3 partnership of Charters in the City of Hammond
4 there was a significant change. That change was
5 two fold. Number one, instead of the financial
6 formula being based upon the three percent of
7 the gross rate gaming revenues, in addition to
8 three dollars per car, a new formula had been
9 substituted without the knowledge of the Hammond
10 City Council when Charters had submitted the
11 464.

12 In addition to that, which came as a great
13 surprise to this councilman, was when they were
14 asking for a tax credit, a tax credit against
15 all future years in the City of Hammond that we
16 would not receive a benefit from it. It was
17 interesting to note that shortly after my letter
18 to the commission I had contact with Charters
19 that they had agreed prior to any meeting with
20 the mayor to withdraw their request for a tax
21 credit and they had agreed. I think that was
22 wrong.

23 When you are looking at all of these gaming
24 companies that are here before you, I think
25 integrity has to play an important role. It is

1 integrity when I run for office, when I
2 represent the people that come before me, and
3 when I speak for them. I think the integrity of
4 the people that I represent have been
5 compromised by the change of a deal of the
6 Letter of Intent without notifying the council.
7 I think that is wrong. I think based upon the
8 information, and the numbers are very inclusive,
9 as original proposal that Charters presented
10 versus the proposal that is before the
11 commission at this time. It is inclusive as to
12 whether it is a better proposal or not. I heard
13 some questions on the development on what the
14 city ought to do insofar as a structure being
15 built on the lakefront. I can tell you this,
16 that the Common Council is also part of the
17 city. In fact, it takes the Common Council to
18 make the zoning laws to change them to allow
19 these developments to occur.

20 Again, Mr. Chairman, humbly we are left out
21 of that discussion as to what the Council feels
22 insofar as the residents of that neighborhood
23 are concerned with. We have some definite
24 opinions as to how the development of that
25 lakefront ought to be. I think this commission,

1 on whoever the choice is in the final analysis,
2 ought to consider that the city, the citizens of
3 Hammond, the Mayor and Council ought to have
4 that opportunity to discuss how that development
5 is to occur. I think it would be wrong and
6 improper for this commission to say you must
7 accept this company because you must also have a
8 development along with it. It is for us to make
9 that decision, Mr. Chairman, and I believe the
10 reason why is that once these hearings are
11 concluded, once you issue that Certificate of
12 Suitability, and once that license is issued you
13 are gone. Those of us who live here in the City
14 of Hammond must live with the problems that
15 emanate from such a time of economic development
16 as well as the benefits that are attested to
17 that economic development.

18 In conclusion, I don't know whether or not
19 we will have an opportunity to answer any
20 questions at a later time. There are a number
21 of other speakers, but I would think that if
22 you really want to get to the bottom and get
23 correct answers, the next time when you ask the
24 city for responses, that the Hammond City
25 Council also represent eighty-three thousand

1 people that live in the City of Hammond and
2 that we should have been given the opportunity
3 to tell you what our feelings are about that
4 development. Thank you very much, Mr.
5 Chairman, and members of the panel.

6 MS. BOCHNOWSKI: Thank you.
7 Councilman McCarthy, and state your name
8 please.

9 MR. McCARTHY: Joe McCarthy, City
10 Councilman, M-C-C-A-R-T-H-Y. Commissioner,
11 thank you for the opportunity. I can't possibly
12 express in five minutes the magnitude of what
13 this was presented in 1993. This was the
14 original document that Charters submitted to the
15 City Council, which Democrats, Republicans,
16 Independents alike throughout the city wanted an
17 opportunity for gaming. The campaign slogan was
18 Opportunity, Yes, but what we are seeing is an
19 opportunity that has a limited window. While
20 the administration was proposing a twenty-five
21 million dollar figure, this councilman was
22 talking percentages. The reason why I say it is
23 percentages is because I realize that those
24 revenues are projected revenues that when
25 competition increased that those revenues are in

1 fluxed. That is why it is very important that
2 this councilman, in relation to the community
3 needs, talk about other investments throughout
4 the community of Hammond.

5 Charters submitted a document stating that
6 they are going to build a diving facility in
7 order to stimulate other investments, other
8 service industries, national competitions,
9 swimming, region meets. The whole key was not
10 to just depend on gaming but to bring in other
11 attractions of a professional style that
12 compliment the Chicago marketplace. When you
13 invest in other opportunities such that you make
14 them more committed to the plan, hotel
15 development that should be looked at.

16 As people go through and they gamble and
17 they drink, or they want to take in the sites of
18 the city which the city is going to invest a ton
19 of money in, we want them to stay in the region,
20 we want them to offer them complimentary
21 packages. I want to submit this to the
22 commission and I want to show that although we
23 have talked to numerous gamers, those
24 commitments were building on sifting sand.
25 Today the rubber meets the road. Just like one

1 of the commissioners said, we want to get to the
2 nitty gritty. I didn't partake in a lot of the
3 presentations from the gaming because I knew
4 that it was presentations, nothing of substance.
5 Today there is a lot of substance, and in the
6 sanctity and quietness of your facilities you
7 are going to mull offer everything from
8 financial statements to the actual ability to
9 build the facility. The City of Hammond has a
10 lot going for itself.

11 When I walk the neighborhoods and I talk to
12 people in general, their eyes lit up, that they
13 would actually have an opportunity to get a job.
14 I don't see that we can give a person a job but
15 we can provide an opportunity and environment.
16 What is wrong with training people to work in
17 riverboat facilities? Charters has one of the
18 best plans I have seen that were submitted,
19 although part of their plan was withered on a
20 vine. I would like you to ask them, why don't
21 we diversify our market and build a gaming
22 facility that incorporates our entities. People
23 want jobs; people want opportunity. I myself
24 twenty-five years ago was washing dishes, today
25 I am a city council member raising a family. We

1 have two incomes, my wife and I work. We are
2 raising two kids and fifty thousand dollars
3 today doesn't buy a lot. We want to be able to
4 provide those opportunities to other people.

5 City council has offered to work with other
6 people to provide a job outreach bank, I think
7 that is something this city should self reflect
8 on and look at computers that match up talent in
9 our market with the people and their jobs. I
10 think I have no problems endorsing Charters; the
11 only reasons why I did endorse them is they
12 stepped up to the plate and when the marina was
13 in trouble they offered their assistance. The
14 other gamers helped, Bally's took their marbles
15 and walked out. The presentation that was
16 before the council, that was a public meeting
17 they decided not to participate to go straight
18 to the commission, and that is a fact.

19 But what I would like to see is, make the
20 commitment to the city and that is to build a
21 facility, build the hotel, invest in the
22 community and let us spend that money that this
23 city has long suffered. Thank you.

24 MS. BOCHNOWSKI: Thank you.

25 MS. MARSH: Carolyn Marsh,

1 C-A-R-O-L-Y-N M-A-R-S-H. I am the founder of
2 the Track Committee. Initially we were given
3 ten minutes and it has been reduced to five, so
4 I will be going a little over the five minutes.

5 Thank you for the opportunity to speak to
6 you. I rarely turn down offers to talk on
7 subjects that has become for me a steadfast
8 commitment to save the migrant trap. As a
9 resident of Whiting and avid birder in the
10 Whiting/Hammond area, I am here today to implore
11 the State Gaming Commission to deal on its
12 priority to help preserve this bird sanctuary.
13 My soul concern is that the migrant trap be
14 saved as a bird habitant and that it be managed
15 by the State of Indiana on a permanent basis.
16 To whom you award the gaming license is a
17 particular concern of mine. I care that the
18 developer you choose honors the wishes of our
19 residents.

20 In a survey of Robertsdale neighborhood
21 conducted last year by the city of Hammond for
22 the Robertsdale neighborhood and lakefront land,
23 the residents gave protection of natural
24 environment a priority. The next highest need
25 was for parks and open space. Other types of

1 development lagged far behind.

2 The final report of the lakefront plan
3 recommended that the trap be preserved. I want
4 to give you some background on this property why
5 it is important to save, who wants it saved, and
6 why it is important to manage the property. The
7 sixteen acre Lake Michigan Migrant Trap, owned
8 by a northern Indiana pharmaceutical company
9 lies adjacent to the Hammond Marina. With grain
10 payer's money NIPSCO purchased the land in the
11 early 1960s from the Shed Estates as a potential
12 site for the power plant. NIPSCO then decided
13 not to build a plant and the property was zoned
14 open space. It was during that 1970s that the
15 landfill, now vegetative, began attracting
16 birders. Use of the parcel has been under
17 contention since 1990 before the prospect of
18 gaming was publicly announced, that was when
19 NIPSCO, with the partnership of the City of
20 Hammond announced plans to develop entire
21 parcels, hotels, condos, and retail outlets.
22 With the construction of the adjacent marina
23 then underway, the 1990 development plans would
24 have eliminated the area's only privately owned
25 lakefront zoned open space. Since then other

1 development plans have been presented.

2 Lately these have been included and
3 proposed by gaming companies for which you
4 gather today. Why save the migrant trap
5 foremost? It is widely recognized among one of
6 the most important scholars of migrating birds
7 in the Great Lakes basin. Steven H. Evan,
8 Director of the National Audubon Society has
9 written, quote, despite the unsightly
10 appearance, it, the migrant trap, is likely the
11 most unique and valuable area for migrating
12 birds, of any one spot in the entire State of
13 Indiana, end quote. The bird habitat has been
14 added to wildlife guides such as the Indiana
15 Wildlife Viewing Guide, which is described as
16 quote, one of the best places in the state to
17 view migrating songbird in the spring and fall,
18 end quote.

19 Another reason is the quality of life
20 issue. Heavy industry dominates the Lake County
21 shoreline. In comparison, Chicago has a
22 lakefront protection ordinance that provides its
23 neighborhoods with a green corridor along the
24 city's entire lakefront. Ken Kauffman, author
25 of Advanced Birding Field Guide, told the

1 September gathering of the Chicago Society that
2 they should feel likely to be, quote, truly
3 blessed, with such a visible migration along the
4 lakefront.

5 What about the Hammond/Whiting corridor,
6 which is equally visible with migrating birds in
7 the spring and fall. Is our Corridor to be
8 nothing more than gas stations, asphalt parking
9 lots, and a concrete tangle of overhead
10 highways? Haven't area residents compromised
11 enough supporting a twenty-three million marina
12 and gaming? Surely we can save a mere sixteen
13 acres to insure that some migrant birds remains
14 along our lakefront.

15 MS. BOCHNOWSKI: You will need to
16 finish up pretty soon.

17 MR. PESCHKE: One of the licensed
18 applicants before you today, Lake Michigan
19 Charters, once recommended that the migrant trap
20 be donated to the state. Prior to the city
21 gaming referendums, Charters distributed a
22 proposal for public review in which it proposes
23 to acquire the migrant trap property and quote,
24 donate all sixteen acres to a qualified
25 conservancy or the Indiana Department of Natural

1 Resources, end quote. However, it is promised
2 to the community to preserve the migrant trap
3 was predicted later. An agreement dated
4 September 20, 1993 between Hammond's Mayor and
5 Charters, the company stated that the NIPSCO's
6 site title would be delivered to the City of
7 Hammond. Within the past week another applicant
8 states in writing to donate the land to an
9 appropriate agency, such as Indiana DNR
10 Foundation to, quote, act as steward to protect
11 and insure its continued use as a migrant bird
12 trapping, end quote.

13 Other pledges they make are to hire a
14 landscape architect to create a botanical
15 enhancement and to contribute additional funds
16 to help maintain the property. Should you
17 select any of them, I hope the commission will
18 see to its promises. The Lake Michigan Migrant
19 Trap can become a viable asset, a bird sanctuary
20 for state management. It can be transformed
21 into a vegetative land and lakefront garden.

22 In conclusion, so I implore the gaming
23 commission to select a company that will respect
24 the wishes of area residents, represent groups
25 and conservation organizations who want the

1 migrant trap protected. I am for you to select
2 a gaming company that will purchase the migrant
3 trap and donate to the state. There is only one
4 company that offered to honor both interest,
5 Bally's Entertainment Corporation.

6 MR. PESCHKE: Thank you, and thank you
7 for the opportunity to speak to you today.

8 MS. BOCHNOWSKI: Thank you. I will
9 ask everybody, I know you were prepared for ten
10 minutes, but I will ask everybody to try and
11 stay with five minutes as we have had a long
12 day here. I understand Michael Daugherty is
13 taking the next spot, is he here? No. Dewey
14 Pearman.

15 MR. PEARMAN: Mr. Chairman, members of
16 the commission, my name is Dewey P-E-A-R-M-A-N,
17 I am Executive Director of Construction
18 Advancement Foundation. On behalf of our
19 officers, directors, and members, I would like
20 to thank you for tonight to address you today.
21 The Construction Advancement Foundation is a
22 private, not-for-profit construction industry
23 trade association with over three contract
24 members. We serve a six county northwest
25 Indiana area. Many organizations and

1 individuals from northwest Indiana worked very
2 hard for the successful passage of the Indiana
3 Riverboat Gaming legislation. We in northwest
4 Indiana worked for passage of that legislation
5 and we are pleased that those efforts will soon
6 bear fruit for the economy and people of our
7 area.

8 On a personal note, Mr. Chairman, let me
9 say that having been born and raised in Hammond,
10 having been served as City Director of Economic
11 Development for some years, having served as
12 Executive Vice President of the Chamber of
13 Commerce for a number of years, I have many
14 personal and professional attachments for this
15 county and I am personally very pleased that
16 Hammond will be given the opportunity to regain
17 much of the economic strength and vitality that
18 was lost over the last twenty-five or thirty
19 years.

20 In my former capacity with the Northwest
21 Indiana Forum, it was my pleasure to actively
22 lobby for passage of the gaming legislation. I
23 recall as the legislation was being drafted,
24 there was much discussion about how the language
25 should be constructed to guarantee the greatest

1 amount of economic development benefit for the
2 state, and in particular the community in which
3 the riverboat would be docked.

4 We believe the legislation anticipates that
5 the commission will give significant
6 consideration to the degree to which the
7 development proposals will benefit the local
8 economy, specifically, Chapter 4 Statute 1
9 states that the commission will, quote, select
10 among competing applicants that promote the most
11 economic development in the home docked area and
12 that best serves the interest of the citizens of
13 Indiana.

14 In this regard we would like to bring to
15 your attention two issues that we feel should be
16 important and worthy of your consideration.
17 First, the total investment package of each of
18 the proposed developments, and second the extent
19 to which the applicants are committed to using
20 local contractors and subcontractors, materials,
21 suppliers, and vendors from the home docked area
22 to construct the facilities. With regard to the
23 first issue we believe the greater investment in
24 land site improvements, the greater the economic
25 benefit for northwest Indiana and Indiana.

1 The legislation debate of riverboat
2 legislation included much discussion of the
3 possibility that given the nature of riverboat
4 operations, a significant piece of the
5 developer's investment could easily be floated
6 away if the market stops temporarily or if the
7 developer receives a better offer from another
8 state. The best way to insure a long-term
9 commitment from the license holder is to secure
10 a substantial investment in land site
11 improvements.

12 We see the financial commitment to land
13 site improvements as the clearest indication
14 that an applicant has a long-term commitment to
15 Indiana and the home docked area. The
16 commission should therefore give weight to the
17 proposal which includes land site amenities such
18 as eating and drinking establishments,
19 entertainment facilities, recreational
20 facilities, on and off site infrastructure
21 improvements, and hotel facilities. These are
22 the investments that will insure a long-term
23 commitment to Indiana.

24 With respect to the second issue we have
25 raised, if local contractors and subcontractors

1 and suppliers from the home docked area are used
2 in these projects, the convene of the home
3 docked area and the economy of Indiana will
4 benefit greatly.

5 If contractors and subcontractors,
6 material suppliers from outside Indiana are
7 used, the economics of other states will
8 benefit and we will have lost a very great
9 opportunity for Indiana. Let me assure you
10 that the construction industry in the home
11 docked area has to be with these facilities.

12 In your discussions with the applicants we
13 ask that you entrust with each of them a firm
14 commitment to use northwest Indiana contractors
15 and subcontractors. Thank you for the
16 opportunity.

17 MS. BOCHNOWSKI: Carlotta King.

18 MS. KING: Good evening, my name is
19 Carlotta King, K-I-N-G. I am extremely
20 delighted to be here to speak to you on an issue
21 that is extremely dear to me. I consider myself
22 very active within the city, I have been a
23 resident for over a twenty-five years, I am the
24 Redevelopment Commissioner, and president and
25 founder of my own business, Carlotta's Ultimate

1 You Image Building Center, and our focus is
2 image building for children. I am a licensed
3 leading member of the NAACP, board president of
4 a child care and development center, and I am
5 also president and image builder Indiana Expo
6 Hammond Chapter and State board member. I come
7 to you speaking and asking you that when you
8 consider who gets that gaming license, that they
9 have in place a package that will impact the
10 minority community. That factor along is so
11 dear to me that at this time I would like to
12 relinquish to Mr. Joe Rodriguez, who is vice
13 president of the Hammond Hispanic community, and
14 he will be working diligently together making
15 sure that an impact is done in our community.
16 Thank you.

17 MR. RODRIGUEZ: Thank you,
18 Mr. Chairman. My name is Joe Rodriguez,
19 R-O-D-R-I-G-U-E-Z. I am vice president of the
20 Hammond Hispanic community.

21 We would like the gaming commission to
22 consider some issues that we believe are
23 important in regard to the licensing. As the
24 commission is aware there have been many marked
25 by public and gaming interests and public

1 proposals. There are employment opportunities,
2 from one thousand to as high as twenty thousand
3 jobs. What we are asking the commission is that
4 they consider competent to license, that the
5 licensee must prepare a hiring plan that will
6 guarantee service jobs to Hammond residents.

7 In addition we would like employees to be a
8 fair reflection of the diversified ethnic and
9 racial groups that constitute the City of
10 Hammond. It is our hope that their hiring plans
11 will be reflective of our diversity, and that
12 Hispanics, African-Americans, and women will not
13 be relegated to menial labor employment.

14 Because of the limited time that I have, I
15 would like to go to a list of recommendations.
16 First, we think the gaming licensee should
17 greatly benefit the city, for developing a
18 gaming program for that type of employment.

19 Second, a monthly and annual statistical
20 report should be required showing number of
21 employees, the demographic details of the
22 employees, jobs classification, and their
23 corresponding salaries. In addition, the report
24 should reflect any political activities in which
25 the licensing company participates.



1 Third, a specific annual contribution
2 should be made to youth programs and activities,
3 specifically geared for those neighborhoods most
4 at risk which have a high youth problem, and
5 scholarship programs for low to moderate income.
6 There are many economic and socially important
7 issues. I do not have the time to talk about
8 all of these. But the bottom line is there must
9 be a positive gain for our community, our most
10 important resource.

11 Our organization believes that the
12 residents of Hammond should be the primary
13 beneficiary of the gaming revenue. Thank you.

14 MS. KING: In conclusion, I cannot
15 impress upon you enough the importance that
16 these two communities participate in this
17 process. It is always the numbers game, and as
18 redevelopment commissioner I have seen those
19 games played. We are talking billions and
20 billions of dollars, and it is just awesome when
21 you think of all of this money, and will it
22 trickle down, how will it trickle to the various
23 communities.

24 I have often heard that this city is that
25 of a melting pot. For once, I want all ethnic

1 groups to be represented. I speak for the
2 African-American community, I am very sure my
3 view speaks for the Hispanic community. Please,
4 whatever gaming outfit is selected, if you are
5 out there today, I will be a one-woman platform
6 if this process does not filter down to the
7 various communities. I will stand, I will
8 shout, I will scream to the highest to make sure
9 in this process for once, if it is going to be
10 if numbers game, I am hearing 10 percent 20
11 percent. But what happens to that 90 percent if
12 I am to be left with 10 percent or 15 percent or
13 20 percent, give me those best jobs because do
14 we have a list? Yes, we have a rich list of
15 African-American kings and queens and they can
16 hold any job that you have to offer. Thank you.

17 MR. DABERTIN: My name is David
18 Dabertin, D-A-B-E-R-T-I-N. Commissioners, Mr.
19 Thar, staff, Chairman. I want to thank you for
20 being here today. This is an important issue
21 for our community, that is the community of
22 Hammond, but also the community of Robertsdale,
23 which is the community where I live.

24 I thought by way of introduction I could
25 give you my involvement with gaming. First off,

1 I have lived in Robertsdale all my life, I own a
2 home there and have a family there. I served on
3 the Mayor's initial selection committee and
4 perhaps the questions -- I cannot support any
5 gaming company and would be happy to give you an
6 unbiased approach to or opinion to what
7 transpired there. I can tell you that the
8 proposals that we saw are vastly different from
9 what we have seen today. So giving weight to
10 that recommendation I can also tell you that
11 there was a lot of discussion, it was clearly a
12 free discussion, and the question of who
13 appointed those people, I was appointed but by
14 no means did I answer to anyone who appointed
15 me.

16 I have organized many public meetings on
17 this issue in the Robertsdale community, I have
18 talked to dozens and dozens of people up there.
19 I am the president of an organization which has
20 the vast majority of its members in
21 Robertsdale. We had a meeting and Mr. Thar
22 came out and spoke to our committee, members of
23 our organization, plus the residents from the
24 community. However, the decision you are going
25 to make, I truly believe, goes well beyond



1 deciding who will get the gaming license. I
2 truly believe that the decision you will make
3 will determine the fate of the community of
4 Robertsdale as well as Whiting.

5 Whatever happens there will clearly impact
6 that community much greater than the rest of
7 Hammond. There is a lot that is going to
8 happen, we don't know what. So the decision
9 you are going to make is well beyond just
10 deciding who gets that gaming license. It
11 really will affect that community. Hopefully,
12 you have had a chance to tour the community. I
13 gave you guides to the community, I understand
14 they are going to be here tonight. You can go
15 take that tour guide and let them show you
16 around, it does give you the history of the
17 community. Hopefully somebody from the City of
18 Hammond has told you that our home values are
19 high and our crime rates are low, that we pay
20 more than our share of taxes to the City of
21 Hammond. We are a good community.

22 Some people got up here and talked about
23 blighted communities and troubled communities;
24 we are really not one of those. So with regard
25 to that community that is close to that marina,

1 we have stuck in together and have held
2 together. Some of us was talking about giving
3 a symbol of civic pride. I happen to believe
4 that the people of Robertsdale already have
5 that civic pride, and already have that symbol,
6 which is themselves, and they work very hard to
7 keep up a good community.

8 I would like to go very quickly through
9 some points. I speak quickly and I hope I can
10 get them all, but I would like to invite
11 questions from all of you. Hopefully, I can
12 hear some questions, someone will ask me what's
13 it like to live in Robertsdale, what are some
14 of our concerns. I must say I disagree fully
15 with the idea that a hotel should be included.
16 The area, in terms of making it a destination,
17 it is already the designation for thousands of
18 residents and heavy industry.

19 Someone mentioned the soap factory. I
20 invite all of you to go take a look at that
21 site. It is very close to the American Mays
22 Product Company, it is very close to Lee's
23 Brothers Company. One of the gaming applicants
24 was telling me, well, there are laws against
25 that, not really. I would invite you to check

1 the laws in the State of Indiana. You will see
2 that putting a hotel next to either one of
3 those companies will cause a confrontation I
4 believe will cause friction. You are going to
5 have complaints, and one of them is going to
6 have give. Either the hotel will have problems
7 or you will lose one of the heavy industries.
8 My personal choice is that you stick with heavy
9 industry. It is good industry, it has really
10 served the community well, it employs people
11 with good jobs, I would hate to see anything
12 interfere with losing heavy industry. I would
13 suggest you look very closely at that site,
14 once again, and see the proximity of those
15 industries. I would also point out that the
16 Hammond Marina has the same sort of promise
17 with regard to economic development, a spin off
18 and so forth. In fact, the purchase of the
19 Milwaukee Clipper, same sort of thing where
20 people were getting up and saying it was going
21 to be good for a spinoff for jobs, none of it
22 materialized.

23 I would suggest you look very closely at
24 the people who have hired consultants to look
25 at that issue very quickly. I think you should

1 look very closely at nitch marketing. I think
2 if you look at the competition you will find
3 everyone is looking to Chicago. There might be
4 a vote in Calumet City, if that happens the
5 Hammond Marina site will be in dire straits in
6 terms of that geographical site. Look for the
7 company that gives you nitch marketing with
8 regard to the Robertsdale plan, I participated
9 very actively in that, served on Adhoc
10 committees that we put together. Believe me,
11 when the city tells you that the community
12 spoke very loudly and clearly about that plan,
13 we did. They can show you the bruises that
14 they gave you today are the bruises that the
15 citizens gave them. When we said we wanted our
16 open space and our lake front, we meant it.
17 Quite frankly, if I go back to Robertsdale
18 tonight and tell folks, look, the gaming
19 commission is thinking maybe we should close up
20 that open space we could easily fill this hall
21 again. I think it was sort of an understanding
22 with the local residents, I think the reason
23 they were not here was they had great faith
24 that what we told the city was going to be
25 carried forward and you would give justice to

1 what the city had to say. I am also very
2 disheartened that no attention was given to the
3 concerns that this project will have. Three
4 million dollars to save migratory birds,
5 nothing to look at human health, something very
6 important to me.

7 MS. BOCHNOWSKI: You will need to
8 finish up, just a closing remark.

9 MR. DABERTIN: Something that came to
10 my attention was that Bally Corporation has now
11 acquired -- did not include in their
12 presentation to you at all. They have included
13 an option on a piece of property that I view
14 more valuable than migrant bird trap. If you
15 are interested in the environment, if you are
16 interested in protecting the environment, they
17 have an option on a piece of property out there
18 which is much more valuable than that. They
19 have not given any proposals, they did not
20 include in their proposal to you, they assured
21 me they would mention it when it comes up for
22 questions and answers. They have never
23 mentioned it to you. I would give it to them;
24 but I can tell you that piece of property, if
25 that is included in their proposal we need to

1 have discussions on that, something they had
2 excluded from us. And I would hope they would
3 come up and present it to you and they tell you
4 that was part of their proposals. Any
5 questions?

6 MR. KLINEMAN: Yes, just identify the
7 property that you say that they mentioned so we
8 can identify it for the record. We have no
9 idea what you are talking about.

10 MR. DABERTIN: I was hoping they
11 would, but seems like everyone else seems to
12 know about this as they have taken it out,
13 George Lake. George Lake, the organization that
14 I represent, it has for many years, sort of the
15 fight for the migrant bird trap really pales
16 compared to what we have done to try and save
17 and take that property. I am not suggesting
18 that they wouldn't but I would certainly like to
19 know before this is given out, I would like to
20 know what their plans are. If there are no
21 plans then they should say there are no plans.
22 I would like to know because I live very close
23 to that property, lots of people do and we would
24 like to know.

25 MR. VOWELS: I have a question, and

1 the question is where on the map, you talk
2 about open spaces. Show me in that map where
3 you are talking about.

4 MR. DABERTIN: In terms of what the
5 committee put together, we had many many late
6 night discussions with citizens.

7 MR. VOWELS: I think you said they
8 would fill the hall up again, they would all
9 come down here again if we did something.

10 MR. DABERTIN: If you would start to
11 take away from this open space, when you start
12 to take away from the public access, the
13 decision to go here. I heard the Mayor and the
14 City talked as to who made the decision, I can
15 tell you my impression was that people were
16 very clear about protecting this view, this
17 area, and we were put on this spot because we
18 requested that. The decision to put gaming on
19 Lake Michigan isn't one that was made by
20 legislature. My personal opinion it was a
21 terrible decision, you took our most valuable
22 property sitting on our Lake Michigan and you
23 put something out that --

24 MS. BOCHNOWSKI: You will need to get
25 back to the mike, she can't hear you.

1 MR. DABERTIN: The legislature has
2 sort of saddled us with this idea that we have
3 to have gaming boats on Lake Michigan, which
4 there is really no connection between Lake
5 Michigan and gaming, there is no reason for
6 that. And the thought is we are to take our
7 most valuable resources, and we are forced and
8 compelled by law to do that. Let's have its
9 minimal impact because at the same time this
10 community has really started to look at Lake
11 Michigan, something we want to protect and
12 preserve, so the thought was to minimize that.
13 So that is really the open space, all the open
14 space. If you look at the reports there is
15 lots of citizens -- surveys that was issued to
16 households, it is very important to the
17 survival of our community that we have got to
18 compete with other suburbs, which has more
19 space, an older community, an industrial
20 community. We have to have more open space.
21 If you crowd it all out, I kid you not when I
22 say that the survival of the community really
23 is hinging on this. It is very difficult to
24 live in Robertsdale, this is one of our drives.
25 If you take this away and lock it up, they are

1 not simply going to want to move there anymore.

2 MS. BOCHNOWSKI: Any other questions?

3 Thank you very much. Is Dr. Philpot here? I
4 was under the impression he was not. James
5 Strayer.

6 MR. STRAYER: Thank you. My name is
7 James Strayer, S-T-R-A-Y-E-R, and I am the
8 president of Northwest Indiana Building Trades,
9 and obviously my concern is about jobs. I
10 would like to talk about or focus on one
11 particular thing, and that is building the boat
12 in place on site. It was said earlier today,
13 we can't do it on site, that we actually have
14 to go to the Court of Indiana, well, that is
15 okay with us, that is still opportunity for
16 employment for the people of Northwest Indiana.
17 To have them both brought up here from
18 somewhere else, to take all of that money and
19 send it to another state, to me is totally
20 ridiculous.

21 There was an impact study done by Economics
22 Research Associates for Chicago Bridge and Iron,
23 some of things that this study have shown is
24 that approximately two hundred thirty
25 construction jobs will be affected if we build a

1 boat here on site. That relates to over eight
2 million dollars worth of payroll, that is a
3 tremendous amount of money. That is three
4 hundred thousand man-hours. Now approximately
5 fifteen million on top of that will go to direct
6 purchases in Northwest Indiana, for example, the
7 steel to build the boat. We are the steel
8 producing region of the United States. In
9 directly there will be over sixty-eight million
10 dollars of benefit to us. The facility that we
11 use to build the boat can also be used to repair
12 all the boats that are going to be on the
13 lakefront for this gaming city would bring an
14 opportunity for even greater benefit to our
15 members as far as repairing the boat and also
16 business to Northwest Indiana.

17 In closing, I would like to rebut something
18 that was said yesterday, something that might
19 have led you to believe that maybe we don't have
20 the quality people here to build boats. I can
21 reassure you that you will find no better
22 craftsmen in the entire United States than you
23 will in Northwest Indiana.

24 MS. BOCHNOWSKI: I had Michael
25 Daugherty next, but I understand he is still

1 not here. Steven Ashby, is he here? Then I
2 have John Blount.

3 MR. BLOUNT: Mr. Chairman, fellow
4 counsel members. My name is John Blount
5 B-L-O-U-N-T, I am here representing Lake County
6 Sheriff, John Buncich, B-U-N-C-I-C-H. I have a
7 prepared statement I would like to read, I have
8 previously supplied your staff with a copy of
9 this statement --

10 MS. BOCHNOWSKI: We have it, we have
11 all received that.

12 MR. BLOUNT: -- as opposed to
13 materials. In anticipation of projected
14 operation of casino boats on lake Michigan, it
15 is my opinion that the topic of public safety of
16 the Lake County Indiana shoreline with Lake
17 Michigan has not been adequately addressed;
18 public safety concerns should be revisited.

19 For your information of records, the Lake
20 County Indiana Sheriff's Department is
21 responsible for maintaining law and order on
22 Lake Michigan Indiana waterways. The Lake
23 County Sheriff's nine-man marine unit is
24 presently comprised of personnel from the
25 following local law enforcement fire department

1 agencies: Three from the Lake County, two from
2 the City of Hammond, and four from the City of
3 East Chicago. Their salaries and expenses are
4 paid by the following cities, i.e. each
5 officer's respective department. The Lake
6 County Sheriff's Department supplies the marine
7 unit with a new thirty-six foot rescue unit
8 valued at one hundred sixty thousand dollars.
9 Of all of the necessary equipment one would
10 expect to find on a rescue unit, at present the
11 Lake County Marine Unit is headquartered in East
12 Chicago, Indiana, and I enclose a photograph of
13 that. That fabulous palace that we have in East
14 Chicago that has no running water or toilet
15 facilities. The annual cost to maintain the
16 Lake County Marine Unit is three hundred
17 sixty-six thousand five hundred eighty dollars.
18 This includes salaries, employee benefits, fuel
19 boat, telephone service, first aid equipment,
20 rescue equipment, and office equipment.

21 In 1995 to date the Lake County Sheriff's
22 Marina has reported a hundred seventeen motorist
23 arrests, issued ninety-seven citations, and made
24 one arrest. This does not include our
25 involvement with the boat accidents, company

1 injuries, or death. It does not include the
2 recovery of drowning victims, four this year,
3 swimming accidents, et cetera.

4 This method of law enforcement patrol on
5 Lake Michigan waterway must continue by our
6 primary voice and the safety of the general
7 public and the small craft pleasure boats should
8 not be compromised by the operation of the
9 casino gambling boats.

10 To insure the safety of the pleasure craft
11 boats who use the waterway of the Hammond
12 Marina, the general public who also utilizes
13 those waterways, and the patrons of the gambling
14 boats, we feel that we must have an equal
15 nine-man marine unit headquartered at Hammond
16 and vessels similar to our primary vessel, which
17 I also enclose, which is now in East Chicago.

18 The one time start-up cost, which would
19 include a similar rescue vessel and equipment is
20 a hundred eighty-five thousand dollars five
21 hundred, and the additional annual cost of that
22 marina will be the same as East Chicago, three
23 hundred sixty-six thousand five hundred eighty
24 dollars.

25 In that regard, our recent survey indicates

1 that there are a hundred fifty pleasure boats
2 going in and out of the marina during the summer
3 months.

4 Additionally, with the casino gambling
5 boats in operation, we expect the daily boat
6 rafts in that area to increase dramatically.
7 Therefore, with these facts in mind, and in
8 order to insure the safe passage of the casino
9 boat in and out of the marina harbor area, the
10 sheriff's department vessel will guide the
11 casino vessels in and out of the marina. This
12 safety precaution should be utilized to afford
13 the maximum protection of small pleasure craft
14 boats within the Hammond area. To do less would
15 be an invitation to disaster.

16 Equally important, we must also insure the
17 safety of the casino boat patrons and crew. The
18 sheriff's must be prepared to respond to any
19 catastrophic emergencies which may occur on the
20 boat while it is in service. In that regard,
21 upon assuming the Office of Sheriff on January
22 1, 1995, I instructed our tactical unit to
23 participate in intensified training programs.
24 This intensified training is ongoing since
25 January of 1995. An integral part of that

1 training is in the area of air/sea rescue,
2 utilizing our three helicopters.

3 I believe the Lake County Sheriff's
4 Department has prepared itself well, under the
5 circumstances, and will meet any challenge that
6 is presented as the occasion occurs. However,
7 to be perfectly candid, in order to provide the
8 highest degree of public safety to all
9 concerned, we must have a sheriff's marine unit
10 fully staffed and equipped. The matter of
11 funding the Sheriff's Marine Unit must be
12 addressed in very specific terms before the
13 casino gambling boats sets sail.

14 MS. BOCHNOWSKI: Your time is up, so
15 if you want to finish up with this paragraph.
16 We have this in writing.

17 MR. BLOUNT: The taxpayers of Lake
18 County should not bear the brunt of any
19 additional expense and the resulting casino
20 gambling boats. We know there will be gambling
21 on the boats, there must be no gaming with
22 public safety.

23 MS. BOCHNOWSKI: Thank you.

24 MS. DUPEY: Gentlemen and Ladies, my
25 name is Francis DuPey, I am an elected official

1 of Lake County Indiana, I represent the Lake
2 County Counsel and my district represents the
3 area in which this riverboat will be done. I am
4 also chairman of the Hammond Democratic
5 Political Party in Hammond. But most
6 importantly I'm a resident and a vice precinct
7 committeeman of the precinct in which the boat
8 will be docked.

9 I started out as an opponent of gaming, of
10 gambling. In a short time I probably came full
11 circle and helped lead the democratic party to
12 form a coalition with the Opportunity Council to
13 get a yes vote on the referendum. The reason I
14 did that is because of the presentation that we
15 received from Lake Michigan Charters. Because
16 of their response to our neighbors, to our
17 community, they are the only company that came
18 to us and said we want to meet those residents.

19 We walked them through the precinct, they
20 met with many people, we walked door to door,
21 they had coffee in some of the homes, they
22 listened to our concerns and we feel very
23 comfortable that if they are given the license
24 that they will respond to us. I was somewhat
25 shocked today when I heard your chairman ask our

1 mayor that if in the event another company got
2 the license would he be willing to give up the
3 4. acres, the 4. something acres to other
4 development. His answer should have been
5 emphatically no. That is not what the residents
6 of Robertsdale want, they are going to be the
7 most impacted by this, they are not prepared for
8 a seventy story structure, they are not prepared
9 for a hotel, they are not prepared for fantasy
10 land.

11 I believe that when an industry comes to
12 your community, it is good for your community,
13 but the great thing is always, yes, let's have
14 it, but don't put it in my backyard. I live in
15 the precinct where that boat would be docked,
16 and those people overwhelming went to the pole
17 and voted yes on that referendum. Based on my
18 leadership and the leadership of other people
19 like David Dabertin who talked to you, David can
20 say it probably better than I, for most of the
21 residents in Robertsdale. But I supported it,
22 basically, because Lake Michigan was honest with
23 us, up front with us. I went to Joliet, I
24 looked at the operation there, I was satisfied
25 that they had made an improvement in that

1 community. I expect them to keep their
2 commitment to us and make an improvement. Thank
3 you.

4 MR. EARLY: Timothy A. E-A-R-L-Y. I
5 would like to introduce the commission to the
6 Aquatic Resource Center through our mission
7 statement, which is to increase public
8 knowledge, awareness, knowledge and
9 understanding of the aquatic environment. This
10 mission is accomplished through implementation
11 of activities in the fields of education and
12 science, and through the provision or support of
13 public access through natural and cultural
14 aquatic resorts, specifically of Lake Michigan.

15 I have to be honest with you, I had what I
16 thought was a pretty good speech prepared, but
17 to be honest with all the flash and fluff that
18 we have seen for the last two days, that speech
19 would be pretty pitiful and insignificant. I
20 think I would be more effective, and I think it
21 would be more beneficial to the commission if
22 instead of a prepared speech I would just tell
23 you what I know, what I have seen, and perhaps
24 if you have any questions for me afterward I
25 will be happy to answer them. I will make this

1 very quick.

2 In telling you what I know I am going to
3 tell you about Lake Michigan Charters. I am
4 going to tell you about the people of Lake
5 Michigan Charters. I heard some of the
6 commissioners ask questions that either allude
7 to or focused on what type of people are we
8 dealing with. I cannot in all honesty say what
9 other gaming applicants, what type of people
10 they are. To be honest with you, I don't know
11 them. Until this week I have not met them. But
12 I do know the people at Lake Michigan Charters.
13 Whether or not they know me, I am not sure,
14 probably not. Most of them might not even know
15 what I look like. But I can tell you I know
16 them, I know Robert Conley, (Phonetic) because I
17 see him five, six, and seven days a week at his
18 office working on his project. I know Bill
19 McHenry, I know Mike Hanson. Once in a while
20 Bill will stop in my office to ask how things
21 are going.

22 I know Kevin Larson and Jack Travis,
23 because I have seen them talking with people in
24 the community, discussing their needs, their
25 conditions. That is how I know these people. I

1 know Katherine Mesa (Phonetic) because I have
2 seen her out on the boat, not parked at the dock
3 but out on the lake becoming familiar with that
4 lake, because I believe it is important and I
5 think she does and Charters does too, that they
6 understand that.

7 We have heard a lot of talk, we have seen a
8 lot of fantastic drafts of a ship that is
9 docked. In reality, any ship would be out on
10 the lake 70 to 75 percent of the time. I think
11 it is important that the captains of those ships
12 and the gaming operations understand the lake.
13 One thing we do know about aquatic research is
14 the lake, we also know about community. What I
15 have seen is Charter's commitment to the
16 community because they have developed a working
17 relationship. I have seen them express an
18 interest and to have a working knowledge of the
19 lake and the marina. To us at the Aquatic
20 Resource Center, these are all very important
21 attributes, and I would hope that the commission
22 recognize these as important attributes. I do
23 understand the commission's feeling of not
24 recognizing the endorsement of any municipality
25 because logically -- that we have to ask what do

1 we look at.

2 In the last few days from my standpoint, I
3 have seen three applicants present a picture,
4 which in all cases was very, very good. I think
5 they all have the ability, the logistics, and
6 the financial wherewithal to carry out that
7 plan. I have to ask myself, beyond that what is
8 it, and to answer that question, I have to say
9 the commitment to the community and the working
10 knowledge, because we are not discussing here
11 Las Vegas or even the Mississippi River or even
12 Joliet, Illinois. We are talking about Lake
13 Michigan and Hammond, Indiana, and for any
14 applicant to have a working knowledge of that
15 community and that lake is very, very important.
16 I think that should be vital and I hope that you
17 take that into account when you make that
18 selection.

19 Earlier I was out of the room,
20 unfortunately, I understand there was a question
21 raised about the Aquatic Resource Center in the
22 diving area. If there was such a question I
23 would like to answer it.

24 MS. BOCHNOWSKI: Yes, and your time
25 is almost up but I think if you can briefly

1 tell us what that is that would be fine.

2 MR. EARLY: The diving area is an area
3 set aside in the marina. If you look at the
4 picture on the right you notice that next to the
5 Clipper it looks like a little lagoon area that
6 is defined by the fuel dock and the break wall.
7 That area is currently used for diver training
8 and for scientific research. When the gaming
9 operation that is selected doesn't come in, that
10 area would probably be lost.

11 We have been talking to the city and we
12 have been told we will probably have another
13 year to conduct diver training, which is open to
14 the public, and to conduct our aquatic research
15 elsewhere in the marina. I think, and if I am
16 not incorrect, the question was asked where that
17 diving area would be located.

18 MS. BOCHNOWSKI: Do you have any idea
19 where that would be?

20 MR. EARLY: It will be towards the
21 west end of the marina probably towards the end
22 of the dock. And I would like to state that
23 diver training is available and open to the
24 public.

25 MS. BOCHNOWSKI: We will take a few

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minutes break.

MR. HORNAK: I am Jim Hornak,
H-O-R-N-A-K. I am here at this time not only
from the Northwest Indiana District Council of
Carpenters, but also as a life-long resident of
this community. I thought earlier on that it
would be a little difficult task that you have
been commissioned to do and that is choosing an
applicant. But I saw many remarks before me
that you have definitely before given a road map
so that choice should be easy. Everybody is
telling you how to make your selection, but
again I want to talk about a few things that you
may not know of because there are a couple of
people here from Northwest Indiana but there are
some of you from outside of the community.
Being a life-long resident of the city, I
remember the downtown area that it was a
retailer center. I remember the lakefront when
it was a place to go after a Friday football
game to take your girlfriend and watch what we
call the submarine race. That is, if you could
get past the beer cans and ice boxes, everything
else that was dropped off there. What you see
before you in that picture has been a legitimate

1 impact on that lakefront, a beautiful facility
2 that also has the beauty of the lakefront.

3 I think that when you do deliberate, and I
4 am not going to tell you how to make your
5 selection, but I am going to tell you about a
6 factor that I don't believe a lot of people have
7 talked about, its timing is critical. You have
8 already allotted two licenses to the City of
9 Gary, Certificates of Suitability, you are
10 meeting tomorrow in East Chicago, we have this
11 one facility here in Hammond, and let's not kid
12 ourselves, Chicago is on the front, they are
13 going to need gaming sometime in the near
14 future, that is a given. The thing is when I
15 say timing is critical, because I don't know if
16 the community can stand twelve to sixteen month
17 delay to make the project come to fruition
18 before we start construction. We have to have
19 that facility on the lakefront open in order to
20 guarantee the economic development that is
21 promised by any of the gaming companies in the
22 community.

23 I talked to you earlier about a particular
24 developer, a particular operator, Lake Michigan
25 Charters. Although one of the other operators,

1 Bally's, has a partnership, one of our most
2 renewed local contractors, that is Calumet
3 Construction, Richard Gordon, and they have
4 talked about building a boat with Chicago Bridge
5 and Iron, which their sister company, a
6 non-union company which I personally had to pick
7 and line some shrubbery over it when they were
8 building a tent facility, a water tank facility.
9 Again, that is also good union contract. But I
10 also would be remiss if I didn't talk about the
11 fact that when they first had the gaming
12 forefront in Hammond when I was on the
13 Commission of the Mayor and the City Council
14 served on. One of the companies that first came
15 to me and said, what do we need to sign to
16 guarantee local union employment was Lake
17 Michigan Charters. Through that I helped
18 facilitate the rest and we put together a
19 paperwork, and I am sure you received that in
20 some of your documentation of Lake Michigan
21 Charter today. And we do have guarantees,
22 verbal guarantees, but I would be remiss if I
23 didn't say we have one written guarantee, and
24 that is with Lake Michigan Charters.

25 And again, as I said earlier, Richard

1 Gordon of Calumet Construction is one of our
2 most revered local contractors. But again, when
3 we signed our paperwork with Lake Michigan
4 Charters, I give my word that if they gave their
5 word to us to use our people to construct our
6 facility, I would support them. In my business
7 my word is my only bond. I left the field to do
8 the job of business legion of the carpenters,
9 and got elected as president of the district
10 council. I care about employment for my people,
11 I care about developments of spending all the
12 way to the state line and all the way to the
13 outside boundaries of the City of Hammond. But
14 as a resident, I care about the quality and the
15 commitment. I am here to tell you today that we
16 do have a written agreement with Lake Michigan
17 Charters, I do support them because if I didn't
18 I wouldn't be true to my word. And again in my
19 business, my word is my time.

20 I would hope that sometime when you travel
21 or while you are in our great city that you will
22 also notice some of the other commitments that
23 we issue in trying to make the community. In
24 back of this facility right here, I don't know
25 if you saw it in the daytime, but we are

1 building safety village for the kids here, and
2 union tradesmen are donating all the labor to
3 save the City of Hammond many thousands of hours
4 in labor costs. On the picture of the Clipper
5 ship, the original raft, which as you can see,
6 was made out of wood. We donated that to the
7 riverboat, we came and donated the time to put
8 that raft in until they could have them
9 repaired.

10 I thank you, I see I got the red card, I
11 have stood before you twice, have a great trip
12 home. Let's build these riverboats, let's get
13 the job started.

14 MR. McROBERTS: Hi, my name is James
15 McRoberts, I am Commodore of the Hammond Yacht
16 Club, last name spelled M-C-R-O-B-E-R-T-S.
17 Hello, Mr. Chairman and Ladies and Gentlemen of
18 the board. You and your commissioners face a
19 very important and difficult decision concerning
20 the riverboat license for the City of Hammond,
21 Indiana. Thank you for allowing me to lend my
22 opinion on this important matter. I have been
23 elected to represent the Hammond Yacht Club.
24 The Objectives of the club are to promote
25 interest in boating, increase respect for pilot

1 rules, build pilot skill in navigation, promote
2 safety, create and maintain among its members
3 and community an atmosphere of good
4 sportsmanship, and caring on such other
5 activities as may be beneficial to boating.

6 We have been filing the riverboat process
7 and feel it is essential for you to know our
8 notion in choosing the proper crew for the
9 Hammond site. We are of the opinion that it is
10 crucial to choose a company that has not only
11 gaming in mind but the interests in preserving
12 what the marina and yacht club currently
13 represents and promotes, boating. The dilemmas
14 of safety and convenient operations of vessels
15 and existence of the Hammond Yacht Club
16 facilities currently aboard the Milwaukee
17 Clipper are all issues that directly affect
18 boating population. In dealing with all three
19 competitors, Ballys and Boyd have only expressed
20 an interest in the last two weeks. Lake
21 Michigan Charters has been exceptional.

22 Since the fall of '93 prior to the
23 referendum, Lake Michigan Charters has taken
24 into consideration the important role in the
25 pledge in a successful marina and has aided the

1 operation of the yacht club by providing
2 facilities and essential communication. They
3 have also made contributions, such as the
4 fireworks for Venetian Night, that not only the
5 yacht club but slipholders benefited from, but
6 some twenty thousand plus residents of Indiana
7 as well. The Hammond Yacht Club as a whole
8 considers Lake Michigan Charters conduct to be
9 considerate, diligent and sincere. We will to
10 continue these business relationships as
11 neighbors within the Hammond Marina.

12 In closing, the decision made by you and
13 your commissioners will greatly affect all
14 slipholders in the Hammond Marina and the
15 existence of the Hammond Yacht Club. As
16 Commodore of the Hammond Yacht Club, feel free
17 to contact me if I can be of assistance to you
18 in making this momentous decision. Thank you.
19 If there are any questions you may have, and
20 thank you.

21 MS. BOCHNOWSKI: Thank you.

22 MR. LUCAS: Mr. Chairman, members of
23 the gaming commission. My name is Luke Lucas, I
24 am currently the owner and president of the
25 Clipper Cover Cafe, which you people had toured

1 the other day. I had a speech all prepared and
2 I think we'll just forget about that.

3 I just want to say a few things. I have
4 been one of the founders of the Hammond Yacht
5 Club. I have been their Commodore, I just --
6 Mr. McRoberts had succeeded me, I have had many,
7 many dealings as Commodore with Lake Michigan
8 Charters, with the Hammond Port Authority, and
9 Mayor Dedelow.

10 I can say from the bottom of my heart that these
11 people are just unbelievable. Everything that
12 we have ever asked for, we never had a home at
13 the Hammond Marina until we got involved with
14 Lake Michigan Charters. I have gone to them
15 only one time, and in that one time they gave us
16 a space on the Milwaukee Clipper as a home.
17 There was no charge for rent, no charge for
18 anything, it was to us.

19 There had been several other things that
20 the fireworks, that Mr. McRoberts had mentioned
21 that was donated each and every year. Now it is
22 an annual thing from Lake Michigan Charters. I
23 can say this, that this company is local and
24 they are only a phone call away. When I opened
25 up the Clipper, I subleased from Lake Michigan

1 Charters, they operated it in 1994. They asked
2 me to do one thing, and that was train and hire
3 local people. I had twenty-nine employees,
4 twenty-six of them were from Hammond/Whiting.
5 The other ones were from East Chicago. So we
6 all endorse Lake Michigan Charters, and I hope
7 you will take that into consideration, thank
8 you.

9 MS. BOCHNOWSKI: Thank you.

10 MR. STRAIN: Thank you for the
11 opportunity to speak. My name is Mike Strain,
12 S-T-R-A-I-N. I am a resident of Whiting,
13 Indiana, I have been a businessman in
14 Robertsdale for fifteen years, and I am
15 president of Great Lakes Inland Marina
16 Incorporated.

17 The Great Lakes owns twenty-two acres next
18 to Hammond Marina. When the Indiana Legislature
19 passed riverboat gaming for Hammond I was pretty
20 excited. I thought that as the only private
21 land owner adjacent to the marina, it would
22 certainly be some opportunity for my company to
23 participate. Boy, was I wrong. The only thing
24 I participated in was a series of condemnation
25 lawsuits filed by me by the City of Hammond for

1 the benefit of Lake Michigan Charters. The City
2 of Hammond has filed three separate suits
3 against Great Lakes. The first suit was filed
4 by the war department, after we challenged them
5 the suit was dropped, but that suit cost my
6 company fifty thousand dollars. Shortly
7 thereafter the Board of Works filed suit and
8 just days before the damage trial they dropped
9 it. That suit cost me three hundred and forty
10 thousand dollars. Within days after dropping
11 the second suit, the Board of Works filed
12 another one, and this suit is still pending.

13 These condemnation suits were recklessly
14 brought on Great Lakes and other land owners
15 near the marina so that Lake Michigan Charter
16 might gain a competitive advantage against the
17 other applicants at these hearings, and that
18 plan almost worked. But the City of Hammond has
19 made many mistakes, for instance they have never
20 had any agreements with the railroads to move
21 the tracks, and they still don't have those
22 agreements. So they are not ready. Any
23 potential advantage they may have had has been
24 squandered. This fiasco has cost my company
25 nearly four hundred thousand dollars, and

1 neither the city nor Charters has reimbursed us
2 one dime. In fact they have appealed Judge
3 Webber's order to do so. That is how Lake
4 Michigan Charters works with local businesses.
5 However, if Great Lakes and other local
6 businessmen would have been invited to
7 participate in the process, we may have donated
8 our land for that overpass, but they never came
9 to talk to us, it was never a dialog.

10 As it stands now, once the overpass is
11 finished and Calumet Avenue is closed, I will be
12 out of business. And for this Lake Michigan
13 Charters and the City of Hammond has offered me
14 six thousand dollars. However the court
15 appointed appraisers have determined the value
16 of the property that they were taking to be one
17 million dollars.

18 The city's offer is a mere one sixth of one
19 percent of what the court appointed appraisers
20 have determined it is worth, and that is how
21 Lake Michigan Charters deals with local
22 businesses.

23 I am not here today to endorse any
24 particular applicant. Each of their plans as
25 they now stand have a negative impact on my

1 current business, on the value of my property,
2 and on our future development plans. In
3 addition to this Charter has already seriously
4 deviated from their RFQ. Their development and
5 their benefits to the community have been
6 substantially reduced since their endorsement.

7 If Ballys is allowed to build its
8 four-story parking garage, our view of the lake
9 will be eliminated. This would wreck any of
10 our future development plans for that.

11 Regarding the Boyd Plan, I think it is somewhat
12 shortsighted and does not take full advantage
13 of market potential of the site. But I must
14 say they are the only current applicant with
15 whom we are having a positive dialog. I might
16 add at this time that not that long ago we did
17 have a lease on our property with Bally
18 Corporation, but after the City of Hammond
19 demanded that they move their development from
20 my parcel to city owned parcel, they broke the
21 lease. I know all this sounds rather negative,
22 and --

23 MS. BOCHNOWSKI: Excuse me, you can
24 finish up. This is pretty interesting but your
25 time is up, but that is fine. Go ahead and

1 finish up quickly.

2 MR. STRAIN: This is how these plans
3 impact my company. I know it doesn't have to be
4 this way. I don't think the Indiana Legislature
5 meant for it to be this way. Gaming was
6 supposed to benefit the community, I am part of
7 this community. If I cannot benefit from this
8 endeavor, then I should not lose. I should not
9 lose my land, I should not lose my access to the
10 lake, I should not lose my view to the lake, and
11 I should not lose the opportunity to develop my
12 land as we see fit. Thank you.

13 MS. BOCHNOWSKI: Can you point out on
14 there where your property is?

15 MR. STRAIN: I would love to but my
16 property doesn't even show up on that map.

17 MR. SUNDWICK: Where would it be if
18 you were drawing?

19 MR. STRAIN: Our property is from the
20 dirt parking lot, approximately, to the Conrail
21 railroad tracks. I really can't point it out
22 because it is just not there.

23 MR. SUNDWICK: Give me an idea of how
24 far that is. I was over there but I didn't --

25 MR. STRAIN: Our property is about

1 four hundred feet from the shoreline, and it is
2 approximately three quarters of a mile long.

3 MR. SUNDWICK: So from the edge of
4 what Bally's looked as a parking lot, that
5 green area to the Conrail track, how far is
6 that across?

7 MR. STRAIN: I am sorry, the question
8 again?

9 MR. SUNDWICK: You showed us
10 where that was, give me how wide is it.

11 MR. STRAIN: The chain-linked fence
12 has been referred to few times, we are about two
13 hundred feet from that chain-linked fence.

14 MR. SUNDWICK: How wide is your
15 property?

16 MR. STRAIN: The property varies in
17 width, about three hundred seventy-five feet at
18 its widest point, and at its narrowest point is
19 about one hundred feet, but that is very far
20 west.

21 MR. SUNDWICK: So it kind of goes
22 east to west this way?

23 MR. STRAIN: It is actually at its
24 widest in the middle. We have about three
25 hundred feet of Calumet Avenue.

1 MR. SUNDWICK: What business are you
2 in sir, I guess I missed that.

3 MR. STRAIN: I am in the boat storage
4 and ferry transport business.

5 MR. VOWELS: You don't have any
6 lakefront property; is that right?

7 MR. STRAIN: No, we do not.

8 MR. VOWELS: My understanding is this
9 third lawsuit you have an interrogatory appeal
10 going up on that from your attorney?

11 MR. STRAIN: Correct, yes.

12 MR. VOWELS: And the city is
13 appealing that judgment that you got against
14 them for three hundred thousand, fees and
15 expenses; is that right.

16 MR. STRAIN: Yes, they've appealed
17 that judgment.

18 MR. VOWELS: Do you know what the
19 status is? Has the Appellate Court not ruled
20 on that yet?

21 MR. STRAIN: I am sorry, I don't --

22 MR. VOWELS: It is still pending, I
23 assume?

24 MR. STRAIN: It is.

25 MS. BOCHNOWSKI: Any other questions?

1 MR. REARDON: Good evening, I would
2 like to thank the Chairman and the Commission
3 for this opportunity to speak.

4 My name is Matthew Reardon, spelled
5 R-E-A-R-D-O-N. I am a current resident of
6 Hammond, Indiana, but I am also Third District
7 City Council candidate. I am going to spare you
8 and everybody else here political rhetoric and I
9 am going to talk about the issues that I feel
10 are very important as it relates to riverboat
11 gaming. The first issue is the process. I feel
12 that the selection process of both the Mayor's
13 Commission and Common Council were both fair and
14 open process. Any and all gaming interests has
15 an opportunity to respond, and those who have
16 chosen to, it appears did.

17 The Mayor's Committee was an inclusive
18 committee, it was comprised of members from the
19 resident business, educational, and labor
20 groups, all members of Common Council. The
21 Hammond Common Council also host the gaming
22 meetings, which again is an open process because
23 that is all public information. And to my
24 knowledge, the recommendation of both the
25 Mayor's Commission and the council were the

1 same.

2 The second issue I would like to address is
3 employment. I would ask the commission to
4 select an applicant to local employment in the
5 construction phase, committed to local
6 employment for the long-term jobs. It is my
7 opinion that residents of the City of Hammond of
8 all race, color, and creed should receive the
9 highest consideration for employment
10 opportunities on all jobs.

11 The last issue, and Mr. Hornak touched on
12 it a little bit, and in my experience as an
13 economic developer, timing is critical. I urge
14 the commission, again, to render a timely
15 decision that will expedite our city's economic
16 opportunity. We are in competition with other
17 local opportunities as well as the development
18 of Chicago gaming. As a resident of Hammond,
19 Indiana, I want to see our boat go out first.

20 Lastly, please select an applicant who is
21 willing to adhere to the wishes of the residents
22 of Hammond, Indiana, as it relates to the
23 lakefront development, and not the gaming
24 industry's desire, because after all, we live
25 here. Thank you for your time.

1 MS. BOCHNOWSKI: Next we have Charles
2 Dolin -- Dr. George Jancosik.

3 DR. JANCOSIK: I am exhausted and I
4 know you all are too. I am so beat. I have
5 been here all day yesterday, all day today, and
6 I know how you feel, but you don't get my
7 sympathy because you are not running for
8 re-election.

9 I should be at a meeting tonight and I am
10 here because actually it is approbo that I am
11 speaking last. Last because I came here to
12 represent the people of the first district, that
13 is the district I represent. This is in the
14 first district, this development. The speaker
15 that -- not the one that just -- not Mr. Reardon
16 but Mr. Strain, I notice he caught your
17 attention, and I have been trying to help him
18 get justice every since I found out his
19 predicament. One thing he didn't tell you was
20 that -- one thing he didn't tell you was about
21 himself and his small company. They were --
22 beautiful property between the railroads tracks
23 that was overlooked when the marina was planned
24 by all of the minds that were planning the
25 marina. They didn't see those two pieces of

1 property that he brought, and ever since he has
2 brought those properties he has nothing but
3 trouble from the administration because of this
4 development.

5 I would hope that since he has caught your
6 attention, and I know he has because I can tell
7 by the expressions on your faces, that you can
8 somehow get some justice to him through your
9 authority, through your power. I don't know how
10 but I would hope you would look into that
11 situation because he really deserves it.

12 Now, the reason I am really here is not to
13 defend Mr. Strain but to represent the people in
14 my district. If you are not familiar with my
15 district, we have been under attack for ages.
16 In fact, the most recent was Mayor Daily. Mayor
17 Daily wanted to destroy a good part of our
18 district, tear down five hundred homes, put jets
19 over our houses and pollution and everything
20 else, and the committee to fight that was an
21 urban airport committee, which started in my
22 home. I decided this could not happen to the
23 community and as you know the plan failed of its
24 own weight, it just couldn't happen. But the
25 crowd, the uproar that fought that was amazing,

1 that is my community.

2 I was born and raised in this community and
3 we have people who love this, we have people who
4 are intermarried between different families.
5 Our roots are very deep, this is a very special
6 community, and I know you are not from here.
7 But what I want to point out is that usually in
8 development it seems to happen in Robertsdale
9 and in the first district. We have all the
10 industry and we are happy to have the industry,
11 but we don't want too much of it. The recent
12 study that was made by Turkle, Pettigrew and
13 Payne, paid for by Charters, they found out that
14 our area is over industrialized. What I really
15 wanted to point out to you is that we need every
16 precious bit of space that we have or we are
17 going to die, and George Lake is one of our
18 precious treasures, Wolf Lake is a precious
19 treasure, this is one of our magnificent
20 treasure, and when you speak up, let's expand
21 the development we cringe, because we worry
22 about every bit of space that we have to give
23 up. This is the mind set of the people in
24 Robertsdale and the first district.

25 We put up with pollution, we put up with

1 development, and now it has come to a battle
2 between industry and the community, and by
3 golly, if we are going to exist we have to dig
4 in and we have to hope that we will have income
5 and jobs and industry and business, and we want
6 all that but it has got to be in harmony with us
7 otherwise we are going to choke to death, they
8 are going to squeeze us out, and there will no
9 longer be this wonderful community in the first
10 district that we have now. It is really a
11 beautiful one, I would hate to lose it.

12 I thank you very much, and I thank you for
13 volunteering your time to this public service.
14 I know it has been very difficult.

15 MS. BOCHNOWSKI: Go ahead, Alan.

16 MR. KLINEMAN: I have one question.
17 You have heard that Charters has auctioned or
18 in some ways acquired ten acres away from the
19 lakeshore for additional development. Is that
20 something that your people would support, is
21 that an acceptable program? I don't know where
22 the property is, I have no concept.

23 MR. JANCOSIK: I will help you a bit.
24 That property was bought by Nazo and Nazo and
25 you are familiar with Nazo that makes the corn

1 product. The area really had a lot of old
2 trees, I was sorry to see that that was going to
3 be done away with, and it has already begun to
4 happen. So we have already lost precious
5 stakes.

6 However, it has been an area that has been
7 neglected, and although we would not want to
8 give it up, it is one of the places where it
9 would fit into the community, and I think -- I
10 am only speaking for myself because I have not
11 taken a survey on this, but I would think that
12 that would hurt us the least in that area. It
13 is away from the lake, it is across on
14 Indianapolis Boulevard. Maysville has acquired
15 rights and has already begun to make a parking
16 lot, and I hear that they are going to build a
17 corporation headquartered there, whether that is
18 true or not.

19 MR. KLINEMAN: We heard that.

20 MR. JANCOSIK: So development has
21 already begun and this will more or less fit
22 right in. They wanted a rezoning on that
23 property and I said, I don't want to make it
24 industrial on Indianapolis Boulevard because we
25 could use that for development. So the answer

1 to your question, Commissioner, I think it will
2 fit in there. I might get some flack from my
3 constituents, but I think it is okay.

4 MR. SUNDWICK: Let me ask a question.
5 On the map up here, show me exactly where you
6 do not want additional development?

7 MR. JANCOSIK: This is not really a
8 good map. I think that what we have here is --

9 MR. SUNDWICK: It is not really a
10 map.

11 MR. JANCOSIK: It is not really a
12 map, it is an artist transition of something
13 that doesn't represent what we consider to be
14 the precious areas. I don't want to touch on
15 migrant bird trap because that issue has been
16 settled, it is accepted that that is going to be
17 left alone. The area past that belongs to
18 Commonwealth Edison and I think that could be
19 developed and left alone also. I am told
20 Commonwealth Edison may not be there in the near
21 future. That is a possibility and I would like
22 to see that protected. Every bit of space along
23 the lake is precious, and the county has
24 developed an area, a beach area, and we are very
25 happy about that. What we have elsewhere goes

1 really more toward the lakes that we have, and
2 we don't want any encroachment on that. You
3 heard Dave speak of the fear of the option on
4 the George Lake.

5 MR. SUNDWICK: But every development
6 and presentation that we have only deals with
7 that rendering, only deals with that rendering.
8 The excitement seems to come from the
9 development on the rendering. And we haven't
10 seen anything other than what is on those
11 renderings. The only thing we have seen
12 between Boyd and Michigan Lakes, whatever it
13 is, is the same area, and I think Bally's wants
14 to put the parking lot down that strip of land,
15 which by every stretch of the imagination is
16 certainly blocked by that overpass. So I don't
17 understand, and if somebody could explain it to
18 me, what are we trying to defend?

19 MR. JANCOSIK: My feelings are, I
20 think, in line with yours, and that is that the
21 available property here is really going to be
22 used toward development and that is accepted.
23 The question is whether or not Bally's idea of
24 putting the parking lot here is an acceptable
25 one, or limiting it here. I am not going to get

1 involved in that. I really am concerned mostly
2 about the properties outside of this area.

3 MR. SUNDWICK: If that is your
4 district and you speak for the people in your
5 district, is that what they are telling us? It
6 is not that little piece of property there to
7 be concerned with, it is the greater green
8 area.

9 MR. JANCOSIK: Absolutely, yes. But
10 you will get some discussion and arguments about
11 whether or not to block off the view up here.

12 MR. SUNDWICK: I understand that, I
13 think I got that from somebody. When I looked
14 at the overpass construction designs that we
15 have seen for three days, they are blocked.

16 MR. JANCOSIK: To a degree, yes.

17 MR. SUNDWICK: You put a bunch of
18 steel down and everybody says they are going to
19 block off Calumet Avenue because it is -- for
20 some reason it is going to be too much traffic
21 and we only want to open it up for safety
22 reasons. What is it that we are blocking? I
23 don't understand it.

24 MR. JANCOSIK: Actually, I think it
25 has been overdone. You are right, it has been

1 overdone, and the decision about whether to put
2 the buildings here or here is very controversial
3 as far as I am concerned, even as far as the
4 residents are concerned. The residents are more
5 fearful of the impact regarding crime, and
6 traffic and all of that on Indianapolis
7 Boulevard and in the near neighborhood,
8 particularly crime, but in this area I think as
9 far as this is concerned you are right.

10 MR. SUNDWICK: I appreciate it, thank
11 you very much, that is a great answer.

12 MS. BOCHNOWSKI: Thank you. Does
13 anybody else have any questions?

14 MR. POTTER: My name is Clayton
15 Potter, I own most of the property, the overpass
16 and so-called green space on both sides of
17 Indianapolis Boulevard. I can pretty much tell
18 you what is really going on here.

19 MS. BOCHNOWSKI: Would everybody be
20 in agreement that they would like to hear what
21 he has to say?

22 MR. POTTER: I have all the answers
23 because my family and I have owned this property
24 for about forty years, so I really want to give
25 you the truth.

1 MS. BOCHNOWSKI: That would be great;
2 can you make it brief; I think we are
3 interested to hear.

4 MR. POTTER: The real thing is all
5 about big money. This little guy sitting in
6 front of you is the number one tobacco retailer
7 in the State of Indiana, owned the number one
8 Gaming Cal Station in the United States.

9 MS. BOCHNOWSKI: Are you the one that
10 gave us the envelop?

11 MR. POTTER: Yes, I am. I am the
12 majority owner, all the juicy real estate there,
13 my family and I acquired it piece by piece in
14 the last forty-five years. The real name of the
15 game is to comment, to clear the blighted area,
16 the fact that I just bought property in the area
17 for two million dollars two years ago doesn't
18 mean --

19 MR. KLINEMAN: Excuse me, sir, we
20 have been here a long, long time and supposedly
21 you were going to tell us something about the
22 overpass and the availability, and we are miles
23 away on your description now.

24 MR. POTTER: It is all --

25 MR. KLINEMAN: Give me about a

1 three-second answer to what you wanted to tell
2 us and be done, please.

3 MR. POTTER: It wasn't so much what I
4 wanted to tell you is just let you know what the
5 real story is with the overpass, what it does,
6 who it affects, how it affects them and what is
7 going to happen after it is built and what the
8 City's and Charter's attention are to do with
9 the rest of the real estate. Like Michael
10 Strain that was up there, for instance. Michael
11 Strain is -- he is done. They could have
12 designed this overpass -- let me you tell you
13 something, they say everybody had full
14 operation, we went to the community and we
15 notified everybody by their water bills. I have
16 got nine water bills because I have got nine
17 pieces of property and I never received one.
18 Mike Strain never received one, nobody from the
19 city ever came to me and said, hey, we would
20 like your input on the overpass. The actual
21 marina and overpass was designed with public
22 funding, my father.

23 MS. BOCHNOWSKI: It would probably be
24 good if you could put this in writing because I
25 am going to tell you I really don't think that

1 we can given begin to absorb this, and if it is
2 in writing we have time to really look at it
3 and read it. I understand what you are saying.

4 MR. POTTER: I just want to know if
5 you have any questions because I am the only one
6 that really knows it.

7 MR. KLINEMAN: Well, send us a little
8 map and we will be able to read it. I think we
9 are getting ready to adjourn.

10 MS. BOCHNOWSKI: I believe that is
11 it.

12 MR. KLINEMAN: The only thing I would
13 like to add is we appreciate all the people who
14 came here today, we have really taken notice of
15 what you had to say. I appreciate your
16 interest. The only thing I want to leave you
17 with is we are not going to force something on
18 Hammond that Hammond does not really want. All
19 we are trying to do is to sort out what would
20 be the best economic package for the people of
21 Hammond and the State of Indiana, and that is
22 all. Regardless of which one of the applicants
23 we choose, it is going to be your final
24 decision as to what you get. But please bear
25 in mind the thing that we are all trying to

1 achieve is we want to put the most people to
2 work and thereby multiply the economic benefit
3 for everybody.

4 Thank you all for coming.
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1 STATE OF INDIANA)
2 COUNTY OF MARION) SS:

3
4 REPORTER'S CERTIFICATE

5 I, TERESA D. THOMPSON, a duly
6 qualified stenotype reporter and duly authorized
7 to administer said oath, do hereby certify that
8 the foregoing proceedings were had before me, on
9 Wednesday, October 18, 1995, at the Hammond
10 Civic Center in Hammond, Indiana.

11 I further certify that I then and
12 there reported in machine shorthand the
13 proceedings so given at said time and place,
14 reduced the same to typewriting from my original
15 shorthand notes, and that the foregoing is a
16 true, correct, and complete transcript of said
17 proceedings.

18 IN WITNESS WHEREOF, I hereby affix my name
19 and seal this 20th day of November, 1995.

20
21
22 
23 SEAL TERESA D. THOMPSON, Notary Public

24
25 My commission expires November 4, 1997.

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION

OCTOBER 19, 1995

BE IT REMEMBERED that the following proceedings were had before me, RUTH GRISSMAN, Court Reporter, on Thursday, October 19, 1995, at the Inter-Generational Center, 1402 E. Chicago Avenue, East Chicago, Indiana.

KAREN M. PRICE & ASSOCIATES
COMPUTER-ASSISTED REPORTERS
P.O. BOX 11270
MERRILLVILLE, IN 46411
(219) 756-0702

APPEARANCES:On Behalf of the Indiana Gaming Commission:

ALAN I. KLINEMAN, Chairman

ANN MARIE BOCHNOWSKI, Vice-Chairperson

DONALD VOWELS, Secretary

THOMAS F. MILCAREK

ROBERT W. SUNDWICK

ROBERT SWAN

DAVID E. ROSS, JR., M.D.

JOHN J. THAR, Executive Director

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BEFORE THE INDIANA GAMING COMMISSION
OPENING COMMENTS BY THE CITY OF EAST CHICAGO

October 19, 1995

Commencing at 9:00 a.m.

1 MR. KLINEMAN: I think we'll try to come to
2 order, and I'll try to speak into the microphone from now
3 on. This light was on, and I thought it was some kind of a
4 microphone. Great start for the day.

5 First, let me say that the Gaming Commission is
6 pleased to be here in East Chicago. We've looked forward
7 to this day for some time, probably not quite as long as
8 you people have. But we've made it a practice to go out
9 when we've had these hearings to the locations where the
10 licenses are going to be placed so we can get a feel for
11 the community and so we can give people an opportunity to
12 see their government in action and to express their
13 feelings. So that's why we're here today in East Chicago,
14 and we're pleased to be here. We had a nice tour. The
15 Mayor conducted us on a tour of the marina on Monday, so we
16 got a good feel for what the ground looks like and so
17 forth. And by the way, it's a beautiful facility, and it
18 seems to me you people have a really nice city here.

19 And with that, we'll start the meeting. And I think
20 Mayor Pastrick has some remarks for us, so we welcome him
21 to the Commission. He and I only go back about 40 or 45
22 years, so it's really a pleasure to be here, Bob, and I'm
23 glad you could be with us today.

24 MAYOR PASTRICK: I can't tell you what a pleasure
25 it is to have you here today. Good morning, ladies and

1 gentlemen. If I may, on behalf of the City of East Chicago
2 and the people of East Chicago, I want to express my
3 gratitude to the Chairman, Chairman Klineman, to the
4 honorable members of the Gaming Commission, to Jack Thar
5 and his staff, who we've had much contact with over the
6 past year or so. And on behalf of all of us, we thank you
7 for your presence. We thank you that we're finally getting
8 this underway. It's on-again off-again, incidentally; but
9 nevertheless, we're here this morning, and I'm very pleased
10 for that.

11 We are going to have an audiovisual aid that we're
12 putting on at this moment, and we'd like for you to witness
13 that before we proceed any further. There will be some
14 pamphlets handed out to you as the audiovisual is
15 completed, and then we'll proceed from there. Again, my
16 humble thanks to each and every one of you.

17 MR. KLINEMAN: Thank you, Mayor.

18 (Video presentation was shown
19 at this time.)
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BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY SHOWBOAT MARINA PARTNERSHIP

October 19, 1995
Commencing at 9:15 a.m.

1 MR. KLINEMAN: We're ready now, I guess, for the
2 presentation from the Showboat Marina Partnership. Mr.
3 Pannos?

4 MR. PANNOS: Good morning, Chairman Klineman.

5 MR. KLINEMAN: It's now a quarter after 9:00, and
6 we'll recognize you for at least an hour -- or for an hour.
7 I shouldn't say at least. Make it shorter, and we'll love
8 it.

9 MR. PANNOS: Good morning, members of the Indiana
10 Gaming Commission, Executive Director Thar, and Mayor
11 Pastrick. I am Michael Pannos, President of Waterfront
12 Entertainment Development, the local company that is
13 partners with Showboat to submit a gaming license
14 application for a riverboat in East Chicago. I have lived
15 all of my adult life in Indiana and most of it in northwest
16 Indiana, where I practiced law for sixteen years. I have
17 had the good fortune to be actively involved in Indiana
18 politics on the local, state, and national level. As a
19 result, I have developed a sensitivity for the people of
20 this State. I am particularly sensitive to the needs and
21 problems of northwest Indiana. It is, after all, the
22 birthplace of my four children. Lake County is my family's
23 home and future.

24 The Showboat Marina Partnership is pleased to stand
25 before you today with a proposal that is distinctive in

1 several respects. It features one of the most innovative
2 and comprehensive economic development programs in the
3 entire U.S. riverboat industry. Our boat has 2,500 gaming
4 positions, twice the number of any boat operating in
5 northern Illinois, allowing us to fully capture a huge
6 untapped gaming market. It includes a gaming company,
7 Showboat, Incorporated, with financial resources and
8 know-how gained during 40 years in business to ensure that
9 economic development commitments will be met. It includes
10 a local component, Waterfront Entertainment Development,
11 with a unique understanding of local needs and an abiding
12 interest in this community.

13 When Tom Cappas and I founded Waterfront right after
14 the law was passed to operating gaming in Indiana, we held
15 fast to the conviction that if northwest Indiana and East
16 Chicago were to fully have the benefits contemplated by
17 this law for the long-term, two things had to happen:
18 First, we had to have a say in the design and development
19 of this project, not merely as limited partners, but as
20 general partners with true Indiana ownership and true
21 Indiana say as to what goes on. We had to be active
22 hands-on participants, not merely silent investors. As
23 members of our community sensitive to its needs and
24 problems, we could not stand by and watch an out-of-state
25 operator come in, reap the profits, and export the profits

1 to another state. And two, we had to find a gaming partner
2 long in gaming industry experience, financially strong,
3 with sound ethics, with a track record of success, and a
4 company receptive to generating long-term community renewal
5 and development appropriate for East Chicago.

6 We contacted as many gaming companies as we could. We
7 were looking for the one whose strength and stature in the
8 industry, combined with our understanding of local needs,
9 would form a strong enough group to knock the socks off any
10 other entity that would compete against us for an East
11 Chicago license.

12 With respect to our first condition, having a say in
13 the process, we are very proud of the team that we have put
14 together for Waterfront, and we are just as proud of the
15 impact that we've had in shaping the East Chicago project
16 and this license application. Each shareholder on our side
17 of the partnership has something unique to offer to this
18 project and a particular function to fulfill. I'd like to
19 introduce them to you. Tom Cappas, who is my fellow
20 managing director. George Pabey, who with years of
21 experience on the East Chicago Police Force, including some
22 as Chief, will head security on the project. Bob Hoggs,
23 who had a quarter of a century of public service to handle
24 communications with the City, particularly regarding
25 infrastructure needs. Louis Gonzalez, long active in

1 community activities and organizations, to help us with
2 community relations. John Flores, who is the widely
3 respected principal of Central High School, to help
4 facilitate educational programs developed and funded from
5 gaming revenues. George Novogroder; George is a local
6 Indiana developer who has built hundreds of apartment units
7 and commercial retail units in northwest Indiana. His
8 expertise will be invaluable in our non-gaming development.
9 Mikos Kefalidis, who is Chairman of the Board of Beta Steel
10 in the Port of Indiana. He oversaw the construction of
11 that mill. He also has impressive credentials in both
12 residential and commercial development. His company, KLM
13 Construction, has been chosen by the partnership to be the
14 construction manager for this project. Barry Porter, who
15 has been actively involved in exploring and evaluating
16 various financing alternatives for the partnership. Barry
17 is a former Senior Managing Director at Bear Stearns. He
18 ran his gaming industry group for the last year of his
19 seven year tenure there. Among the other transactions, he
20 worked on raising over 1 billion dollars for the MGM Grand.
21 The diversity of our local partners and our employees will
22 help us achieve not only our affirmative action plan and
23 contracting goals, but the rejuvenation of East Chicago.

24 Tom Cappas and I have labored long and hard for more
25 than two years to come to this point. Alongside of Tom

1 Bonner of Showboat, we have spent countless hours in
2 meetings and conferences with investment bankers,
3 designers, attorneys, architects, engineers, suppliers,
4 city officials, vendors. Alongside Showboat, we have been
5 actively involved in exploring and evaluating shipbuilding
6 options, negotiating commitments, shaping the project in
7 our application for a license. Collectively, the Showboat
8 Marina team has had frequent communications with all facets
9 of the community to structure a proposal that truly makes
10 sense for East Chicago.

11 Our philosophy is to use as many local people as
12 possible. For example, if you look down the roster of who
13 will work on this project, one of the first persons that
14 you'll find that we hired was Ed Williams. Ed served as
15 the Chief Executive Officer of Lakeshore Employment with a
16 stellar record of community involvement. He will be our
17 Director of Training and Development. If you want a job at
18 Showboat Marina, the person you see is a lifelong resident
19 of East Chicago. Ed Williams has the skill, training, and
20 experience to get the job done. Better yet, he is a member
21 of this community who cares deeply about this community.

22 With respect to our gaming industry partner,
23 Showboat's standing in the industry, its financial
24 strength, and its history of success are a matter of
25 record. Tom Bonner and others that he might call upon

1 today can address those issues. I will say this to you,
2 however: We approached and were approached by a number of
3 other potential partners. Some even offered terms to us
4 that were more lucrative and more attractive. We opted
5 instead to partner with Showboat because Showboat enabled
6 us to put together the very strongest possible project to
7 make sure that our hopes for East Chicago would be
8 realized. None of the other gaming companies was as
9 receptive as Showboat to the concept of committing to a
10 plan of investment in long-term community renewal.

11 As I believe you'll see in here today from our
12 presentation, this project is all about economic renewal
13 and revitalization, leadership from the community in
14 drawing up the economic development program, community-wide
15 economic benefits sustainable over the long-term, and
16 unique in the State of Indiana, an Indiana based
17 investment, a gaming industry partner that is financially
18 strong with a successful track record of meeting consumer
19 demand over 40 years in the business, a vast untapped
20 market where consumer demand will far exceed supply for
21 years to come, proven experience of our gaming partner in
22 drawing a high volume of customers in competitive markets,
23 and an industry know-how to generate the revenues that will
24 drive our community renewal program. We are convinced that
25 this program is something we can all be proud of. We think

1 it's a project the State of Indiana can be proud of, and we
2 hope that you as Commissioners will agree.

3 On that note, I would like to introduce our partner,
4 Tom Bonner, who is Chief Executive Officer of Showboat
5 Marina Partnership, who will lead our presentation to the
6 Commission. Thank you.

7 MR. BONNER: Thank you, Mike. Good morning,
8 Mayor Pastrick, members of the City Council, Chairman
9 Klineman, Commissioners, Executive Director Thar, ladies
10 and gentlemen. I'm very pleased to have this opportunity
11 to appear before you today to talk about this exciting
12 project for my company, Showboat, and for the people of
13 East Chicago. I guess given the events of the last couple
14 days in Court, I'm happier than I thought I would ever be
15 to be here to make this presentation to you. And I'd also
16 like to extend my personal welcome to East Chicago and to
17 all of you.

18 As Mike indicated, my name is Tom Bonner. I'm
19 President and CEO of Showboat Marina Casino based here in
20 East Chicago. For the past two years, it has been my job
21 to get this project started and going forward, to
22 personally see it through to completion and to oversee
23 operations, if we're given that opportunity by the
24 Commission. I'm extremely proud to be associated with
25 Showboat. I've been with Showboat for eleven years,

1 serving for nine of those years as general counsel. During
2 those nine years, I was responsible for the initial
3 licensing of the Atlantic City project and for the ongoing
4 gaming license renewals. I managed regulatory compliance
5 with the New Jersey Casino Control Commission and with the
6 Division of Gaming Enforcement. I understand the
7 regulatory process, I'm sensitive to it, and I respect it.

8 Showboat has a proven track record of success and
9 sound management, with over more than 40 years in the
10 gaming business. And I believe that our long tradition and
11 success in the industry and our understanding of the
12 marketplace sets us apart from other applicants. You don't
13 achieve success in this or any other business without
14 having a collaborative effort among dedicated, talented,
15 and highly qualified people.

16 I'd like to take this opportunity to introduce my
17 colleagues for this presentation. Kell Houssels, President
18 and CEO of Showboat, Incorporated. Mike Higbee is
19 President of Development Concepts in Indianapolis, one of
20 the State's foremost economic development experts. Steve
21 Puccinelli is Managing Director of Donaldson, Lufkin, and
22 Jenrette Securities Corporation based in New York. DLJ is
23 one of the top investment banking firms in the country and
24 probably has the most experience in gaming industry
25 financing. Showboat has a long-standing relationship with

1 DLJ. I'd also like to take this opportunity to introduce
2 and acknowledge Mark Miller, Executive Vice-President of
3 Operations for Showboat, to whom I and the CEO's of our
4 other properties in Las Vegas and Atlantic City report.
5 Also on hand today are others from Showboat and our
6 technical experts who are available to assist in answering
7 your questions during the question and answer session. The
8 eight members of the Showboat management team that we have
9 assembled for this project have combined experience of 86
10 years in the gaming business and have personally been
11 involved in the opening of seven new properties. I'd also
12 like to take this opportunity to recognize two people who
13 have played a vital role in preparing for our presentation
14 today: Terry Mumford of Ice, Miller, Donadio and Ryan, is
15 our lead counsel and has been instrumental in our
16 communications with the Commission and its staff; and Ann
17 St. Germaine, with the public affairs firm of Jacobs and
18 Termin (phonetic), has really taken a lead in preparing for
19 our presentation today.

20 You've already received briefing books which recap the
21 highlights of our presentation and contain some additional
22 information about the project and the people involved in
23 it. Our presentation to you today is in five parts.
24 First, I'll talk briefly about Showboat and our 40 years of
25 experience. Second, Mike Pannos will return with an

1 overview of our economic development program. Third, Mike
2 Higbee will provide you with more details on the economic
3 development program, which we believe is the most
4 innovative riverboat economic development program in the
5 State. Fourth, I'll return to discuss the physical aspects
6 of the project, as well as the marketing, financing,
7 revenue projections; and I'll be assisted in this phase by
8 Steve Puccinelli of DLJ. And finally, Kell Houssels will
9 close with a few words about Showboat's corporate
10 philosophy and its commitment to this project and to the
11 people of East Chicago.

12 First then, a little background on Showboat,
13 Incorporated. We celebrated our 40th year in gaming last
14 year, an anniversary we noted with great pride on the cover
15 of our 1994 annual report. That was a long time ago back
16 in 1954. As we say in our annual report, Clark Gable was
17 the reigning movie king, Casey Stengel was managing the New
18 York Yankees, Ike was in the White House when the Desert
19 Showboat Motor Hotel opened on Boulder Highway two miles
20 east of downtown. It seemed a little odd to have a
21 Mississippi style riverboat plunked down in the middle of
22 the desert, but tourists and locals alike flocked to the
23 property, the genesis of what has become today the gaming
24 company known as Showboat, Incorporated. In Las Vegas, in
25 addition to serving the traditional tourist market, we

1 pioneered the neighborhood casino concept. That's about
2 providing a quality gaming environment for residents of the
3 area. That local market is now one of the fastest growing
4 segments in the Las Vegas market.

5 In 1973, Showboats's common stock was listed on the
6 American Stock Exchange, enhancing the stature and
7 visibility of the company. And then in 1983, Showboat was
8 listed on the New York Stock Exchange, bringing greater
9 prestige and increased investor interest in the company's
10 common stock. The first step in what has now become a
11 successful expansion story for the company in both the
12 United States and abroad occurred in March, 1987 when
13 Showboat opened its 245 million dollar property in Atlantic
14 City.

15 We also enjoy an excellent record of regulatory
16 compliance at our properties. During our most recent
17 license renewal hearing in Atlantic City last January, we
18 were publicly commended by the Commission's
19 Vice-Chairperson for our positive contributions to
20 improving the quality of life in Atlantic City. That
21 renewed stamp of approval from New Jersey regulators came
22 just one month after one of the most exciting developments
23 in our 40-year history, winning a license from the New
24 South Wales Casino Control Authority to own and operate an
25 800 million dollar land-based casino complex in Sydney,

1 Australia. We are extremely proud of this accomplishment,
2 especially since our competition had included other
3 companies in the top echelon of the gaming business, Mirage
4 and Circus Circus. We are currently operating a temporary
5 facility in Sydney, and we are now building a permanent
6 casino and entertainment center, which we expect to open in
7 1998. We've had an extremely smooth introduction to
8 Australia and have enjoyed an excellent working
9 relationship with the gaming regulators in New South Wales.

10 Showboat also is a company with excellent operating
11 performance and considerable financial resources. Our
12 consolidated operating income more than doubled from 1988
13 to 1994, increasing from 39 million dollars to 80 million
14 dollars. We had record total revenues of 401 million
15 dollars in 1994 and record net income of 15.7 million
16 dollars in 1994. Gaming revenues are up 19 percent at our
17 flagship Atlantic City property over the first six months
18 of this year, compared to the same period in 1994. That
19 puts us number one in revenue growth among the twelve
20 Atlantic City properties. Turning to our financial
21 resources, our cash on hand was 110 million dollars on June
22 30 of this year, and we have total assets of 622 million
23 dollars. We have raised more than 723 million dollars in
24 public markets over the last eleven years, including stock
25 and debt offerings, and we've made each and every payment

1 to our bond holders on time and in full.

2 Our success is based on knowing what the customer
3 wants and providing that experience. After 40 years of
4 operating casinos, we know full well that in order to stay
5 ahead of the learning curve, we need to listen to our
6 customers. And we listen well, as demonstrated by our
7 facility being named most popular casino in Atlantic City
8 for the past two years in a New Jersey news media survey.
9 This success flows directly from adherence to our corporate
10 vision statement. Showboat's objective is to provide
11 shareholders with a superior return on their investment, to
12 provide customers with an outstanding entertainment
13 experience at our casinos, to provide employees with a work
14 environment in which they may reach their full potential,
15 and to develop a harmonious relationship with the
16 communities in which we operate.

17 So why have we chosen East Chicago? Our partnership
18 with East Chicago fits in well with our corporate strategy
19 of identifying standout expansion opportunities around the
20 country and overseas. That expansion strategy is driven by
21 three primary considerations: finding a market with strong
22 demographic attributes and positive supply/demand
23 characteristics; finding a market where there is a high
24 probability that gaming will be legalized or where it
25 already has been legalized; and finding a close community

1 where we're welcome. East Chicago is a perfect fit on all
2 three counts.

3 And our development plans fit in with the City of East
4 Chicago's existing plan for Waterfront Development. Our
5 facility and the improvements we plan reflect the City's
6 own master plan for lakefront development. Touching very
7 briefly now on the major components of our project before
8 moving into the economic development benefits, this is a
9 156 million dollar investment, including 140 million
10 dollars in project costs and 16 million dollars in local
11 economic incentives. We are also providing 14 million
12 dollars for contingencies, and consequently will be
13 securing financing for a 170 million dollar project. The
14 components of our investment include the boat itself, the
15 land side pavilion, marina, breakwater and beach
16 improvements, traffic improvements, parking facilities, and
17 the economic incentives. I'll come back to the project
18 components a little later.

19 But first I'd like to ask our partner, Mike Pannos, to
20 provide a strategic overview of what represents the most
21 significant aspect of this project from the public policy
22 standpoint, the local economic benefits. Mike?

23 MR. PANNOS: Thank you, Tom. In a moment, I'm
24 going to ask Mike Higbee of Development Concepts to give
25 you more details on this, inasmuch as he is the expert on

1 this and helped us shape this program. But I'd like to
2 take just a moment to tell you that we believe this
3 economic incentive plan will be the most effective,
4 high-impact, economic development plan of any riverboat in
5 Indiana. Our plan is distinctive in at least three key
6 features. One, it's based entirely on what the community
7 told us and said it wanted and provides for community
8 control of the benefits for years to come. It is designed
9 to produce both short and long-term benefits and to
10 leverage additional investment in the community. Three,
11 its impact extends throughout the community, not just the
12 lakefront, and it touches all aspects of community life.

13 Just as Showboat's success has been predicated on
14 listening to its customers over the years, the Showboat
15 Marina Partnership listened to the residents and leaders of
16 East Chicago. And in this case, we listened at more than
17 two dozen meetings of the Mayor's task force on gaming to
18 hear how the people of East Chicago wanted this riverboat
19 project to benefit their community.

20 There are three primary features of the economic
21 benefits plan: First, fixed contributions totaling 16
22 million dollars for a variety of community projects,
23 ongoing annual contributions of 3.75 percent of the
24 adjusted gross gaming revenues, and the establishment of
25 new institutions that can leverage those contributions to

1 distribute maximum economic benefits throughout the
2 community. The economic development strategy is not
3 confined to the lakefront and businesses that relate only
4 to the casino project. The benefits will flow throughout
5 East Chicago, spurring community redevelopment in all
6 sectors and for the long term. It's an approach that has
7 been singled out for praise by one of the most respected
8 organizations involved in economic development, the
9 Washington based Council on Urban Economic Development.

10 We've already demonstrated our commitment, having
11 spent more than 8 million dollars to date in project costs,
12 including engineering, architectural, and site development
13 expenses. We've already contributed about 1 million
14 dollars for a variety of community development initiatives
15 selected by the leaders and residents of East Chicago,
16 including resurfacing Little League fields, purchasing new
17 police cars and a graffiti blaster, demolishing condemned
18 buildings that have been a blight on the community,
19 repairing sidewalks and improving landscaping around the
20 City, and providing college scholarships for deserving East
21 Chicago High School students.

22 Our partners in Showboat have made a commitment to the
23 community personally as well. The members of the Showboat
24 lead management team have all established residence here in
25 northwest Indiana so they can help move this project along

1 as quickly as possible should we receive, as we hope, a
2 Certificate of Suitability. We were able to provide these
3 comprehensive economic development benefits because of the
4 strength of this market. Tom Bonner will have more to say
5 about that when he outlines our market assessment.

6 The single most important economic benefit is jobs,
7 and this project will provide more than 2,000 new jobs upon
8 opening. A job is more than an income. It represents
9 family and community stability, all part of community
10 renewal we're talking about here today. East Chicago
11 residents will have first preference for those jobs, and
12 Showboat has already demonstrated its commitment to equal
13 employment opportunity. We will provide free job training
14 for qualified East Chicago residents and competitive wages
15 and benefits. Our partners at Showboat have made a strong
16 commitment to employee education and development. They
17 have a 100 percent tuition reimbursement program for
18 qualified personnel and an on-site learning center for
19 employees, such as the Atlantic City learning center you
20 see on the screen (indicating). We want the people of East
21 Chicago to get these jobs. That's why we've already held
22 job fairs to build public awareness of the opportunities
23 down the road.

24 Another kind of economic development is the
25 opportunity for local businesses to provide products and

1 services for a project of this magnitude. Our purchasing
2 policy favors East Chicago companies, Lake County
3 companies, and Indiana companies, in that order. We have
4 already held two vendor fairs to let the area businesses
5 learn how best to prepare for this opportunity. We are
6 also committed to creating opportunities for minority
7 businesses and to have programs to make sure that happens.

8 In order to ensure that we accomplish these goals, we
9 wanted the best available expertise, so we went out and got
10 it, retaining the services of Mike Higbee, who, as Tom
11 said, is one of the premier economic development experts in
12 the State. Mike will now give you a detailed explanation
13 of our development plans and the impact on East Chicago.

14 MR. HIGBEE: Good morning. Thank you, Mike. As
15 Mike indicated, my name is Mike Higbee. I'm with
16 Development Concepts. And I believe we have a package here
17 that will touch all four corners of the community of East
18 Chicago. As the woman said in the video, it will change
19 the face of this community. It is a package that over a
20 five-year period will stimulate over 535 million dollars of
21 investment in the local community. You take a conservative
22 multiplier effect, and that impact can exceed over a
23 billion dollars over a five-year period as far as economic
24 activity. It will create thousands of jobs, develop
25 hundreds of units of new housing and thousands of square

1 feet of new commercial and business space. It is designed
2 to meet very real needs that this community has right now.
3 It will strengthen the community and form partnerships that
4 currently are not in place. It will create a strong
5 economic momentum to negate the impact of the job losses
6 that this community has experienced over the past three
7 decades.

8 I was asked to participate in helping design this
9 package, I believe, because of my background in economic
10 development. I have a strong interest in urban economic
11 development as well as rural economic development. Our
12 firm was formed in January of 1992. We have had extensive
13 involvement up in northwest Indiana in the cities of
14 Hammond, East Chicago, and Gary. During this period, we
15 have formed two new community development corporations in
16 northwest Indiana. We have participated in a city-wide
17 economic development strategy in the City of Hammond. We
18 have written grants which have brought in millions of
19 dollars of federal money for economic development
20 activities in the area, as well as participated in helping
21 put together the economic development strategy for the Gary
22 Regional Airport.

23 My prior life before getting into the private sector
24 was serving as the Director of Metropolitan Development in
25 the City of Indianapolis during the decade of the 80's. I

1 participated in putting together the Circle City Mall
2 project in Indianapolis as well as the United Airlines
3 maintenance facility on behalf of the City of Indianapolis,
4 working very closely with the State of Indiana.

5 The Showboat package has three primary components that
6 will, I believe, have a significant impact on the local
7 economy. First is construction and operations. The
8 construction activity that will benefit the local community
9 will exceed 51 million dollars. As you can see in the
10 graphic (indicating), the total construction activity is
11 156 million dollars, 51 of which will impact on the local
12 economy. This will come in the form of local contractors
13 that will work at the site, vendors which will provide
14 materials and supplies for the construction activity, as
15 well as local workers that will actually construct the
16 facility. Operations in the first year alone will exceed
17 84 million dollars. 61 million of that amount will
18 benefit, again, the local economy, primarily through vendor
19 and payroll activities. You can take these numbers, and
20 for every dollar of Showboat Marina investment and
21 construction activity, you can expect a local
22 counter-effect of, conservatively speaking, another dollar
23 to 2 dollars; so you can expect to double the impact on the
24 local economy just from the construction activity alone.

25 Perhaps construction and operations really isn't a

1 unique feature of this package. I'm sure you've talked to
2 other applicants around the State. They all have
3 construction activity. They all will be operating a
4 facility. And I'm sure they've targeted these dollars to
5 the local economy wherever possible. I think what is
6 unique about the Showboat Marina package, however, are the
7 elements of the one-time contributions, which you've
8 already heard addressed and I will speak briefly to; and
9 more importantly, the ongoing incentive payments and how
10 they are channeled back into the community to have a
11 long-lasting, sustainable economic impact on the community.

12 But first, let's talk about the one-time
13 contributions. You've already heard about the Mayor's task
14 force for gaming, and I believe John Artis will speak about
15 this task force in more detail later in the presentation.
16 But this task force did identify priority needs in the
17 community. They said that these are needs that are here
18 now. They cannot possibly be met with existing resources.
19 Showboat Marina worked with the City of Chicago -- East
20 Chicago, excuse me, to determine how best to meet these
21 needs. They put a 16 million dollar incentive package
22 together, one-time contributions designed to meet these
23 needs starting yesterday. I believe you saw some of the
24 police cars that were out in front that were donated by
25 Showboat Marina Partnership dollars. You can see by this

1 graphic (indicating) how these moneys will be spent and how
2 they are being spent.

3 I believe the most unique component, and the one that
4 is responsible for 34 percent of the 16 million dollar
5 contribution, is the home buyers assistance program. It is
6 designed to stimulate significant new housing activity in
7 the East Chicago housing marketplace. I believe it will
8 renovate existing housing stock. It will cause new housing
9 construction, something that's desperately needed. If you
10 look at the last three years of new construction activity
11 in East Chicago, there have only been six permits pulled
12 for new single family housing construction in three years.
13 It will encourage a greater variety of choice for families
14 wishing to move into the East Chicago marketplace;
15 something that, again, is desperately needed.

16 Two programs have been designed to accomplish these
17 objectives. First, a down payment assistance program. You
18 can see on the graphic again (indicating) that Showboat
19 employees which are first time home buyers in East Chicago
20 will be eligible for a 5 percent down payment on their home
21 purchase. This will make homes more readily available for
22 people who otherwise might not qualify for homes to buy in
23 the East Chicago housing market. The down payment
24 assistance program will be very important. Another program
25 is a mortgage guarantee program. Anyone wishing to buy a

1 home in East Chicago can qualify for a guarantee of up to
2 25 percent of the purchase price of an East Chicago home.
3 Again, this program is designed to make loans more readily
4 available to those wishing to purchase a home in East
5 Chicago. It is expected -- I should back up here. The
6 down payment assistance program will be capitalized by
7 Showboat Marina Partnership at a level of 500,000 dollars.
8 The mortgage guarantee program will be capitalized at a
9 level of 5 million dollars. It is expected that over a
10 three- to five-year period that these two programs will
11 generate home purchases in the East Chicago market of 350
12 to 500 homes, again within a three- to five-year period.
13 This will result in a 35 million dollar home purchase
14 activity during the same period. These are significant
15 programs that will have a very measurable impact in East
16 Chicago.

17 But I believe the most unique element of the Showboat
18 Marina economic development package will be the ongoing
19 incentives; and not only are they incentives that will be
20 pumped into the economy of East Chicago, but they have been
21 designed to have maximum impact. I really think that's the
22 most important statement that I'm here to make before you
23 today. Showboat Marina will pay 3.75 percent, as you've
24 heard, of the adjusted gross gaming revenues for specific
25 community economic development activities. This program

1 has taken 18 months of planning. We have been very
2 involved in helping put this package together with the
3 Showboat Marina Partnership as well as the City of East
4 Chicago. When it's implemented, it will develop capacity
5 at the community level to accomplish development objectives
6 that the community has, as again put together by the task
7 force. It will also promote adequate and comprehensive
8 resources provided first by Showboat Marina, but then using
9 those resources to leverage additional dollars to
10 accomplish the development objectives.

11 And I'd like to show you how this money is going to be
12 channeled into the community. First, the City of East
13 Chicago will receive 1 percent of the adjusted gross gaming
14 revenues. And as you would expect, these dollars will be
15 spent on very conventional services: infrastructure
16 investment, public safety, services with youth and elderly.
17 These are services right now that there's much more demand
18 than there are resources available to meet these needs.
19 The City of East Chicago will receive approximately 9.5
20 million dollars over a five-year period to enhance the
21 delivery of these services.

22 Another 1 percent will go to a new not-for-profit
23 corporation by the name of Twin City Education Foundation.
24 Again, 9.5 million dollars over a five-year period. This
25 money will be used to support scholarships and

1 post-secondary training for those graduates of East Chicago
2 High School. This not-for-profit will be challenged to
3 leverage these moneys, for every dollar of Showboat Marina
4 money coming in, to leverage another 3 dollars, for
5 additional investment of 28.5 million dollars. This 28.5
6 million dollars will be leveraged from foundations,
7 charitable foundations, private contributions, and federal
8 grants. We believe this 3 to 1 leveraging ratio is very
9 conservative and very attainable.

10 Another not-for-profit organization will be formed.
11 It will go by the name of the East Chicago Community
12 Foundation. It is going to be modeled after successful
13 community development corporations that have been formed
14 throughout the country. These community development
15 corporations are changing the face of neighborhoods
16 throughout the country. Some operate not so well, mainly
17 because of budgetary reasons. Others operate very
18 successfully in the neighborhoods. This foundation will
19 have a professional staff. It will understand financing.
20 It will understand development. And it will understand how
21 to work with neighborhood leaders to accomplish development
22 in your neighborhoods. It will work with other
23 not-for-profits in East Chicago, again to make development
24 happen. This not-for-profit will, again, receive 1 percent
25 of the adjusted gross gaming revenues, 9.5 million dollars

1 over a five-year period. It will be challenged to leverage
2 these dollars five times over. So for every dollar coming
3 into the East Chicago Community Foundation, another 5
4 dollars will be leveraged. This means another 47 and a
5 half million dollars coming into the community for
6 development purposes. Again, I believe Mr. Artis will talk
7 in a bit more detail about this program later in the
8 presentation.

9 A for-profit development corporation will also be
10 established. It will receive .75 percent of the adjusted
11 gross gaming revenues. It will go by the name of East
12 Chicago Second Century, Inc. In the first full year of
13 operation, it will receive 1.8 million dollars of Showboat
14 Marina investment. In the first five years, 7.1 million
15 dollars. It will be challenged to leverage these dollars
16 eight times over. This means it will receive 7.5 million
17 dollars of Showboat Marina money in the first five years,
18 and it will leverage another 60 million dollars to be used
19 for development purposes in the City of East Chicago.

20 (Mr. Thar left the
21 proceedings at this time.)

22 My experience has been that as you work in communities
23 that not-for-profit capacity is terribly important in
24 making development happen. But if they don't have
25 for-profit developments as a partner, in many cases,

1 financial institutions, the equity investors, are a little
2 bit reluctant to make an investment in a community that has
3 had some problems with its economy. This for-profit
4 development corporation should address that issue. It will
5 have partners that have been through the work, understand
6 how to make development work, and can partner with
7 not-for-profit corporations to make development happen.

8 As was mentioned already, the Washington based Council
9 for Urban Economic Development has taken a look at this
10 plan. And they have not endorsed Showboat, but they have
11 endorsed the economic development package that they've
12 worked so hard to put together. They believe it is a
13 trend-setting package. It is one that is unique as far as
14 gaming operations around the country. And I believe it
15 shows a commitment that Showboat and I think CUED is
16 endorsing. It really shows the commitment that Showboat
17 has to not only impact on the area around the gaming
18 facility, but to impact around the area of the entire East
19 Chicago community.

20 Finally, this investment will result in over 35
21 million dollars being injected directly into these four
22 entities. Over a five-year period, it will leverage
23 another 134 million, for a total impact of 170 million
24 dollars. I'm happy to say to you today that I believe in
25 this package. I think it can make a significant

1 difference. It will show physical development activity
2 within the first five years that will be very significant.
3 I'm also proud to say that I think Showboat is very
4 committed to this package and will see it through to a
5 successful completion. Thank you very much.

6 MR. BONNER: Thank you, Mike and Mike. Moving
7 now to the project timetable, we're aiming for an opening
8 in the fourth quarter of 1996. That's admittedly an
9 aggressive schedule, and it depends on everything falling
10 into place just exactly as we hope it would. We're working
11 hard to meet that deadline. We have the financing plan in
12 place. We have a preliminary vessel designed that is now
13 out for bid, and we have a preconstruction contract. But
14 we'll need a timely decision from the Army Corp of
15 Engineers, which is still reviewing our Waterfront
16 Development application, and a timely disposition of our
17 request from this Commission for a Certificate of
18 Suitability. But to give you a sense of the timetable, we
19 estimate that we can be up and running about twelve months
20 after issuance of the Army Corp permit.

21 Let's take a look at the proposed site for the
22 project, the Robert A. Pastrick Marina at Jeorse Park in
23 East Chicago, which you had the opportunity to inspect on
24 Monday evening. On the screen is an aerial view of the
25 site, and now here's a planned view of the riverboat

1 development site (indicating). And you'll see the various
2 components; the vessel itself, the pavilion, the new
3 breakwater and marina, new beach, new Cline Avenue
4 off-ramp, and the parking areas (indicating). Let's take a
5 look at these components individually.

6 The East Chicago Showboat is a modern casino boat
7 housing gaming and support functions. The boat is being
8 designed by Guido Perla and Associates of Seattle, one of
9 the nation's leading naval architects and marine engineers.
10 GPA is a pioneer in the design and construction of
11 riverboat casinos. It has designed more than a dozen
12 riverboat casinos currently operating, including The Grand
13 Victoria in Elgin, Illinois, an industry leader in the
14 northern Illinois market. Among the features of the 41
15 million dollar East Chicago Showboat are: It's 130 --
16 sorry; 380 feet long, with a capacity of 4,250 persons,
17 which includes passengers and crew. It has three gaming
18 decks and a total of 2,500 gaming positions, double the
19 number of positions on the boats operating in Illinois. It
20 also has a 3,400 square foot non-gaming lounge area for
21 those who want to get away from the casino activity for a
22 different kind of relaxation. The vessel is designed to
23 cruise the open waters of Lake Michigan with maximum safety
24 and customer comfort, and it will be accessible to persons
25 with disabilities under the terms of the Americans with

1 Disabilities Act. The main land-based support facility for
2 the boat will be a pavilion of roughly 95,000 square feet,
3 which is slated to include the customary favored amenities
4 for customer convenience, food and beverage and associated
5 facilities.

6 One of the most exciting aspects of the project is the
7 ongoing redevelopment of the East Chicago lakefront. We're
8 making a substantial investment in permanent site
9 improvements that follow through on the City's lakefront
10 master plan. These improvements will produce a multi-use
11 marina with exceptional access for the public. A key
12 feature of these waterfront improvements is the new
13 breakwater, which creates not only a sheltered harbor for
14 the riverboat, but also space for new recreational boat
15 slips. One of the most popular recreational sports in this
16 area is fishing, and this new breakwater will allow people
17 to walk out into the harbor and take advantage of deep
18 water fishing opportunities they otherwise would have only
19 by boat. The improvements also include a new landscaped
20 beach with new bathhouse and improved public access and
21 parking.

22 Now, these improvements must be approved by the Army
23 Corp, as I stated previously. We resubmitted our
24 application, responding to the issues raised by the Corp in
25 our first application, and a comment period on the revised

1 application has now closed. We are optimistic that we will
2 be able to resolve this matter soon with the Army Corp.

3 Now, once the customers get on site, we want to make
4 sure that the experience of convenience continues. We'll
5 have 2,800 well lit and secure parking spaces, 500 of them
6 in a garage and 2,300 provided on a surface lot. We will
7 also provide valet parking. One of the outstanding
8 features of this location is the ease of access from all
9 directions, which we believe is one of the key marketing
10 advantages of our site. The site is only 20 minutes from
11 downtown Chicago. And no matter what direction you're
12 coming from, major expressways take you right to the site.
13 To help handle the volume of anticipated traffic, a new
14 Cline Avenue off-ramp is planned.

15 Let's turn now to the financing revenues and market
16 assessment for the project. The financing plan has four
17 primary components: 35 million dollars in partnership
18 contributions, 15 million dollars in equipment lease
19 financing, issuance of up to 120 million dollars in first
20 mortgage notes secured by the riverboat project, including
21 related structures, fixtures, and equipment, and a
22 completion guarantee from Showboat, Incorporated.

23 We are continuing our eleven-year tradition of working
24 with Donaldson, Lufkin, and Jenrette on financing. And I'd
25 like to ask Steve Puccinelli of DLJ to briefly outline the

1 financing plan for you. Steve?

2 MR. PUCCINELLI: Thank you, Tom. Good morning.
3 As Tom mentioned, I am Steve Puccinelli, and I am the
4 Managing Director of the New York investment bank of
5 Donaldson, Lufkin and Jenrette, specializing in the raising
6 of both debt and equity capital for both industrial and
7 gaming companies here in the United States. I personally
8 have been working with Showboat for the past twelve years
9 as their primary investment banker.

10 As you can see on this slide (indicating), DLJ is the
11 leader in the issuance of non-investment grade debt.
12 During the past twelve months, DLJ has completed 27
13 transactions, raising over 3.8 million dollars, over twice
14 as many transactions as our nearest competitor. On the
15 next slide (indicating), you can see that DLJ is the leader
16 in construction type financing for the gaming industry. In
17 the last two years, we have helped such companies as
18 Harrah's, Grand Casino, Empress, and Trump Hotels raise
19 over 2.1 billion dollars in non-investment grade debt.

20 On the next slide (indicating), you can see that DLJ
21 has enjoyed a long and successful relationship with
22 Showboat, Inc. Over the past twelve years, DLJ has raised
23 over 700 million dollars for Showboat, including the
24 construction financing for Showboat's Atlantic City casino
25 and the financing for their investment in Sydney,

1 Australia. What's exciting is Showboat is one of the best
2 names in the non-investment grade debt capital marketplace.

3 On the next slide (indicating), you can see that DLJ
4 is embarking on its next financing for Showboat, a 120
5 million dollar first mortgage loan to construct their
6 riverboat here in East Chicago. It's Showboat's equity
7 investment of 35 million dollars; it's Showboat's 30
8 million dollar construction guarantee; it's Showboat's
9 reputation in the debt capital marketplace; and maybe most
10 importantly, it's Showboat's relationship with DLJ as one
11 of our longest and best clients that's going to make this
12 financing one of the most successful financings in January
13 of 1996. Tom?

14 MR. BONNER: Thank you, Steve. I apologize for
15 selling our relationship one year short. It's twelve
16 years. Our revenue projections for the first full year of
17 operation are as follows: Adjusted gross gaming revenues
18 of more than 248 million dollars, more than 4.9 million
19 admissions, a 50 dollar win per admission, and 100,000
20 dollars annual win per position. The activity at our
21 proposed project translates into the following tax revenue
22 projections for the first full year of operations: 45
23 million dollars to the State of Indiana, 26 million dollars
24 to the City of East Chicago, and 5 million dollars for Lake
25 County. Our revenue projections and the sizing of our boat

1 are based on comprehensive and thoughtful analysis of our
2 market, which we define as a 120-mile radius, with East
3 Chicago as the nucleus. This is the third most populated
4 area in the United States, with great untapped potential
5 for gaming.

6 A key feature of our market assessment is a
7 calculation we call adults per gaming position. This
8 analysis allows us to determine the degree to which market
9 demand is not met, using our experience in New Jersey as a
10 basis for comparison. What this analysis shows is that
11 there is currently much more demand than supply when
12 compared to Atlantic City, a market where Showboat and the
13 rest of the industry are doing quite well. You'll note on
14 the bar graph (indicating) that there are currently 2,000
15 adults per gaming position in the East Chicago market,
16 compared to 498 in New Jersey. Even when the Gary,
17 Hammond, and East Chicago boats are all operational, there
18 will still be a better adult to gaming position ratio than
19 Atlantic City has: 781 as compared to 498. What this
20 analysis shows is that even with all Lake County boats on
21 line, there will still be more unmet demand here than we
22 have in Atlantic City today. We have considerable market
23 analysis data and will be happy to share more of it with
24 you during the question and answer session.

25 So in our opinion, there is no question that this

1 market is undersupplied. But how do we make sure that this
2 great undersupplied market finds its way to our East
3 Chicago property? We do that in three ways. First, when
4 it comes to marketing, we say that the best predictor of
5 behavior is behavior. The fact of the matter is that
6 customers turn out in droves at our facilities in Atlantic
7 City and Las Vegas and now Sydney. Commissioners, we've
8 done it, and we've done it in the most competitive gaming
9 markets in the world, Las Vegas and Atlantic City, over a
10 period of 40 years. We plan to build on those successes
11 here in Indiana. Second, playing a big role in our
12 marketing will be the fact that we will have the product
13 variety and quality here in East Chicago to attract the
14 customers we're talking about. And third, we're going to
15 invest significant dollars in both pre-opening and
16 post-opening marketing activities.

17 Showboat opened its Las Vegas casino in 1954. We
18 identified many challenges in the growing Las Vegas market
19 and pioneered that local casino concept, the first casino
20 to identify and create a market for the local Las Vegas
21 residents. This market niche is an important segment of
22 the gaming market today, one of the fastest growing market
23 segments in Las Vegas. We opened the Atlantic City
24 Showboat in 1987, the eleventh casino to open in what is
25 now a twelve casino city and what is arguably the most

1 competitive gaming jurisdiction in the world. We analyzed
2 the opportunities there just as we did in Las Vegas and
3 identified the underserviced yet highly profitable 25 cent
4 slot market.

5 (Mr. Thar rejoined the
6 proceedings at this time.)

7 We are currently the market leader, consistently
8 ranking first or second in quarter slot revenue, the
9 largest and most profitable segment in Atlantic City, equal
10 to the entire table games market. And on a broader
11 performance level, the Atlantic City Showboat is currently
12 ranked fourth in gaming revenues for 1995 year to date of
13 the twelve Atlantic City casinos.

14 We have a tradition of high volume business, which we
15 will continue here in East Chicago. Our vessel has doubled
16 the gaming positions available on northern Illinois boats.
17 This means that we can accommodate more passengers and more
18 gaming activity. It means that we can offer more variety
19 in games, a tremendous market plus. Our boat will be
20 comfortable and will be easy to get to. These are all key
21 components of marketing.

22 We have learned at Showboat over the years that our
23 only chance of staying ahead on the learning curve is to
24 listen to our customers. We have ongoing extensive market
25 research and customer survey programs. These programs

1 include four basic components: research, planning,
2 execution, and analysis. We'll be applying these programs
3 here, and we'll also be investing significant dollars in
4 marketing activities in the period leading up to opening
5 and in the first year of operations, up to 1 and one half
6 million dollars in pre-opening marketing and 30 million
7 dollars in marketing during the first year of operations.
8 These activities will include complimentary admissions,
9 outdoor advertising, direct mail, sweepstakes campaigns to
10 build our database, and advertising on television, radio,
11 and in newspapers.

12 We'll provide an atmosphere of fun and excitement, as
13 we've done at our other properties. Our formula for
14 success is high volume, high payouts, and high customer
15 satisfaction. It's worked successfully in Las Vegas. It's
16 worked successfully in Atlantic City. And it's off to a
17 great start in Australia, where business is booming in the
18 first few weeks of operation at our temporary casino. And
19 now this proven success will be put to work here in East
20 Chicago.

21 Commissioners, I'd like to thank you for the
22 opportunity to make this presentation. I hope I've been
23 able to leave you with a feel for the capabilities and the
24 know-how of Showboat, developed over 40 years in gaming, to
25 generate the kind of economic development benefits intended

1 by the Indiana Gaming Legislation.

2 And now, for closing remarks, I'd like to turn it over
3 to Kell Houssels, President and Chief Executive Officer of
4 Showboat, Incorporated.

5 MR. HOUSSELS: Thank you, Tom. Good morning,
6 Chairman Klineman, Commissioners, Executive Director Thar,
7 ladies and gentlemen. My name is Kell Houssels. I'm the
8 President and Chief Executive Officer of Showboat, Inc. My
9 family has been involved with Showboat and associated with
10 Showboat since it was founded in 1954. Both my grandfather
11 and father were founding partners of that company back in
12 1954, and I'm proud to be the third generation of our
13 family to be associated with this company.

14 My role in today's presentation is to summarize what
15 makes our company unique, really who we are, and to express
16 my own personal commitment to this project and our
17 company's commitment to this project. It seems to me that
18 a person's uniqueness of character is really driven by the
19 same kinds of things -- a company's uniqueness of character
20 is driven by the same kinds of things that a person's
21 uniqueness of character is driven by. And in my opinion,
22 that's driven by the objectives that that company has, what
23 it wants to achieve, and the principles upon which the
24 company is based.

25 With the Showboat, our objective is to improve the

1 quality of life for everybody that is associated with the
2 company. We call these people our constituents, and we've
3 divided them, as Tom has already mentioned, into four
4 primary groups: customers, employees, investors, and the
5 communities in which we operate. For each constituent
6 group, we have a well defined objective that really stems
7 from our understanding of what the needs and wants of that
8 group are. For our customers, we want to create a fun,
9 exciting, hassle-free gaming and entertainment experience,
10 so our goal is to create environments that have a positive
11 emotional impact for our customers. I get enormous
12 pleasure when I'm in the Atlantic City property and walking
13 through the property and seeing people enter the property
14 that have a big smile erupt on their face or emerge on
15 their face as they see something in the environment that
16 catches their fancy, be it the live jazz music, the antics
17 of a street performer along our recreation of Bourbon
18 Street, or just a friendly greeting from one of our
19 employees.

20 Our employees, the second group that we're looking
21 for -- or looking out for, want an enjoyable working
22 environment where they have an opportunity to grow and
23 develop. And we all spend a very large percentage of our
24 time at work. Our view at the Showboat is: Why not make
25 that working environment as enjoyable as possible? And by

1 the simple method of focusing people's attention on the
2 possibility that it can be done, we've had enormous success
3 in doing that at our existing properties.

4 And our investors simply want or most basically want a
5 superior return on their investment. And then the
6 communities in which we operate want harmonious relations
7 with us where we were a contributing member to that
8 community. And I believe we primarily contribute through
9 the job programs that we have, the jobs that we provide,
10 and the working environment and the culture that we've been
11 able to create, which is a positive working culture where
12 we emphasize that people do make a difference. By meeting
13 these objectives, we're contributing to improving the
14 quality of life for all of our constituents.

15 The second factor that makes Showboat unique is the
16 principles that we embrace. My grandfather and father
17 created, and many others actually created a company back in
18 1954 that was based on honesty and integrity; and the basic
19 idea being that a man's word is his bond. When I began
20 writing the formal vision statement for this company
21 several years ago, I was looking to articulate principles
22 that were broadly understood and broadly embraced and would
23 be broadly embraced by our employees, and that when
24 embraced and when brought to a conscious level would propel
25 our company towards the achievement of our objectives.

1 And from this intention, the following three
2 principles emerged: First of all, the win/win philosophy,
3 and this is simply a conviction that transactions can be
4 structured in a way where everyone involved in the
5 transaction leaves the transaction better off than when
6 they entered it. It relies on the foundation of honesty
7 and integrity that my grandfather and father built into
8 this company for its success and effectiveness. We've got
9 to be able to honestly articulate what our objectives are
10 in order for us to achieve the objective.

11 The idea that we can simultaneously achieve objectives
12 for each one of our constituent groups really is an
13 application of this win/win philosophy. And we found in
14 applying it that not only can we simultaneously achieve
15 these objectives, but there are enormous synergies in
16 achieving those objectives. For instance, by creating a
17 positive working environment, we have a much more
18 positively emotionally charged work force, creating a much
19 better customer experience, creating a more attractive
20 property, which results in better shareholder returns and
21 also creates a very positive effect on the community
22 through the fact that people are really believing now and
23 seeing that they do make a difference for those around
24 them.

25 The second principle is the commitment to continuous

1 improvement. This is a conviction that no matter how well
2 we're doing that we can do better. It's the Showboat's
3 version of total quality management. And from this
4 conviction and principle stems or flows our strong
5 commitment to education and continuing development that Tom
6 has touched upon in his presentation.

7 The final principle is the principle of freedom.
8 Freedom's a word that's always had enormous power for me,
9 enormous emotional power. For me, it stems from a feeling
10 that a person is doing what he or she really wants to do,
11 and it's related to consciously feeling like you have a
12 choice. Our goal is to continue to develop our company so
13 that people really choose to be associated with us, as a
14 place to have a good time for our customers, as a great
15 place to work for our employees, as a good company to
16 invest in for our investors, as a good company to have as a
17 partner for our partners, and as a company that you want in
18 your community.

19 But what makes us unique is not just having these
20 objectives and principles; it's the thousands of people in
21 the Showboat organization that bring these principles to
22 life and propel us towards achieving our objectives. These
23 people have created a positive culture based on these
24 objectives and principles, and I'm proud to be associated
25 with them. And I'm particularly proud to be associated

1 with the team here in East Chicago today who have left
2 their homes, for the most part, in Atlantic City, have
3 moved here to East Chicago, and made a very strong
4 commitment to this community and this project in order to
5 increase its probability of success.

6 Why is the Showboat committed to this project? As
7 Tom's already stated, we're committed because we believe
8 that through this project, we can achieve our objectives.
9 We believe that the strong demographics of the East Chicago
10 area, coupled with the easy access to the Chicago market,
11 will allow us to achieve our investor objectives. We
12 believe that our know-how and our desire will allow us to
13 achieve our customer and employee objectives. And thanks
14 to our partners, I think we have an opportunity to create a
15 working relationship with the City here of East Chicago
16 that will be a model for company/community relations in the
17 future.

18 From this belief stems our strong commitment to this
19 project. I'm committed to the project. Showboat's
20 committed to the project. And I hope that through this
21 presentation that we've been able to convey some of our
22 enthusiasm and commitment to this project to you; and that
23 when all is said and done, you will want us here in East
24 Chicago as much as we want to be here in East Chicago.
25 Thank you very much.

1 MR. KLINEMAN: Thank you. I think we will now
2 take a break, a fifteen minute break. And we'll be back
3 here about 10:30, and we'll start the Q and A portion of
4 the presentation. Thank you.

5 (Break was taken at 10:20
6 a.m.)

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BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY THE CITY OF EAST CHICAGO

October 19, 1995
Commencing at 10:40 a.m.

1 MR. KLINEMAN: If we could come back to order,
2 please. We are going to make a slight deviation from our
3 previously announced and printed schedule. We have asked
4 that the City of East Chicago make their presentation at
5 this time before we go into the questions and answers of
6 the developer. We'll then have an opportunity to have
7 questions and answers of both the developer and the City at
8 the same time. It might make it a little more effective,
9 and we won't be redundant and ask the same questions of
10 each of them maybe. And so that's what we're going to do
11 at this time.

12 Also, I would like to announce that if any of the
13 people who have asked for time to speak in the portion of
14 our schedule which provides for public comments -- we're
15 willing to stay here, you know, as long as it takes to hear
16 the public. I guess I would make one request of those
17 people who are in support of the project and the developer,
18 that if you people could some way coordinate your
19 activities so that we really don't hear a series of people
20 who are in favor of the project. You know, we've heard
21 what the developer has to say; and frankly, the number of
22 people who will be in favor of it could just sign a
23 petition and it would be part of our record and we would
24 know that you were in favor of it and what organization you
25 were with or what group you were representing, or if it's

1 an individual, who you are. And that would save us some
2 time.

3 We've had a couple hectic days, as you can imagine.
4 So we're willing to stay here as long -- those people who
5 are in opposition to it, we will hear those people under
6 the schedule we've outlined. But those people who are in
7 favor, I think maybe we would appreciate it, in the
8 interest of time, maybe allowing this Commission to finish
9 its work, if you would sort of coordinate your activities,
10 and we would appreciate it.

11 So with that request -- and I may reiterate it,
12 because maybe they aren't all here, at a later time. But
13 with that, I would recognize the City of East Chicago for a
14 presentation for a half hour. Mayor?

15 MAYOR PASTRICK: Thank you very much, Chairman
16 Klineman, members of the Commission, Executive Director,
17 and staff. I thank you once again. Please allow me, if
18 you will, to begin by introducing the members of the panel
19 who will be making presentations on behalf of the City of
20 East Chicago and explain their roles in today's
21 proceedings. Gentlemen, the presenters, I would like you
22 each to stand as I call your name. First, Mr. Jim Fife,
23 who is Special Counsel to the City. Secondly, we'll hear
24 from Mr. John Artis, Director of East Chicago Housing
25 Authority and Redevelopment Department. And next is

1 Mr. Jim Cogan, the Assistant Superintendent for the School
2 City of East Chicago and an at-large member of our City
3 Council. These three representatives will discuss our
4 application process and the formation of a community-wide
5 task force designed to help maximize economic impact of the
6 gaming development.

7 We will then hear from Mr. Rex Richards, President of
8 the East Chicago Chamber of Commerce. Rex will provide us
9 with a business perspective on the positive impact of the
10 Showboat project on existing businesses as well as
11 anticipated influence on future economic development. Our
12 final presenter will be Mr. Mike LaWell, Senior Director of
13 Public Affairs of LTV Steel, our community's second largest
14 employer and taxpayer. Mike has come back to East Chicago
15 today from LTV's corporate headquarters in Cleveland to
16 share some personal thoughts on how Showboat will benefit
17 this community.

18 Ours, as you all know -- you're all fellow Hoosiers --
19 is a community which has grown as a result of industry,
20 which is evidenced by the fact of its 15 square mile area.
21 Nearly 75 percent is zoned for industrial use. Throughout
22 East Chicago's history, steel has been the backbone of that
23 industrial base, and we felt confident placing all our eggs
24 in our local economy in that one basket, the steel basket,
25 which was large enough and strong enough to accommodate

1 everyone. Jobs were plentiful. Finding work was as simple
2 as putting an application in at a local steel mill. That
3 was the heyday of our economy, and it was a time which went
4 on for more than 70 years. But those times have changed.
5 East Chicago is still fortunate to be the home of two of
6 Indiana's five fully integrated steel mills, but those
7 mills have been forced to downsize and improve their
8 efficiency in order to compete in the global marketplace.
9 We still have our steel basket and it is still quite
10 strong, but it is not nearly as large as it once was and
11 there is no longer room for everyone. And this industry,
12 which once employed nearly 35,000 people of East Chicago,
13 now provides jobs for fewer than 15,000. Nor Allied
14 Industries that also provided upwards of 15,000 jobs, which
15 many of them no longer exist. And of these jobs, they
16 still continue to shrink, as evidenced by this -- just day
17 before yesterday, Inland Steel cut a thousand more jobs.

18 As the jobs dried up, most people left to seek work
19 elsewhere. Many neighborhoods deteriorated, and there was
20 no economic support for development of new middle income
21 homes to take up the slack. It has become abundantly clear
22 that we must expand our economic base in order to provide
23 for our people. We feel that gaming offers us that
24 opportunity. And that opinion is reflected by our
25 residents, who overwhelmingly supported a local referendum

1 on the issue of a gaming development with an approval
2 rating of nearly 70 percent.

3 Once this consensus was reached among our residents,
4 our goal was to find the best possible gaming developer to
5 provide for the needs of East Chicago and its people. We
6 believe we have found that developer in Showboat. In 24
7 years as the Mayor of the City of East Chicago and as a
8 lifelong resident, I have seen good times and bad times.
9 For the last ten years, I've nurtured a vision for a
10 revitalized East Chicago with good paying jobs, improved
11 housing, and entertainment and shopping outlets for our
12 citizens. I believe the economic development package being
13 proposed by Showboat, with input from our community, is one
14 critical way to help bring that vision to fruition. I
15 believe it is what is best for the future of the City of
16 East Chicago and the people who call it home.

17 I thank you for this opportunity to address you. And
18 now I'd like to call upon our first presenter, Mr. Jim
19 Fife.

20 MR. FIFE: Thank you, Mayor. Good morning,
21 Chairman Klineman, honorable members of the Commission,
22 Executive Director Thar, ladies and gentlemen. My name is
23 Jim Fife, Special Counsel to the City of East Chicago. And
24 this morning, I will briefly outline the process followed
25 by the City in recommending a gaming operator.

1 After passage of the riverboat gaming legislation, no
2 one was prepared as to what would occur next. We assessed
3 the gaming laws, rules and regulations, and observed the
4 actions of other communities. During this time, we
5 received solicitations from approximately 17 different
6 gaming operators, all expressing their interest in gaming
7 operations in East Chicago and inquiring as to what was
8 going to be our process of review and recommendation.

9 In the absence of State law or Commission rules and
10 regulations to guide us, we initiated a process with which
11 East Chicago was familiar: We created a task force. In
12 early September of 1993, the Mayor appointed four members
13 to this initial task force; myself as a representative of
14 the civil city, Mr. John Artis, director of East Chicago's
15 Housing and Redevelopment Department, Mr. Richard Gomez,
16 Director of East Chicago's Park and Recreation District,
17 and Mr. Jim Cogan, a member of the East Chicago Common
18 Council and Assistant Superintendent of the East Chicago
19 Public Schools. The charge to this task force was to
20 develop a process of review and recommendation. The City's
21 role in the gaming process was constantly evolving. We
22 were fully aware that the City does not issue a license.
23 That is in the sole jurisdiction of the Commission.
24 However, we are in the business of providing services and
25 strengthening our community. It was our intent that the

1 process and all future deliberations be designed to
2 identify the strongest possible partner to help East
3 Chicago achieve its goals and its master plan for the
4 future.

5 We responded with the following process: First, I was
6 selected as Chairman of the task force. I was the person
7 who would receive all inquiries and disseminate information
8 regarding gaming in East Chicago. Next, we would evaluate
9 and review only those operators who were seriously
10 considering East Chicago, that being those operators who
11 had filed an application for licensing with the Commission.
12 We would then base our evaluations upon review of each
13 application submitted to the Commission, additional
14 materials supplied by the applicants, on-site visits of
15 current operations, if applicable, and interviews of
16 executives, operations personnel, and employees. The
17 criteria used as a framework in these evaluations was
18 established by the Mayor and included assessment of an
19 applicant's financial ability, employment track record,
20 local community involvement, and overall economic impact.
21 The task force would then review and evaluate all serious
22 applicants and would recommend or identify a short list of
23 those we found to be qualified to do business with the
24 City.

25 Finally, upon making our recommendation of those

1 operators on the short list, this task force would then be
2 expanded to include residents and representatives of
3 business, civic, and union organizations. The expanded
4 task force would then provide the input and guidance in
5 determining the community's needs and desires in
6 formulating an agreement and economic development package
7 with a potential gaming operator.

8 The Commission then set September 15, 1993 as a
9 deadline for interested operators to file an application
10 for licensing with the Indiana Gaming Commission, thereby
11 allowing for the required referendum in November. On
12 September 15, there were two applicants for East Chicago's
13 license, and the task force then begun its work. I
14 contacted the two qualified applicants and told them of our
15 committee's work, requested that they furnish us with
16 additional information they wanted us to consider, and
17 requested on-site visitation. At this time, Summit Casino
18 indicated to me that they would be withdrawing their
19 application. We then visited Showboat's Atlantic City
20 operation. We toured their facility, met with the Chief
21 Executive Officer and operations staff, and conducted
22 spontaneous interviews with numerous employees. The
23 committee then made its findings and recommendations and
24 prepared a report.

25 As indicated in our report, Showboat exceeded our

1 expectations. We found them to be a highly qualified
2 operator, confident that they would fulfill whatever
3 economic development package the City would put forth,
4 address our employment needs, maintain the types of
5 relations with employees, citizens, and the City that would
6 be expected of them, and most importantly, have the
7 financial ability and wherewithal to withstand competition
8 and conduct a viable gaming operation for years to come.
9 Our research, evaluations, and recommendations were
10 reviewed by the East Chicago Common Council and resulted in
11 a preliminary endorsement of Showboat Marina Partnership by
12 them on October 4, 1993.

13 Let me conclude by saying that we are very satisfied
14 with Showboat, their fine reputation, and our own process.
15 Showboat has already contributed nearly 1 million dollars
16 to the City of East Chicago, and we have what we believe is
17 one of the best and unique economic development packages in
18 the State. Thank you for the opportunity in allowing me to
19 address you this morning.

20 And now I would like to introduce Mr. John Artis, who
21 will discuss further our community's involvement in our
22 process.

23 MR. ARTIS: Thank you, Jim. Mr. Chairman,
24 members of the Commission, Executive Director Thar, and
25 staff, as you've heard, I am the Director of Redevelopment

1 for the City. I have been its director for more than 15
2 years. And in my professional capacity, I have experienced
3 those good times and bad times in East Chicago that the
4 Mayor alluded to in his remarks. Having lived in this
5 community all of my life, I have personally experienced
6 those good and bad times. My professional activities have
7 been molded by my personal experience. I point that out to
8 emphasize that I not only have a professional interest in
9 the redevelopment of this community, but I have a very
10 personal interest as well. For 15 years, I've worked with
11 other city department heads and civic leaders on a variety
12 of programs and projects to design and to rebuild this
13 community. In that effort, I have met both success and
14 failure. As a result, I think I know what will work and
15 what will not work in developing this community. And I can
16 tell you what will work. Programs and projects which are
17 driven by the community typically work. Program
18 development and implementation, coupled with an open
19 community participation process, generally lead to success
20 and redevelopment in this community. Anyone active in this
21 community will support me on that assessment.

22 Now, today you've been hearing about the unique
23 benefits Showboat brings East Chicago. I think at this
24 time it's important to note that Showboat's package is in
25 direct response to a community based participation process

1 established by the City of East Chicago. In February,
2 1994, Mayor Pastrick expanded the task force on gaming to
3 include a broader representation of residents. Now, this
4 is the City administration's method to ensure that
5 residents would be involved in the negotiations with the
6 gaming operator, residents who would in fact be the ones
7 most affected by any programs designed to rebuild this
8 community. Participation in the task force was open to all
9 community members. Through direct outreach through more
10 than 50 community groups, public advertising, and public
11 announcements, specifically on the Mayor's weekly talk show
12 on WJOB, we were successful in recruiting 80 members to
13 participate in a task force, representing a complete
14 cross-section of this community. The task force
15 representation included civic, education, government,
16 labor, and business leaders, as well as the general
17 population, and even included some who were initially
18 opposed to the gaming referendum.

19 To facilitate the task force process, we hired an
20 independent consulting firm, Wendall, Campbell and
21 Associates. Now, Wendall, Campbell and Associates was
22 chosen because of its proven track record in driving these
23 kinds of processes. They were also chosen because of their
24 first-hand knowledge of the City of East Chicago. After
25 analyzing short-term and long-term needs, the task force

1 identified four areas critical for redevelopment in their
2 estimation: economic development, community development,
3 education and training, safety, transportation and health.
4 Subcommittees were formed to address each of these
5 particular areas. After many weeks and long hours, this
6 task force produced its report: Investing in people, a
7 strategy for the future.

8 Now this report, Commissioners, is a set of priorities
9 developed by the community, designed to direct future
10 development in the City of East Chicago. This is the basis
11 of our negotiations with Showboat. This is the basis of a
12 partnership the City has forged with Showboat Marina
13 Partnership. I'd like to give you some highlights from
14 what resulted from this report. The following
15 recommendations came from the community through the task
16 force. I'll also explain how Showboat responded to those
17 recommendations.

18 Recommendation: Expand the tax base by redeveloping
19 Michigan Avenue. Now, this is the corridor to the
20 lakefront, and it's almost deserted today. In response,
21 Showboat has committed to setting aside 1 percent of its
22 adjusted gross gaming revenues to create a for-profit
23 development corporation by the name of East Chicago Second
24 Century, Inc. And it is through this corporation that
25 Showboat intends to facilitate development along the

1 Michigan Avenue corridor.

2 Recommendation: Develop new housing for moderate to
3 middle income families. In response, Showboat Marina
4 Partnership has committed through Second Century, Inc. to
5 the development of single family homes on a vacant tract of
6 land located in the City of East Chicago that at one time
7 housed Washington High School.

8 Recommendation: Expand home ownership opportunities.
9 In response, Showboat will create two home buyer programs,
10 the mortgage guarantee program and the down payment
11 assistance program you've heard about. It is anticipated
12 that in the first three to five years, these programs will
13 result in 350 to 500 home purchases, generating
14 approximately 35 million dollars in housing activity, much
15 needed housing activity in our community.

16 Recommendation: Establish a city wide foundation to
17 ensure that much needed resources will be directed by the
18 community throughout the entire city. In response,
19 Showboat will contribute 1 percent of its adjusted gross
20 gaming revenues to support a community foundation. In its
21 first five years, this community foundation will see 9.5
22 million dollars in contributions, with an ability to
23 leverage an additional 48 million dollars more, for a total
24 funding base of 57 million dollars.

25 Recommendation: Create a foundation to support

1 education and job training activities. In response:
2 Showboat Marina Partnership, again, will set aside 1
3 percent of its adjusted gross gaming revenues to support an
4 education foundation. It, too, in its first five years
5 will see 9.5 million dollars in contributions, with an
6 ability to leverage an additional 29 million dollars more,
7 thereby creating a funding base of 38 million dollars in
8 its first five years.

9 Recommendation: Improve safety, transportation,
10 health, and community services. In response to this
11 recommendation, Showboat has committed 1 percent of its
12 adjusted gross gaming revenues to the City of East Chicago,
13 which will put these funds to use addressing those
14 particular needs identified in the task force process in
15 the City of East Chicago. In addition to the 1 percent
16 continuing contribution, Showboat has agreed to fund a
17 wellness program as well as a list of other identified
18 needs, such as the purchase of new police cars, which are
19 already out in our community, demolition of vacant
20 buildings, which has already taken place, the renovation of
21 Little League fields that you already heard about that took
22 place this past summer, and the purchase of a graffiti
23 blaster which has already been put to use in addressing
24 vandalism in our community.

25 Now, Showboat Marina Partnership has already

1 contributed 1 million dollars on these items and others
2 identified in our task force outline, demonstrating their
3 commitment to addressing our community needs. Essentially,
4 every recommendation in our task force report has been or
5 will be addressed by Showboat Marina Partnership, as
6 outlined in our economic development agreement. The
7 vehicle to accomplish our redevelopment goals and
8 objectives is in place. But most importantly, the Showboat
9 proposal is community driven. And as I indicated in my
10 earlier remarks, in my estimation, given my experience,
11 this project will work on that basis.

12 Commissioners, the citizens of East Chicago have been
13 waiting for a new opportunity for a long time. Showboat
14 and its economic development partnership with the City is
15 that new opportunity. Today symbolizes a turning point for
16 our economy, our neighborhoods, and our quality of life.
17 Now, the existence of Showboat in our community is not the
18 panacea for curing East Chicago ills; no way. However, it
19 does provide a prescription to assist in making the City
20 well again.

21 The task force recommendations were issued a year and
22 a half ago, and since that time our citizens have eagerly
23 awaited an opportunity to improve their condition. Any
24 people could participate in the task force process, as I
25 indicated. Showboat has already demonstrated its

1 commitment to the City of East Chicago. Nearly 1,000
2 people already have applied for work with Showboat. Our
3 residents want jobs; they want an opportunity to
4 participate in training programs; they want an opportunity
5 to improve the quality of their life. With a Certificate
6 of Suitability for Showboat Marina Partnership, we will see
7 2,000 new jobs in our community. We will see the donation
8 of multi million dollars to create community based
9 foundations. The residents of the City of East Chicago who
10 built this economic agreement will see the fruits of their
11 labors.

12 On behalf of these residents, I urge the Commission to
13 grant a Certificate of Suitability to Showboat Marina
14 Partnership. We're prepared for what Showboat Marina
15 Partnership will bring to the City of East Chicago. We're
16 prepared to take Showboat Marina Partnership's
17 contributions to begin to rebuild this community. And
18 Commissioners, we cannot begin this process one day too
19 soon.

20 I thank you for allowing me to make these comments.
21 And at this time, I'd like to bring to the podium
22 Councilman Jim Cogan, who will speak to you regarding the
23 Council's ratification of the economic development
24 agreement.

25 MR. COGAN: Thank you, John. Ladies and

1 gentlemen of the Commission, my name is James R. Cogan,
2 Assistant Superintendent, School City of East Chicago, and
3 a member of the East Chicago Common Council, which, as you
4 know, is the City's legislative body. At this time, with
5 your permission, if I may, I would like to present to the
6 Commission all members of the East Chicago Common Council
7 and I would ask that they please stand and be recognized.

8 (Requested persons stood
9 briefly.)

10 MR. COGAN: Thank you. As you know, on October
11 4, 1993, the Common Council had endorsed Showboat as a
12 preferred gaming operator for the City of East Chicago.
13 This endorsement was preliminary and subject to further
14 negotiations. I point this out because the process of
15 endorsing Showboat early on was based on what the Showboat
16 Marina Partnership could do for the City of East Chicago.
17 My statements today and the recent official endorsement of
18 this project are based on what has happened since then and
19 what can continue to happen for the residents of East
20 Chicago.

21 We endorsed the Showboat Marina Partnership because of
22 the following reasons: Its financial stability and
23 strength, its hiring and employment policies and reputation
24 as a company who provides opportunities for education and
25 advancement, its commitment to work with the community and

1 develop an economic development plan based on residents'
2 needs, and because the partnership which included 45
3 percent ownership by local investors gave the community
4 more of a say about Showboat's contributions to the
5 community.

6 I was able to get a firsthand view of the Showboat
7 operation during a site visit to Atlantic City. I would
8 like to point out that during that visit, I had the
9 opportunity to view the entire operation and converse
10 one-on-one with several of the employees. I was extremely
11 impressed with the hospitality, overall cleanliness of the
12 facility, and the educational opportunities afforded all of
13 their employees. While visiting the learning center in
14 Atlantic City, I observed housekeeping staff working on
15 computers, individuals checking out reading materials, and
16 staff available to help them answer questions and to
17 conduct research with them. Everywhere I went, Showboat's
18 theme of 1993, the year of learning, was evident throughout
19 the facility. While at Showboat, I was able to strike up
20 informal conversations with a number of local residents who
21 gained employment through job fairs and spoke highly of
22 Showboat. Many had left other casinos to work for the
23 Showboat Corporation.

24 Since that first endorsement, East Chicago residents
25 have received copies of the Opportunity Newsletter, a

1 publication which was written to inform them regarding
2 gaming issues. They participated in 27 public forums, job
3 fairs, vendor fairs, and task force meetings to learn what
4 Showboat Marina Partnership could accomplish in the City of
5 East Chicago. During this period, we've seen Showboat
6 Marina Partnership live up to its commitment and provide
7 even more to our residents than we had anticipated.
8 Showboat has already sent three of East Chicago's finest
9 high school graduates to college with 20,000 dollars in
10 scholarships. An additional 8,000 dollars was donated to
11 eight Indiana post-secondary institutions to grant to their
12 students from East Chicago. We've seen a demonstrated
13 commitment to residents in direct response to their needs
14 through nearly 1 million dollars in contributions, which
15 you've heard described here today.

16 Showboat is addressing the City's infrastructure and
17 will provide for the improvements needed to make access to
18 East Chicago's riverboat the most convenient of all
19 developments along the lake. Showboat's revenue
20 projections are realistic and conservative. The company
21 had proven success in marketing in Atlantic City and will
22 attract visitors here from throughout the region. The
23 Showboat Marina casino project will work, and it will have
24 an impact on this City that hasn't been felt in decades.

25 On September 11, 1995, Showboat presented its economic

1 development agreement to the East Chicago Common Council.
2 We ratified that agreement. And again, for the second
3 time, the East Chicago Common Council unanimously endorsed
4 the Showboat Marina casino project. What we bring to you
5 today is the City's full endorsement based on the
6 enthusiastic support from thousands of residents who have
7 already seen the benefits of what this partnership can do
8 for the City of East Chicago.

9 Ladies and gentlemen, I also thank you for the
10 opportunity to be able to speak before you this morning.
11 And now I would like to introduce Mr. Rex Richards,
12 President of the East Chicago Chamber of Commerce. Rex?

13 MR. RICHARDS: Mr. Chairman, members of the
14 Commission, and staff, on behalf of the 900 business
15 affiliations with the East Chicago Chamber of Commerce, I
16 urge you to swiftly approve Showboat as the instrument for
17 change in East Chicago, Indiana. The benefit of Showboat
18 to East Chicago extends way beyond the 2,000 jobs which
19 will be coming to this community. The plan proposed by
20 Showboat will give East Chicago a direction and a future
21 like this community has never imagined.

22 Seven years ago, I had the opportunity to be a part of
23 a similar effort in Kansas City, the Woodlands, in which we
24 were attempting and were successful to gain a 100 million
25 dollar parimutuel track. I saw first-hand the improved

1 property values in that community brought about by that
2 development. I saw equity investment flow to commercial
3 projects at a speed that was beyond comprehension because
4 of the attraction of a major project. Overnight, that city
5 became a center for the entertainment dollars.

6 Showboat has presented a plan in East Chicago that has
7 actually moved to bury economic foundations in this
8 community. Your approval of Showboat as the instrument of
9 change will diversify this community's economy for the
10 first time in 100 years. Your approval will permit
11 Showboat to bring tourist dollars from Illinois and
12 adjoining states to supplement the industrial jobs which
13 are becoming very scarce. With Showboat as the instrument
14 for diversifying this economy, we will be able to build a
15 business climate that stabilizes and strengthens East
16 Chicago. We have the instrument in Showboat. We have the
17 motivation of our citizens. All that we need is your
18 approval. Thank you.

19 It's my privilege to introduce to you the next
20 presenter, Mike LaWell, Senior Director of Public Affairs
21 for LTV Steel.

22 MR. LaWELL: Good morning, Mr. Chairman, Ms.
23 Vice-Chairman Bochnowski, members of the Commission. I am
24 Mike LaWell. I'm Senior Director of Public Affairs for LTV
25 Steel. LTV's Indiana Harbor Works, as has been mentioned,

1 is the second largest employer here in East Chicago and the
2 second largest taxpayer. We employ nearly 4,500 people in
3 the community. At one time, that number was as many as
4 10,000, to emphasize the downsizing that has occurred.
5 East Chicago is a very important community to our company.
6 This is our second largest steel producing facility in the
7 company. We've invested 800 million dollars in that
8 facility in the last ten years. It's very important to us
9 what happens in this community. We care a great deal about
10 it. LTV and its predecessor companies have made steel in
11 East Chicago since 1916, and we have been an integral part
12 of the community for many, many years, obviously. We are a
13 member of the East Chicago Chamber of Commerce, and we
14 fully endorse the statement that Mr. Richards just
15 presented to you, but we'd like to expand just a little
16 bit.

17 East Chicago's economy, as you have been told, is
18 inextricably linked to the steel industry. And as a
19 result, the community has experienced the dramatic
20 fluctuations of our cyclical industry. The Mayor mentioned
21 the good times and the bad, and they've been up and down
22 consistently over the many years that we have been the base
23 of the economy here. But during the 80's and the 90's, the
24 City had to face permanent structural changes, and the
25 numbers have already been alluded to. The downsizing was

1 very dramatic. During all of this economic restructuring,
2 this City has provided its industrial base with a very
3 stable, solid place to do business, and we appreciate that
4 a great deal. But it has never accomplished its objectives
5 in diversifying and broadening the range of employment
6 opportunities and economic development opportunities that
7 it so desperately needs.

8 As a native of the Calumet area, a former economic
9 development planner with the Northwestern Indiana Regional
10 Planning Commission, and a former Executive Vice-President
11 of the East Chicago Chamber of Commerce, I can assure you
12 that diversification of the economy of this City and of
13 this region has been a long-time goal and a much needed
14 goal. And I speak to you also as someone representing a
15 primary economic driver in the community, the steel
16 industry. We recognize diversity is needed.

17 While we have no position as a company on the question
18 of gaming, we recognize that the legislature has made that
19 legal in Indiana; and that by overwhelming referendum vote
20 in East Chicago, it has been adopted here as a desirable
21 form of economic development. Our purpose to be here today
22 is to lend as fully as we possibly can our support to the
23 City of East Chicago's efforts to diversify and develop its
24 economy. And we feel, as a City, that this project is a
25 very important part of that process. The economic benefits

1 of the Showboat casino project will, in our view, extend
2 well beyond the 2,000 jobs that are expected in the
3 process. We're especially pleased that the proposal
4 incorporates plans to establish and fund, on a continuing
5 basis, and I think that's so critical, two independent
6 foundations and numerous other procedures or entities
7 through which economic development will be stimulated,
8 focusing both on economic and community development and on
9 education, which is so critically needed to help our young
10 people better prepare for the jobs ahead.

11 The annual funding in the neighborhood of 2 million
12 dollars and the leveraging that's expected in that regard
13 is, we think, quite significant. Additionally, the
14 substantial tax revenues that are estimated to be as much
15 as 17 million dollars directly to the City in the first
16 year of operation, and a significant level on an ongoing
17 basis, clearly will enable the City to relieve some
18 pressure from the property tax rates, which are an
19 important part of stimulating continued economic growth and
20 development and tracking new business and industry and
21 other forms of business to the community, as well as
22 benefiting the current property owners in the community.

23 For these reasons, which we think are very important
24 and very critical to this community, we, along with the
25 Chamber of Commerce, strongly support this request and urge

1 your favorable action on the request for licensing of the
2 casino, the East Chicago project, the Showboat. Thank you.

3 MAYOR PASTRICK: In conclusion, ladies and
4 gentlemen, I hope that you're beginning to see why we are
5 so excited about this partnership that we have with
6 Showboat. Speaking of partnerships, this very facility
7 that you're sitting in, and I hope it's been comfortable
8 for you, is a partnership that has existed here in the City
9 of East Chicago through the endowment from the Little
10 League Foundation and also the Urban Enterprise Association
11 and the City of East Chicago and the City -- Community
12 Development Department. They've built this facility, which
13 is one of the only ones in the country, other than one that
14 exists out in California, where they have a relationship
15 between senior citizens and youngsters. And it's a day
16 care and a center for the youngsters, and senior citizens
17 use the facility also. And they interrelate with one
18 another and are working closely with one another. And it's
19 been a tremendous concept that's been very successful.
20 We're very proud of it here in the City of East Chicago.
21 So this Inter-Generational Center has been a great boon to
22 us.

23 If I may, I would like to take this opportunity to
24 thank some people that have helped us along the way. I
25 want to thank your Director, Jack Thar, and his staff for

1 the cooperation that we've always received whenever we've
2 had a question or anything which dealt with gaming here in
3 the City of East Chicago. They've been most cooperative,
4 and I deeply appreciate that. I also want to thank Kell
5 and all the members of the riverboat, Showboat, for all the
6 effort they've put forth and all the cooperation we've
7 received from each and every one of them in helping us to
8 formulate this program and this plan that we have. But I
9 want to single out one person, if I may, Kell, and that's
10 Tom Bonner. Tom has just been exceptional. There has
11 never been a moment when we've called upon him that he
12 hasn't been right there to give us the answers and to help
13 us along the way. He's a man of integrity and honesty, and
14 I deeply appreciated being associated with him over these
15 many months. And I know that his commitments that he's
16 made to us are honorable commitments, and I believe in and
17 I look forward to this vision for the City of East Chicago.

18 I want to thank our staff and the members of my
19 administration for all the help that they have been and for
20 all their diligence and determination that they have put
21 forth to put this program in effect.

22 And as I leave you to tend to some personal matters,
23 as I do, I only ask that you judge our City and its people
24 kindly and afford us an opportunity to accept the challenge
25 to restore to our community and its people its rightful

1 place in the success of the State of Indiana and the
2 success of this great nation of ours. And on that note, I
3 leave you and thank you so much for your attendance here
4 today. God bless you all.

5 MR. KLINEMAN: Well, we all wish the Mayor the
6 best. And I'm sorry he's almost out of the room. Mayor,
7 we want to wish you the best and thank you very much.

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BEFORE THE INDIANA GAMING COMMISSION
QUESTION AND ANSWER SESSION
WITH THE CITY OF EAST CHICAGO AND
SHOWBOAT MARINA PARTNERSHIP

October 19, 1995
Commencing at 11:15 a.m.

1 MR. KLINEMAN: We're ready now for the question
2 period. I think, for the record, I would like to state one
3 thing. We, of course, are faced with a situation where
4 here in East Chicago, we have a sole applicant. And that,
5 of course, causes some people to suggest that this is a
6 foregone conclusion. Here's an area that is supposed to be
7 licensed pursuant to the Statute, and there's only one
8 applicant; so one plus one equals two. Well, in this
9 particular case, one plus one may not equal two. And I'm
10 not trying to prejudge one way or the other, but I just
11 wanted to indicate to those of you here in East Chicago
12 that for the benefit of East Chicago and for the benefit of
13 the State of Indiana, this Commission is charged with
14 issuing licenses. And I've stated several times, and I
15 reiterate now, that the fact there is only one applicant
16 does not mean that that applicant will receive a nod from
17 this Commission.

18 We are going to evaluate this applicant, as we have in
19 every instance, against other applicants for other
20 locations. We intend to see whether or not the economic
21 package which has been produced by this applicant is equal
22 to or exceeds those which we have seen in other areas. And
23 in fact, the evaluation -- as those of you who care to make
24 yourselves knowledgeable, the evaluations which have been
25 done by IUPUI for this Commission where they test the

1 economic benefits and test the projections which each
2 applicant makes, we have actually asked them and they have
3 in fact tested the applicant for East Chicago against other
4 applicants in other locations. So we have a compilation.
5 We don't just have a report from IUPUI on Showboat, but
6 rather we have a comparison of the Showboat package with
7 other applicants in this State. So to that extent, let me
8 say that we approach Showboat as any other applicant.

9 And so we will go forward now with the questions, but
10 I wanted to state for the record that there are no foregone
11 conclusions on anything. We intend to try to do the job
12 which the legislature gave to us, which is to produce the
13 maximum benefits for East Chicago and for the State in
14 choosing the applicant or choosing the person to receive
15 the certificate.

16 Would you like to start with the questions, and we can
17 go back and forth between the City and the developer,
18 however the Commission wishes.

19 MR. BONNER: Mr. Chairman, just one statement, if
20 I may, before you begin. Just in response to your earlier
21 comments about the statements that may be in support of the
22 project, I just wanted to call out that in the booklets
23 that you have received is a compilation of letters of
24 public support which are the results of our interaction
25 with the community. I wanted to make sure that you were

1 aware that they are there for your review.

2 MR. KLINEMAN: We get to review all this stuff.
3 I'll probably need a truck to take home the supplies we've
4 received this week. But they'll be reviewed as we've done
5 in other instances. Thank you.

6 MS. BOCHNOWSKI: Well, we're faced, to be
7 perfectly candid, with a very difficult situation here; and
8 that is, for the first time, we're actually seeing true
9 local involvement and ownership. On the other hand, those
10 local people are people who have been very politically
11 connected, have actually been employees of the City. And I
12 think the perception here is that you've got the same
13 people who have always gotten the goodies getting more
14 goodies here. And I'd like some comments on that. Why
15 isn't there a broader involvement? Because you have
16 brought in -- or I think the local people brought you in,
17 actually. And is this why there was only one candidate?
18 Actually, there was another who withdrew, and it seemed
19 like it was a foregone conclusion. I think we need to
20 clear some of this up.

21 MR. BONNER: Commissioner Bochnowski, I think
22 there are several people who can answer that question, but
23 I'll take the first attempt. And if there's more
24 information you want, I think there are others here who are
25 in a better position to explain their perspectives. But

1 from Showboat's perspective, I can put it into perspective
2 from the gaming operator. I personally made the decision
3 on behalf of Showboat that the CEO of Summit made not to
4 continue the application process in Indiana, and I made
5 that decision in at least three cities in the State of
6 Indiana. I was charged with the responsibility of seeking
7 out gaming opportunities in the midwest region for
8 Showboat. When we learned by surprise, as did you all, I
9 think, that gaming had been passed, I set out to explore
10 the opportunities.

11 I first went to Jeffersonville. While in
12 Jeffersonville doing my diligent investigation for the
13 company, I kept hearing the names Ogden and Harrah's. Now,
14 I saw the storefront that they had established. I saw the
15 literature that was all over the city. And I decided that
16 maybe there were other opportunities to pursue where there
17 might be less competition. It's a basic business decision
18 that you make. "Let's look where we don't have to fight
19 any harder than is absolutely necessary."

20 I moved on. We took a look at Mount Albany. We
21 didn't find anything down south that we thought had the
22 right blend of strong demographics plus a likelihood of
23 winning the bid there.

24 We focused our attention on the heavily populated
25 areas of northwest Indiana. I personally traveled to Gary,

1 to Hammond, and to East Chicago. My first trips were to
2 Gary. I had several meetings with city officials in Gary.
3 And repeatedly, I heard the words "Trump Resorts, Trump
4 Resorts." Never was I being discouraged from continuing
5 the process; but as a realistic businessman, I could
6 understand that others had been there and had been working
7 hard long before we got there.

8 So I then moved on to see if there was another
9 opportunity where there might be a less competitive
10 environment into which we might be entering. I went to
11 Hammond. I met with representatives of the City of
12 Hammond. And it was already a matter of record that
13 Empress had established their relationship with the City of
14 Hammond through their underwriting the bond issue for the
15 Clipper and through some other activities that had been
16 underway. The City officials were very frank with me. I
17 asked them specifically: "How does this put Empress with
18 respect to other operators who may be interested in,
19 eventually, the City of Hammond?" Again, not being
20 discouraged; but the honest answer led me to a conclusion.
21 It was clear that Empress had an existing relationship with
22 the City. Using the term "favored relationship" gives it
23 the wrong color. That wasn't the case. But they had a
24 pre-existing relationship.

25 I again said, "Let's see if there's another

1 opportunity that might be a better opportunity for the
2 company." I then came to East Chicago. Quite honestly, on
3 my first trip to East Chicago, I got lost. I couldn't find
4 the lakefront. I couldn't find the park. I ended up in
5 the depths of a steel mill. I then ended up in a blighted
6 area of boarded up buildings. And frankly, my conclusion
7 was: "This is not the place for Showboat to be." But we
8 persevered. We worked through a Washington law firm of
9 national renown in trying to introduce us to potential
10 business partners in new areas where we had never operated.
11 Through the introductions that that law firm was able to
12 make, we met Mike Pannos and Tom Cappas. I personally was
13 involved in the negotiations. I personally have been here
14 for two years. And I will personally be here, assuming you
15 give us that opportunity. Had I not taken heart after my
16 first trip to East Chicago and gone the extra step to find
17 out the diamond in the rough that East Chicago is, to have
18 the opportunity to meet with the City officials and to meet
19 with our prospective partners, I believe I would have made
20 the same decision that Summit made not to continue their
21 efforts in East Chicago.

22 And a final note before you may wish to hear from
23 someone else: One of the strategies that Showboat was
24 pursuing in the summer of 1993 was to do exactly what we
25 succeeded in doing. Our corporate strategy was to form

1 relationships with groups of local investors with high
2 integrity, good standing in the community, who were
3 experienced and apparently well organized, and with the
4 ability to provide some funds for the project. When we
5 came to East Chicago, the only group of which we were aware
6 that we could find was the Waterfront Group. They were
7 well organized. As you had indicated, Commissioner
8 Bochnowski, they were out in front. They were the
9 developer. They had been talking to many, many gaming
10 companies by the time we got here. We got here at the
11 eleventh hour, quite frankly. So that to me, from my
12 perspective, it's not strange or incomprehensible that
13 there would be only one applicant in this jurisdiction. I
14 made that same decision in other jurisdictions, and I can
15 see how another representative of a developer might make
16 that decision here in East Chicago.

17 MS. BOCHNOWSKI: Go ahead. We'll hear from the
18 well connected people.

19 MR. PANNOS: Commissioner, Tom outlined it from
20 his perspective --

21 MR. SUNDWICK: Please state your name.

22 MR. PANNOS: Oh, I'm sorry. My name is Michael
23 Pannos. When Tom Cappas and I first started, and it was
24 really as the last days of the special session of the
25 Legislature were coming down, we tried to go through an

1 analysis of exactly what would be successful. And I will
2 admit in that 60- or 75-day period from the time gaming was
3 authorized until we filed an application with this
4 Commission, we learned something new every day. We had
5 meetings with an awful lot of companies. We had meetings
6 with a lot of people in this community. And we felt that
7 by getting ourselves out front, by out working, by out
8 hustling, by talking to everybody, by putting this together
9 in the strongest package that we possibly could, that it
10 would accomplish a couple of goals.

11 One, we could stand muster with this Commission;
12 because I believe not only because of my profile and Tom's
13 profile, but probably some of the others that were
14 affiliated with us, we would probably encourage or have
15 more scrutiny than almost anybody else. I don't apologize
16 for my relationships over the years. I have many dear
17 friends in public service, and I think those are good
18 things. I also believe that I have had an eye on this area
19 of the world for a very long time and care deeply about it.
20 And I thought only by organizing and putting the pieces of
21 the puzzle together could we be successful.

22 With that in mind, I think our winding up in this
23 partnership with Showboat became something that was -- they
24 were a company that fit our needs. And our needs were -- I
25 needed somebody that could be licensable in the sense that

1 they'd probably gone through that in New Jersey. They
2 carry great strength. They had the other attributes that
3 we wanted. I wanted to create with Tom Cappas the 800
4 pound gorilla of license applications. I thought it was
5 important for us to do that.

6 I think, and Tom Bonner is well aware, we were
7 negotiating very, very strongly with two or three other
8 people very near the end of this process. And frankly, Tom
9 Cappas and I and the rest of the Waterfront people decided
10 that this fit much better because of the size and ability
11 of Showboat and because of the fact that this team could
12 create a package that was successful.

13 The people that are part of our effort are people that
14 understand this community. We thought and we focused on
15 East Chicago. We made an analysis that we weren't going
16 any other place, which is one of the requirements that we
17 did in our partnership agreement with Showboat. We wanted
18 to focus on this community and answer those needs. And I
19 think we did that. Every single person on our part of the
20 partnership has a specific role and something to bring to
21 the table in a business venture. Admittedly, some of them
22 came out of the public sector; but I believe they came out
23 bringing specific things that can make this a successful
24 venture.

25 There is nobody that knows this community and its

1 streets and its alleys and its streetlights and its traffic
2 patterns better than Bob Hoggs. He ran, you know, a sector
3 of this city for over 20 years. He was ready to retire.
4 He had been in public service for 25 years after a long
5 career at Inland Steel. Bob brought that kind of knowledge
6 to us to create a successful venture.

7 The same thing with George Pabey. George Pabey was at
8 the top of where he could be as Chief of Police. He was
9 going to retire and open a -- his brother was opening a
10 restaurant/lounge here in town. George was going into that
11 and doing security things when, I believe, we were able to
12 grab George. One of the things that I saw in the law was
13 you better have your security, your safety, and your
14 interaction between this project and the community down
15 pat. I don't think there's anybody better than George
16 Pabey. I've known George since high school. I went to
17 high school with George. I look a lot younger. But I
18 trust George. He knows this community, and I think he is
19 the kind of person that works and that clearly fits in.
20 And our partner believes that, too, because George is the
21 head of security for the casino project.

22 When we went to try and do the outreach for the
23 community, we put together John Flores and Louis Gonzalez,
24 both of whom are somewhat in the public sector. John is
25 principal of the high school where he still is. One of the

1 problems you have in urban communities is making sure the
2 youth have an outlet. As John Artis and Bob Pastrick said,
3 I remember growing up as a kid in this area. My buddies
4 knew that, you know, if you're not going to college or
5 you're not doing this, you could go down to the steel mill,
6 you got a job, you can buy a car, probably buy a house, you
7 raise a family, you work for 40 years, and retire. People
8 in East Chicago don't have that opportunity anymore. John
9 Flores, as the principal of the high school, helped us
10 craft the educational component, which I believe is a key
11 to revitalizing an urban area.

12 Louis Gonzalez is at Ivy Tech, and I've known Louis a
13 long time, when he was Chairman of the Port Commission, and
14 I had a very close relationship with Louis over the years.
15 I trust him. He resigned that post, and there was no
16 conflict with this agency. So Louis brought that Ivy Tech
17 component. Louis is very strong and active in this
18 community, and I think it's something we need.

19 What we did on the Waterfront side is try to put
20 together a team that fit those needs. We were not
21 constructing a public agency. We tried to reach out into
22 the community in talking and in public meetings. We talked
23 to everything that was moving and some that were not moving
24 in this community over those 75 days and have continued
25 that. But what we tried to construct was something that

1 would work. We did not go around -- frankly, Chairman
2 Klineman, I don't think there's anybody that knows that
3 nothing is a certainty more than I. If you ask my wife and
4 kids if we thought this was a mortal lock, believe me,
5 you'd get a different story.

6 We believe, frankly, that because of the scrutiny we
7 would be looked at as closely if not more closely than
8 anybody else. But we also thought that we could bring more
9 to the table by putting them together like this. I wanted
10 a true Indiana project, and that meant Indiana people doing
11 this kind of a project. And I thought it was important,
12 and I thought it was because of that that we were able to
13 strike things up.

14 I had many things -- Tom and I met with a lot of
15 people. We sought them out. Some of them told us,
16 "Listen, take a few percentage points, represent us, just
17 shut up, and we'll get this done, and you'll be a wealthy
18 man." I didn't think that made a lot of sense. I didn't
19 want to be an Indiana shill. I've been in the public eye
20 for a long time, and that was not where I thought I would
21 wind up. I wanted to control my own destiny and the
22 destiny of an area that I care a lot about. So that's how
23 we got there.

24 It was not a process where we went out and put an ad
25 in the paper and said, you know, "We need investors. We

1 need you to come and do that." We wanted to put together
2 the very best team where everybody had to do something, and
3 everybody on our side had to do something. It was not the
4 kind of thing where somebody would just come in, and that
5 was it. So I don't know if that -- that at least lays the
6 groundwork for where we are.

7 MS. BOCHNOWSKI: Thank you. Does anybody have a
8 comment?

9 MR. SUNDWICK: Yes, I'd like to ask a couple
10 questions, sir, because I get confused on a certain area.
11 Your Waterfront Project or the Waterfront Group; is that
12 the name?

13 MR. PANNOS: It's Waterfront Entertainment
14 Development.

15 MR. SUNDWICK: Okay. Now, so the people that are
16 on currently as partners were on that original team?

17 MR. PANNOS: They were on the original plan. The
18 original team was Tom Cappas and I. Those were the -- Tom
19 and I started this basically as the legislation was being
20 passed.

21 MR. SUNDWICK: Okay. So then as I understand it,
22 you then put together a team of local people?

23 MR. PANNOS: Yes. That evolved over that
24 two-month period.

25 MR. SUNDWICK: Okay. Now we have the team of

1 yourselves and the local people. You started to look at
2 companies or visit with different companies; am I right?

3 MR. PANNOS: That started very early on. Tom and
4 I met with the first person -- Tom, tell me -- probably mid
5 July was the first person we met with.

6 MR. SUNDWICK: Are there any other Waterfront
7 type people? Is there anybody else in town that had an
8 interest in having this -- putting a team together?

9 MR. PANNOS: I'll tell you what; we would at
10 varying times over the next -- until February, certainly,
11 of 1994, we tried to do both a reality check and a rumor
12 central between Cappas and I of the varying people who were
13 talking about they had another gaming company; they were
14 going to get involved. I had an accountant call me and
15 say -- I know the guy, and I think he just called me out of
16 courtesy. "Well, I've got some guys that are going to file
17 in East Chicago." And I said, "Go ahead." And I heard a
18 group of doctors were talking about it. I had a couple
19 people -- more than a couple people call and say, "We want
20 to do this. We want to do this."

21 But you know, Tom and I had really started, and we
22 weren't looking for just somebody to come along and ride
23 with us. We wanted people that would actually do and make
24 this work. There were other people in town that we had
25 heard about; nothing that, I believe -- there was certainly

1 nobody as far along as we were.

2 I have tried to make it -- when I tackle projects, I
3 normally -- it's a fairly common practice: I try and go
4 and get in early. I try and talk to everybody there is and
5 find out what's there. And I work that way on everything I
6 do. And I think we did that here. Were there other people
7 out there? I presume so. Nobody got as far as we did.

8 MR. SUNDWICK: You grew up in this town, and it's
9 not really a large community. You'd be very well aware if
10 there was another competitive group, if you will, like the
11 Waterfront Group that really wanted to get involved in
12 this? There would have to be kind of two teams?

13 MR. PANNOS: Commissioner, what happens is -- or
14 at least what I saw was during this whole rather frenzied
15 process, from the time -- the Commission wasn't even
16 appointed, at that point. As that was going forward, I
17 think a lot of people were looking. You know, people were
18 calling every lawyer in the area and saying to represent
19 them. People were looking at who was who. That -- I think
20 Tom Cappas and I were two people that sat down and
21 organized it. It's one thing to do that and put a group
22 together, which I believe is a fairly strong group and has
23 an understanding of the community; and it's another thing
24 to have an idea that you can team up with somebody else
25 who's going to drive your process. And that was my

1 analysis.

2 MR. SUNDWICK: Clearly you put a pretty strong
3 group together. It appears to me that after you put it
4 together that you started to interview different
5 organizations; am I right?

6 MR. PANNOS: We sure did.

7 MR. SUNDWICK: You went through a laundry list of
8 probably -- how many did your group interview?

9 MR. PANNOS: You know, as a matter of fact, I
10 walk in the morning, and that's when I try to think of
11 these things. I was trying to think of it this morning, of
12 exactly how many, and I was trying to list them. It was
13 probably over 15 that we met with in either Atlantic City,
14 Las Vegas, Chicago, here. And we went from the very
15 largest to some that were brand new and just starting. And
16 we talked in depth, and we had a variety of different
17 discussion levels with very few people. We really narrowed
18 that down to a few. And Tom Bonner came in at the very
19 last minute and really made us feel like that's the best
20 partner.

21 MR. SUNDWICK: So you then teamed up with
22 Showboat?

23 MR. PANNOS: Yes, sir.

24 MR. SUNDWICK: And your group and Showboat teamed
25 up together and said, "This is what we're going to do"?

1 MR. PANNOS: Yes.

2 MR. SUNDWICK: When was that; what approximate
3 time?

4 MR. PANNOS: I think the first time we saw each
5 other was either very late in August or early September.
6 It was not long -- probably the third week of August,
7 something like that.

8 MR. SUNDWICK: Was it last year?

9 MR. PANNOS: No, no; 1993. And Tom Cappas and I
10 were hopefully getting a little smarter every day, trying
11 to figure this whole process out. And Tom Bonner came in,
12 and we were pretty far along in negotiations with another
13 company.

14 MR. SUNDWICK: What company was that?

15 MR. PANNOS: Aztar. We were very close with
16 them. We thought they were reputable people. We thought
17 they were very good people. And we had a sticking point
18 that allowed us both to walk away as friends and with
19 respect. But it was a sticking point for us that Showboat
20 did not have a sticking point, and that was that I wanted
21 that company to make its focus in Indiana East Chicago,
22 rather than someplace else. And our dealings with Aztar
23 were absolutely top notch. They were great people. We
24 were very close on that, and we liked them a lot. But they
25 said they wanted to file down south, and I thought that

1 that would be damaging to us because of who we were.

2 MR. SUNDWICK: What other companies did you --
3 you were very close. What was your short list? It was
4 obviously Showboat. Aztar left. Who else did you have on
5 your short list?

6 MR. PANNOS: One that came on very strong with us
7 was Lady Luck. They were pretty aggressive at the end, and
8 we had had people that were calling us at the end, but I
9 don't think we really negotiated anything in great detail
10 at the end. The two that were really there -- or the three
11 were Lady Luck, Aztar, and Showboat.

12 MR. SUNDWICK: So the process, as we end up with,
13 was Showboat. Lady Luck didn't get a nod, for whatever
14 reason?

15 MR. PANNOS: Well, Lady Luck, in my analysis --
16 and this is certainly not a slam of Lady Luck -- but I
17 thought it was too small a company, and I didn't think that
18 that would create the 800 pound gorilla that I wanted to
19 make our licensing process easier. I thought that Showboat
20 also had the resources that they were willing to commit to
21 make this real. I don't think it made a lot of sense for
22 us to go -- I wanted somebody in the top tier that could
23 make it happen, and I believe Showboat was one of those.

24 MR. SUNDWICK: So the eleventh hour you went out,
25 and you guys get together?

1 MR. PANNOS: Yes.

2 MR. SUNDWICK: That was still August, 1993?

3 MR. PANNOS: Yes, it was August, and it was late
4 August because the filing deadline was September 15, and we
5 were under the gun. Because I didn't want to go by without
6 having a referendum in East Chicago, which put us back
7 until May for another election. So while they were
8 looking, as we got further down the line, it sort of
9 narrowed our options because I figured I needed to have a
10 deal put together prior to the September 15 deadline so we
11 could have a filing and pay for the referendum, because
12 otherwise the referendum gets put off for another eight or
13 nine months, whatever.

14 MR. SUNDWICK: So the referendum passes. So now
15 we're going to have to make a pitch to the City; right?

16 MR. PANNOS: Well, we made a pitch. And in the
17 absence of -- the Commission had just been set up. So in
18 the absence of any direction, it was my judgment, and I was
19 the principal one that said that I thought we should ask
20 the City to look at us, to have them -- you know, make our
21 presentation to the City Council and try and do that before
22 the referendum so that the public could have knowledge. We
23 had public meetings and all those things. Tom Cappas and
24 I, Tom Bonner, I think we met with a lot of people all
25 over. We had neighborhood meetings that we had in every

1 neighborhood of the City. Hundreds of people came out. I
2 ate a lot of doughnuts and cookies for six days, and it was
3 a long process. But that was where we got to get the
4 referendum.

5 MR. SUNDWICK: Then collectively what you did is
6 made a pitch to the City. And then a by-product of the
7 City -- we heard that the City's evaluation went out into
8 the neighborhoods, evaluated your presentation or your
9 promotion, and had subcommittees that said, "This is what
10 we think we want from these people"; am I right? I mean, I
11 was going to ask the gentleman here, but he left. Oh,
12 there he is. So what happened is --

13 MR. FIFE: I was standing close to the podium.

14 MR. SUNDWICK: Oh, I understand; okay.

15 MR. FIFE: Jim Fife, Commissioner Sundwick.

16 MR. SUNDWICK: So what happened is everybody went
17 out and did all the nifty things you talked about, about
18 participating with the community, etc.?

19 MR. FIFE: Well, it was really a two-step
20 process. Initially, shortly after the gaming law passed,
21 our Mayor was besieged with phone calls from operators.
22 Everybody wanted to come in and make their pitch to him.
23 And some did, and he talked to quite a few of them. He at
24 some point then relayed to me, he said, you know, "I
25 shouldn't be the one talking to all these people. We

1 should expand this." And that's when we came up with the
2 idea of having an initial task force just to screen the
3 applicants. The four of us, our job was just to screen the
4 applicants and come up with a short list of maybe three,
5 four, five, or six, whatever the number would be, that we
6 could then recommend on to the expanded task force that was
7 initiated in February.

8 MR. SUNDWICK: Were any of the other people that
9 called the Mayor -- and he turned it over to you and the
10 four people; right?

11 MR. FIFE: Well, it just became knowledge at some
12 point in time. And it wasn't really until, I believe, late
13 August or early September that we determined this was the
14 process we were going to use. But then yes, I became the
15 focal point for receiving and disseminating information.

16 MR. SUNDWICK: So you got the task; right?

17 MR. FIFE: That's right.

18 MR. SUNDWICK: So you and three other people --
19 you said there were four, if I recall?

20 MR. FIFE: Right.

21 MR. SUNDWICK: -- had to get the short list for
22 the Mayor?

23 MR. FIFE: Correct.

24 MR. SUNDWICK: What other --

25 MR. FIFE: Well, not only for the Mayor. Our

1 intentions were also to make recommendations to the Mayor,
2 to the City Council, to our Redevelopment Commission, who
3 also has an interest in the property at the marina, and
4 also to our Park and Recreation District.

5 MR. SUNDWICK: You're describing the city
6 government in general. I'm not trying to pick that out.

7 MR. FIFE: Okay; right.

8 MR. SUNDWICK: That short list came down to who,
9 three or four?

10 MR. FIFE: Well, the short list came down to one
11 because we had decided that -- we were looking at what
12 other communities were doing, and we saw communities going
13 out with RFP's and having 12 or 15 different operators
14 coming in and making presentations. We didn't put out an
15 RFP because at that time, we didn't know what we wanted in
16 our package. We couldn't be that specific. We had no idea
17 what gaming was going to do for the City. We thought that
18 that input would be better left to an expanded task force.
19 So what we did was decided that we would only look at the
20 serious applicants. And the way we determined the serious
21 applicants were those that filed an application for
22 licensing. We took it from there. There were two at the
23 time.

24 MR. SUNDWICK: Who were those two?

25 MR. FIFE: Summit Riverboat Casinos of Indiana, I

1 believe is their proper name, and Showboat Marina
2 Partnership.

3 MR. SUNDWICK: But neither Aztar nor Lady Luck
4 were on the short list of the Waterfront? They just
5 figured, "They're gone"?

6 MR. FIFE: I don't know what happened to them. I
7 believe I did talk to Lady Luck sometime in August. I
8 think I met them out at the site and gave them a tour of
9 our facility. I believe someone from the administration
10 also talked to Aztar. There were about 17 different
11 operators that we had talked with at that time.

12 MR. SUNDWICK: They weren't in this -- you know,
13 that's what I'm trying to get to. You never saw these
14 people again? They were kind of evaporated?

15 MR. FIFE: Correct.

16 MR. KLINEMAN: Excuse me, Mr. Fife; you said you
17 talked to 17 different applicants?

18 MR. FIFE: Different operators, different gaming
19 interests.

20 MS. BOCHNOWSKI: What was the nature of your
21 comments to them? Were you encouraging to everybody or was
22 it -- what were --

23 MR. FIFE: Absolutely. The Mayor took the
24 position from the very beginning that this was going to be
25 an open process, that anybody and everybody was welcome to

1 apply. There were no foregone conclusions in East Chicago.
2 We were going to look for the best package and the best
3 partner that the City of East Chicago could get.

4 MS. BOCHNOWSKI: And when you talked with
5 these --

6 MR. SUNDWICK: Well --

7 MS. BOCHNOWSKI: I just wanted to interject here.
8 When you talked to these 17 people, did they have local
9 groups connected with them or not?

10 MR. FIFE: It didn't appear to be so. I can't
11 recollect all the conversations. And once again, the Mayor
12 had some of those conversations, also, with the operators.
13 But it didn't appear that they were connected with any
14 local investment groups. And this was, once again, early
15 on in the process. And they were all basically coming in
16 to make the pitch to say, "Hey, you know, we're interested.
17 Will you consider us? What's your process?" We said, "We
18 don't have a process. We don't know what our process is
19 going to be, but you're welcome to apply."

20 MR. SUNDWICK: So to get to the short list, they
21 had to apply. How many did apply?

22 MR. FIFE: Well, what we did is we looked at the
23 applications with the Gaming Commission. And there were
24 only the two that applied: Summit and Showboat.

25 MR. SUNDWICK: Okay. And then from that --

1 MR. FIFE: From that point in time --

2 MR. SUNDWICK: From that, so now we have three;
3 we have Showboat; correct?

4 MR. FIFE: Right.

5 MR. SUNDWICK: And Showboat has the local
6 Waterfront Group?

7 MR. FIFE: Yes.

8 MR. SUNDWICK: And Summit has --

9 MR. FIFE: We never got to Summit because when I
10 talked to the representative -- I believe his name was Mr.
11 Elton -- out in Reno and informed him that our task force
12 had been initiated and we were preparing to do our work, I
13 requested we come out for an on-site visit, asked him if he
14 wanted to send us any additional information he wanted us
15 to consider. On the telephone in that conversation, he
16 indicated to me that they would be withdrawing their
17 application; so we proceeded no farther with Summit.

18 However, prior to our making our recommendations to the
19 first body, which was the Common Council, on October 4, I
20 believe it was October 1, I again invited Summit to come if
21 they wanted to anyway to make a presentation to the Council
22 even though we had not had an opportunity to evaluate them.

23 MR. SUNDWICK: So the Common Council is a little
24 bit like we are: They had one opportunity that you
25 recommended and that showed up and said, "These are the

1 guys, and there's only one." And they all said -- well,
2 you're not in the same position we are. It's yes or no?

3 MR. FIFE: Right. I believe they read our
4 report. And we had a representative on the Council
5 specifically for that reason so he could be a liaison
6 between what was going on with the Council. We found them
7 to be highly qualified. But let me add that that wasn't
8 going to be the end of our process. There were still
9 gaming interests -- I don't have the names. But there were
10 gaming interests that had contacted the City even after
11 that. And we told them we were going to consider and we
12 would be open to review anybody that filed for an
13 application for licensing. And if we found them to be
14 qualified, we would also go back to the Council and to the
15 other departments and make that further recommendation that
16 here also is another company that's highly qualified or
17 somewhat qualified or whatever. And now it's --

18 MR. SUNDWICK: If they would have asked you your
19 procedure, "How do you do that," there really wasn't a
20 procedure? It was, "If you apply, you can get from our
21 short list to the Common Council"?

22 MR. FIFE: If you were an applicant with the
23 Indiana Gaming Commission, we would then take the time to
24 look at you.

25 MR. SWAN: Could you describe the timing of your

1 invitation to Summit to come to the Common Council? You
2 said the thing was on --

3 MR. FIFE: It was October 1st.

4 MR. SWAN: -- October 4th?

5 MR. FIFE: It was October 1st, and we invited
6 them one last time to see if they wanted to come October
7 4th to make a presentation.

8 MR. SWAN: So a couple days before then?

9 MR. FIFE: Right. We received, I believe it was
10 by fax, a written response from Mr. Elton saying that they
11 were withdrawing. He'd indicated that to me over the
12 phone, but he said that also.

13 MR. SWAN: Did he say why they were withdrawing?

14 MR. FIFE: He did not indicate a reason to me for
15 his withdrawal.

16 MR. VOWELS: When did you notify Showboat of that
17 presentation being held?

18 MR. FIFE: The same day, October 1st.

19 MR. VOWELS: And it was scheduled for October
20 4th?

21 MR. FIFE: October 4th, correct.

22 MR. VOWELS: Was there any other member of the
23 City, that you're aware of, that spoke with Mr. Elton at
24 any time?

25 MR. FIFE: There were several people in our

1 administration -- and when I'm talking administration, I'm
2 talking department heads -- that had talked to Summit early
3 on. And there were other gaming operators, I believe, that
4 talked to various city officials early on about what our
5 process was going to be and how we were going to conduct
6 our review process.

7 DR. ROSS: Bringing it up a little bit closer,
8 just looking at your application, and it seems to be a very
9 sort of in-house thing, and most of the people here know
10 about East Chicago. And it seems that by Statute, you have
11 done everything that you could possibly do. And for me,
12 visiting all these citizens seems to be the best well put
13 together operation that I've seen.

14 MR. FIFE: Thank you.

15 DR. ROSS: So can you explain to me why people
16 keep suing you?

17 MR. KLINEMAN: Actually, Doctor, they're suing
18 us.

19 DR. ROSS: Oh, they're suing me? That shows you
20 how much I know.

21 MR. KLINEMAN: First time I've been ever been to
22 East Chicago, I get sued. That's the first time in my
23 life.

24 MR. VOWELS: I just wonder about malpractice
25 insurance.

1 MR. SUNDWICK: I think Dr. Ross is being a little
2 bit facetious; but in fact, we all want to know why we show
3 up here and we are sued.

4 MR. FIFE: That I can't really speculate on,
5 other than -- well, I'll tell you this: Mr. Egipciaco, who
6 was the plaintiff in yesterday's case, is on the list to
7 speak to the Commission today. I think he wants to address
8 you during the public comment section. So maybe that
9 question would be better directed towards the plaintiff.

10 MR. KLINEMAN: Just to put this in chronological
11 order: The law passes June 30, 1993. That's when
12 Mr. Pannos starts to put his group together; right?

13 MR. FIFE: (Nodded head.)

14 MR. KLINEMAN: And that's the local group you
15 start to put together; actually it's just you (pointing)
16 and Tom to start off with. We then are appointed on
17 September 1, 1993. We then ask -- or we pass our infamous
18 Resolution 1993-10.

19 MR. FIFE: On October 8th.

20 MR. KLINEMAN: On October 8, which tries to pry
21 open every process in every place in the State. And as I
22 said yesterday, I think we did a lot of good with that
23 Resolution. It's not been lived up to fully in some areas,
24 but I still think we did a lot of good. We increased the
25 packages in a lot of areas. We then set the deadline for

1 filing applications on February 2, 1994. Now, my question
2 to you is: Between those -- in that scenario up to and
3 including February 2, 1994, how many inquiries do you think
4 you or the Mayor had from people; and is there any way of
5 your recalling what you did for those people? I'm trying
6 to find out: Were they faced with a closed door or were
7 they faced with an open door?

8 MR. FIFE: Anybody at any time when they
9 contacted the City of East Chicago was faced with an open
10 door. There were relatively fewer requests for information
11 after September 15, from the September 15 deadline to the
12 February 2 deadline.

13 MR. KLINEMAN: That's the other deadline I didn't
14 put -- we asked that in order to trigger the referendum; we
15 said that the referendum could be held anyplace there was
16 an applicant. But we went further and said that if
17 subsequent applications are filed between the referendum
18 date and the February -- the date we then set as February
19 2, 1994, that those people would reimburse the original
20 person for the cost of the referendum, etc. So we tried to
21 level the playing field in that respect. So you're saying
22 that most of your inquiries were prior to September 15?

23 MR. FIFE: That's right; or even prior to that.
24 Most of our inquiries were in July and August. Just to
25 refresh our minds, we kind of went back through the phone

1 records to see, you know, when everything -- and there were
2 really hardly any phone calls or requests for information
3 or interest after September. However, we did stand ready
4 to evaluate anyone that came in the door at that time.

5 MR. KLINEMAN: And at no time between -- you
6 know, from September 1st -- or the end of June, I guess,
7 through February 2, 1994, it would be your advice to this
8 Commission that at no time during that period did you in
9 any way, shape, or form indicate to any possible applicant
10 that it was fruitless for them to file or that they
11 wouldn't be given full consideration?

12 MR. FIFE: Not only at that time, but at no time
13 whatsoever was that ever any indication from any City
14 official to any gaming operator.

15 MR. KLINEMAN: And then let me understand: What
16 action did the Common Council take during this period, and
17 when was that action taken?

18 MR. FIFE: Their action was four days prior to
19 your action on October 8th, in which they preliminarily
20 endorsed Showboat Marina Partnership and requested that
21 this task force proceed with entering into negotiations and
22 starting to develop an economic development package that we
23 could bring back. And at that time, that is when the Mayor
24 decided to expand the task force.

25 MR. SUNDWICK: I guess I've been invited to a lot

1 of parties or social events and I didn't know if they
2 wanted me to come or not, but they sent me an invitation.
3 I'm trying to think; you've got August, you've got
4 September, and you've got our October dates. All this
5 transpired before our October date?

6 MR. FIFE: Yes.

7 MR. SUNDWICK: It was really over -- as far as
8 East Chicago was concerned, it was over?

9 MR. FIFE: No, I don't think we ever felt that it
10 was over. I mean, we were facing the referendum. We
11 wanted to make sure that we had a referendum on the ballot.
12 We wanted to make sure we had an applicant out there who
13 was going to pay for it. And I think -- you know, there
14 were other communities that started the process way before
15 we did. And I think we looked at some of those communities
16 and tried to avoid some of the pitfalls and tried to take
17 some of the advantages. But we were never closed. And I
18 mean, you know, I think you have to look at the reasons
19 some of these decisions are made by these large multi
20 million dollar companies. And I don't really think you'll
21 know that unless you get into their boardrooms to find out
22 how they make these decisions. But I can tell you that the
23 City of East Chicago never hindered or discouraged any
24 operator from applying nor ever gave the impression that
25 the process was closed.

1 MR. VOWELS: I want to ask Mr. Bonner a quick
2 question, sir.

3 MR. BONNER: Yes, Commissioner Vowels.

4 MR. VOWELS: You mentioned earlier that you had
5 gone to Hammond. When was that?

6 MR. BONNER: My efforts began, I believe,
7 certainly in late July or early August. I cannot tell you
8 the specific date that I went to Hammond, but it was in
9 that time frame.

10 MR. VOWELS: You had mentioned earlier, and I'll
11 quote, that you said that there was a lock there with
12 Empress?

13 MR. BONNER: I don't really recall that in my
14 quote, but I know that Empress had established a
15 relationship with the City and had been there for some
16 time.

17 MR. VOWELS: And I'm just -- this has nothing to
18 do with here, but this will help with somewhere else. How
19 much did Empress' agreement with Hammond weigh in your
20 decision not to apply there?

21 MR. BONNER: Empress' pre-existing relationship
22 with the City, which included an agreement by which they
23 were providing funds to the City, to me was a very strong
24 factor that led me to recommend to the company that we look
25 elsewhere. I would say it was one of the most important

1 factors, as I evaluated those factors.

2 MR. VOWELS: Would you say that it had a chilling
3 effect on your --

4 MR. BONNER: I think that is a term that would
5 accurately characterize it, yes. Commissioner Klineman, if
6 I could offer one brief addition to what Mr. Fife said;
7 it's anecdotal, but I think it's very important. When I
8 came to East Chicago, I met with Mr. Fife at the site
9 before I even met Mr. Pannos and Mr. Cappas. If there's
10 any concern that the City was not being forthright in
11 speaking with potential gaming developers, that indicates
12 that I, on behalf of Showboat, who had not even met Mr.
13 Pannos and Mr. Cappas, was given all the information I
14 needed, was given a tour of the site. Mr. Fife had no idea
15 that I would eventually end up talking with the Waterfront
16 people.

17 MR. KLINEMAN: Well, that's interesting
18 information. I have two announcements to make. One, we're
19 going to take an early lunch; and two, we're not coming
20 back.

21 MR. THAR: No; wait, wait, wait. I'm sorry. May
22 I have a moment?

23 MR. KLINEMAN: Yes.

24 (Discussion was held off the
25 record.)

1 MR. SUNDWICK: Just a quick question. You said
2 you really felt that by --

3 MR. KLINEMAN: My Executive Director, as he
4 usually does, is trying to keep me straight in this
5 program. We have been served with another Order which
6 effectively reinstates the Order that was issued two days
7 ago which restrained us from having hearings. So we are
8 going to take an early lunch, a few minutes early. We will
9 come back at 1:15, at which time we will then definitely
10 know whether the new Order is going to be in force or
11 whether it is not. But as of now, pursuant to an Order of
12 the Lake Circuit Court sitting in Crown Point, Indiana,
13 this Commission is restrained from proceeding further with
14 these hearings. So we will be back at 1:15, and it sure is
15 fun up here.

16 (The proceedings were adjourned
17 for lunch recess at 12:10 p.m.)

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STATE OF INDIANA)
) SS:
COUNTY OF PORTER)

REPORTER'S CERTIFICATE

I, RUTH GRISSMAN, a duly qualified stenotype reporter and duly authorized to administer said oath, do hereby certify that the foregoing proceedings were had before me on Thursday, October 19, 1995, at the Inter-Generational Center, 1402 E. Chicago Avenue, East Chicago, Indiana.

I further certify that I then and there reported in machine shorthand the proceedings so given at said time and place, reduced the same to typewriting from my original shorthand notes, and that the foregoing is a true, correct, and complete transcript of said proceedings.

IN WITNESS WHEREOF, I hereby affix my name and seal this 28th day of November, 1995.



Ruth Grissman,
Shorthand Reporter
My Commission Expires 4-30-99

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE THE INDIANA GAMING COMMISSION
PRESENTATION BY STATE AND FEDERAL AGENCIES
REGARDING HAMMOND LICENSES

October 19, 1995
Commencing at 1:15 p.m.

BE IT REMEMBERED that the following proceedings
were had before me, RUTH GRISSMAN, Court Reporter, on
Thursday, October 19, 1995, at the Inter-Generational
Center, 1402 E. Chicago Avenue, East Chicago, Indiana.

KAREN M. PRICE & ASSOCIATES
COMPUTER-ASSISTED REPORTERS
P.O. BOX 11270
MERRILLVILLE, IN 46411
(219) 756-0702

APPEARANCES:

On Behalf of the Indiana Gaming Commission:

ALAN I. KLINEMAN, Chairman

ANN MARIE BOCHNOWSKI, Vice-Chairperson

DONALD VOWELS, Secretary

THOMAS F. MILCAREK

ROBERT W. SUNDWICK

ROBERT SWAN

DAVID E. ROSS, JR., M.D.

JOHN J. THAR, Executive Director

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1 MR. KLINEMAN: If we could come back to order.
2 We're a little early, but we're going to try to get out of
3 Lake County as soon as we can. We are going to abide by
4 the Court Order and not hear anything further on the East
5 Chicago application. We are, for a few minutes, going to
6 hear some information on the Hammond application. We have
7 somebody here from the Corp of Engineers?

8 MR. THAR: Yes.

9 MR. KLINEMAN: -- from the Corp of Engineers,
10 so --

11 MR. THAR: I don't know what -- is the Coast
12 Guard here?

13 MR. KLINEMAN: The Coast Guard is here, but I was
14 informed by one of the officers that they really didn't
15 have anything to say, other than if there were some
16 questions that somebody wanted to ask of them.

17 MR. THAR: That is true with regard to the Corp
18 of Engineers, also. Walter Land from the Indiana
19 Department of Transportation was supposed to be here around
20 2:30. None of the agencies have prepared presentations.
21 All of the agencies have made themselves available for
22 questions from the Commission; but as the Chair has
23 indicated, it can only be with regard to Hammond.

24 MR. KLINEMAN: Well, do any of the Commissioners
25 or does the staff have anything that they wish to inquire?

1 MR. THAR: I would start, if you don't mind, with
2 the Corp of Engineers. Charlie Simon?

3 (Mr. Simon with the Corp of
4 Engineers took the podium.)

5 MR. KLINEMAN: For the information of those who
6 might be here in the scheduled public session, we will have
7 to reschedule that when we are no longer restrained, and we
8 might be doing that by way of videotaping the comments up
9 here rather than have them -- rather than the Commission
10 coming back. We just don't know what we're going to do.
11 It's obviously something we hadn't anticipated, so we don't
12 have a ready made plan for it. Anyway, we will not be
13 conducting even the public comment section of our hearings
14 because we are restrained.

15 MR. THAR: Charlie, just for the purpose of the
16 court reporter, could you give her your full name and spell
17 it.

18 MR. SIMON: My name is Charles M. Simon,
19 S-I-M-O-N. And I am a project manager with the Corp of
20 Engineers in the Detroit district.

21 MR. THAR: Charlie, are you familiar with the
22 applications presently pending before the Corp of Engineers
23 with regard to the Hammond Marina?

24 MR. SIMON: Yes, I am the project manager for
25 those applications. And like I said, I don't have a

1 prepared statement, but I am willing to answer any
2 questions that you might have about the process. The Corp
3 is still in the process -- still very much in the decision
4 process at this point for Hammond, so the outcome is just
5 speculative at this point. But I'm willing to answer any
6 questions you have about the process or issues.

7 MR. THAR: There's an issue that came to light as
8 a result of the presentations in Hammond the last two days,
9 being that one of the applicants, Bally's, proposed a plan
10 that the Commission had not seen until just a few weeks
11 ago. One of the questions to them was whether or not the
12 plan they now propose would require a new application for
13 that harbor if the Commission chose this plan. I will show
14 to you or give to you a picture that they have provided to
15 the Commission of what this looks like. And the simple
16 question, after you've had a chance to look at it, is:
17 Understanding it is not a definitive statement, would this
18 plan fit into the present application or would it require a
19 new application? Let me bring it over to you.

20 (Mr. Thar took document over
21 to Mr. Simon for his review.)

22 MR. THAR: Let me point out a few of the things
23 that they have in that plan. There is a hotel which would
24 be on the lakefront in that peninsula area that abuts the
25 water treatment facilities; and then along the roadway,

1 parallel with the railroad tracks, they've proposed to put
2 a three- to four-story parking garage. The question is:
3 Would a plan like this require an amendment to the present
4 application, does it fit into the present application, or
5 would it require a new application?

6 MR. SIMON: I'm just trying to take a look at the
7 plan right now to see what's here within the Corp's
8 jurisdiction, which is essentially anywhere within the
9 lake, in, on, or over the lake. And from the schematic
10 nature of it, it's a little bit difficult to tell, but
11 there are some features that are not part of their current
12 proposal.

13 MR. THAR: Let's start at that point. Has this
14 plan been presented to the Corp of Engineers?

15 MR. SIMON: No, I haven't seen this at all
16 before.

17 MR. THAR: And you would be the person who would
18 see it if it was presented?

19 MR. SIMON: Yes. At this point, I would
20 certainly say that it's something that we would probably
21 want to put out a public notice for.

22 MR. THAR: Would that be a public notice in the
23 form of an amendment to the present application or would it
24 take the form of a new application?

25 MR. SIMON: It could potentially be either one.

1 We'd probably want to give the public a chance to provide
2 written comments on this proposal.

3 MR. THAR: Based on where the Corp is presently
4 in reviewing the Hammond application, would a new public
5 comment period slow down the process?

6 MR. SIMON: It's certainly going to add another
7 15 to 30 days just for the comment period, outside of any
8 additional time to prepare the plans, submit them to the
9 Corp, you know, as well as any issues which might come up
10 during that public notice period.

11 MR. THAR: Can you give the Commission an
12 overview as to where the Corp is right now -- I know you
13 did at the beginning -- in terms of processing the present
14 Hammond application?

15 MR. SIMON: Sure. The Corp put out a public
16 notice in February, I believe, for Hammond. We did get
17 some comments. We forwarded those comments to the City
18 with some of our own issues that we thought were important
19 that they address. They responded to those. We thought
20 there were still some things that they needed to focus on.
21 The last official comments that the Corp provided was the
22 end of August, and the applicant there asked for an
23 extension of time to respond to the issues that the Corp
24 wanted them to address. Essentially, the issues that we
25 asked them to address that we still thought needed their

1 input were some of the navigation and safety concerns
2 resolved in the central conflict between a gaming boat and
3 the existing recreational traffic within the marina.

4 MR. THAR: Would that be in terms of when the
5 gaming boat set sail from the dock, what issues that
6 creates in navigating out of the harbor?

7 MR. SIMON: Exactly.

8 MR. THAR: Is it within the Corp's jurisdiction
9 to weigh the number of slips that may be removed from this
10 existing marina, in looking at the overall Corp
11 application?

12 MR. SIMON: Yes, certainly, if that's going to
13 address some of those safety issues, that would be
14 something that the Corp would consider.

15 MR. THAR: Does the Corp have any limitation --
16 there was a discussion about whether or not there was a
17 maximum number of slips that could be removed before some
18 issues with regard to a bond might arise. Does the Corp
19 have any similar issues that they'll only allow a reduction
20 of existing slips by a certain percentage or certain
21 number, or is that not the way the Corp formulates the
22 issue?

23 MR. SIMON: No. You know, As far as the Corp is
24 concerned, they could propose to remove as many slips as
25 they wanted to.

1 MR. THAR: That would be the questions I have.
2 Would the other Commission --

3 MR. KLINEMAN: I guess along the same lines, does
4 the Corp have any interest in the aquatic school that they
5 have that they operate at the marina? Is that something
6 that's in your jurisdiction, also?

7 MR. SIMON: Essentially, no. Although
8 apparently, they do use some of that as a dive center, and
9 some issues have been raised regarding some of the safety
10 of the -- they have an existing dive area, and their
11 current proposal is going to remove or limit that dive area
12 somewhat.

13 MR. KLINEMAN: I was sort of left with the
14 impression that you actually had some jurisdiction in the
15 sense that -- along the same lines of how many slips might
16 be removed, that you would resist the dive school being
17 changed in some fashion. Would that be within your
18 jurisdiction?

19 MR. SIMON: No; I would say no, not at all.

20 MR. KLINEMAN: Anybody else have any questions?

21 MR. THAR: There's been two issues raised with
22 regard to certain -- number one, the water company inlet,
23 and I forget what the name is of the corporation that has
24 an outlet that goes through that marina. Are those issues
25 the Corp takes up in looking at revisions to the marina as

1 it presently exists?

2 MR. SIMON: We are certainly aware of the intake
3 pipe concerns. There's an on-shore company there, Lever
4 Brothers, I believe. That issue did come up during the
5 initial public notice, and that's certainly something that
6 the Corp is going to address when we put our review
7 together.

8 MR. THAR: In terms of the locations of public
9 access ramps at that marina, is that a Corp issue or is
10 that only a Corp issue brought up by the public, or is that
11 more of an issue raised by the Coast Guard for the safety
12 of those?

13 MR. SIMON: That's an issue that the Corp has
14 actually raised with the applicants, especially in regard
15 to the same issue of navigational safety of existing
16 recreational traffic in conjunction with operation of a
17 gaming vessel.

18 MR. THAR: Do you raise that based upon comments
19 made by the Coast Guard or do you raise that on your own
20 initiative?

21 MR. SIMON: I believe we actually raised that on
22 our own as part of the overall recreational navigational
23 safety issue.

24 MS. BOCHNOWSKI: I do have one more question.
25 With regard to the Milwaukee Clipper, if somebody wanted to

1 remove that, would they have to get permission from you?
2 Would that be an issue? I guess it's kind of locked into
3 the harbor there, having been there so long. Would they
4 have to get permission from you? There might be some
5 dredging involved.

6 MR. SIMON: Yes, that would be true. To
7 backtrack a little bit, actually the Milwaukee Clipper was
8 placed there, as we say, without Corp authorization.

9 MS. BOCHNOWSKI: Oh, is that right?

10 MR. SIMON: So that is actually part of our
11 current -- we discovered this as part of their application
12 for the work associated with the gaming.

13 MR. THAR: They kicked a sleeping dog.

14 MR. SIMON: So we actually included that as part
15 of their overall application. So right now, that is part
16 of the Corp's review is whether or not we want to authorize
17 that, because you do need authorization for a vessel that
18 is what we call permanently moored.

19 MS. BOCHNOWSKI: Well, that's interesting.

20 MR. KLINEMAN: Along the same lines --

21 MR. SIMON: So along the same lines, you know, if
22 they wanted to remove it, if it is authorized, if they
23 would do any dredging or work along those lines to remove
24 it, they would need some kind of authorization for that.

25 MS. BOCHNOWSKI: So what if you don't approve the

1 Milwaukee Clipper being there?

2 MR. KLINEMAN: It's going to be gone.

3 MS. BOCHNOWSKI: No, I mean really, what if you
4 don't? I'm not trying to be funny. I'm serious. What if
5 you don't approve it?

6 MR. SIMON: If the Corp does not authorize it as
7 part of the permit, we would take whatever avenues we feel
8 necessary to enforce that.

9 MR. KLINEMAN: Would you tell us where you live,
10 because we may want to deliver it to you. One other
11 question on this intake, the filtration intake, we're told
12 that that's right in the mouth of the breakwater, is that
13 right, where you go in and out?

14 MR. SIMON: I believe the Lever Brothers intake
15 is actually right underneath the main pier. It is parallel
16 with and right underneath the main pier.

17 MR. KLINEMAN: But the filtration --

18 MR. SIMON: The filtration plant intake, the
19 location of it?

20 MR. KLINEMAN: Right.

21 MR. SIMON: I can't say.

22 MR. KLINEMAN: Okay. For some reason, we were
23 talking about moving the Clipper and somebody said we
24 couldn't probably move it through the inlet or through
25 the -- what do you call it?

1 MR. SIMON: The mouth?

2 MR. KLINEMAN: The opening.

3 MR. SIMON: Mouth of the harbor.

4 MR. KLINEMAN: -- because the filtration plant
5 intake was right there.

6 MR. SUNDWICK: They got it in.

7 MR. KLINEMAN: But they got it in, that's right,
8 as Commissioner Sundwick just said. It didn't just appear
9 there, although you probably think it did. Anybody else
10 got any questions?

11 (No response.)

12 MR. KLINEMAN: We certainly appreciate your
13 coming, and I'm sorry we've had this on-again off-again
14 situation. Thank you very much. On behalf of the
15 Commission, we of course encourage you to go ahead and
16 approve something so when we grant a license, we can
17 actually see it operational. Thank you.

18 (Mr. Simon stepped away from
19 the podium at this time.)

20 MR. KLINEMAN: Does anybody have any questions of
21 the Coast Guard? They didn't make a real presentation, but
22 they are here.

23 MS. BOCHNOWSKI: Yes. Where are they?

24 MR. KLINEMAN: Right there (gesturing).

25 MS. BOCHNOWSKI: Oh, there you are. I should

1 have known.

2 (Mr. Hassler from the United
3 States Coast Guard took the
4 podium.)

5 MS. BOCHNOWSKI: Have you looked at the safety of
6 the harbor? I've been concerned about the public ramp and
7 then all the little boats coming in there with the big boat
8 operating. And I just wanted to see what your impressions
9 are of what they're presenting.

10 MR. HASSLER: For the record, I'm Lieutenant
11 Commander Ronald Hassler for the U.S. Coast Guard Marine
12 Safety Office in Chicago. And the harbor in Hammond is
13 under our jurisdiction with regard to vessel navigation.
14 And yes, we are concerned with the safe navigation of not
15 only the casino vessel that will tie up there with its
16 passengers and crew, but also with the other water users
17 that are operating in a very close proximity, and that
18 would be all the small personal water craft, the yachts and
19 the motorboats that are coming in and out of Hammond
20 harbor.

21 MS. BOCHNOWSKI: Have you looked at that
22 carefully yet? I mean, do you have concerns about the
23 location of that public ramp?

24 MR. HASSLER: Yes, we have. We've taken a good
25 look at that, and we agree with the Corp that perhaps it

1 should be moved and that it creates a pathway for small
2 craft going by where the casino vessel will moor. So as
3 the casino vessel is mooring or docking and undocking,
4 there would be some competition for the waterway right
5 there by recreational boaters.

6 MS. BOCHNOWSKI: Okay. Thank you.

7 MR. KLINEMAN: Anything?

8 MR. SUNDWICK: I have just one question. We had
9 an opportunity yesterday in Hammond to see the Lake County
10 Sheriff's Department safety launch, I guess you might call
11 it. It appears that they're responsible for some of the
12 safety, water safety involved with the gaming vessels; is
13 that correct?

14 MR. HASSLER: I'm not familiar with that.

15 MR. SUNDWICK: Would their responsibility be that
16 it's a pretty good part of the lake or not; would they have
17 any jurisdiction?

18 MR. HASSLER: I don't know what their
19 jurisdiction is.

20 MR. KLINEMAN: I think what Mr. Sundwick is
21 trying to get at is that you basically have to approve some
22 sort of a disaster program, don't you?

23 MR. HASSLER: Oh, good question, Commissioner.
24 With any of the boats coming to the southern shores of Lake
25 Michigan and northern Indiana, these are subchapter H --

1 regulated by 46 CFR, Subchapter H. The regulations call
2 for lifeboats like the cruise ships have that sail out of
3 Miami. Most of the plans that I have seen so far coming
4 across my desk do not include lifeboats. The builders of
5 these vessels are providing an equivalency, and that
6 equivalency would be inflatable life rafts or inflatable
7 buoy apparatus. In doing so, it makes the vessel a little
8 less self-sufficient with regard to providing its own
9 rescue vessels. So therefore, if the gaming companies
10 reduce from lifeboats to life rafts, then they have to show
11 us an equivalency of some kind of shore side support in
12 their emergency response plan, which will have to be
13 submitted to the Commission for review. And the Commission
14 will have us look at it, and we will either accept it or
15 not. Regardless if we accept it, it's still under the
16 Commission's authority to enforce it. If we find that
17 there is not enough support from the local communities to
18 provide emergency response equipment and people for fire
19 and lifesaving, we would probably not accept such a plan
20 unless the boat had lifeboats, the kind of boats that carry
21 40 or 50 people and are lowered by davits into the water,
22 versus an inflatable life raft.

23 MR. SUNDWICK: So it's safe to say that the boats
24 that will be sailing in Indiana waters, gaming vessels,
25 should probably get together and have an appropriate plan

1 with the Lake County Sheriff's Department for on-shore
2 adequate safety?

3 MR. HASSLER: Yes, sir; yes.

4 MR. SUNDWICK: So we could encourage all the
5 companies that they ought to get together with the
6 Sheriff's Department and have a plan?

7 MR. HASSLER: Right, for both firefighting and
8 for rescuing the people off the boat. Some of these
9 vessels may have 3,000, 4,000 people on board. If they go
10 out during their cruise, and they're out a mile or two or
11 up to three miles, and they have a fire on board or the
12 vessel gets disabled, who's going to go get them? Because
13 they won't have lifeboats. Lifeboats are motorized. All
14 they will have are inflatable life rafts or buoy apparatus,
15 and they're not self-propelled. So if we could get all
16 these thousands of people into these inflatable life rafts,
17 somebody's got to go out and get them.

18 MR. SUNDWICK: Well, they had a 36-foot boat that
19 they showed us yesterday for the Lake County Sheriff's
20 Department, which probably doesn't seem like it would be
21 adequate.

22 MR. HASSLER: How many people does it hold?

23 MR. SUNDWICK: What do you think?

24 MR. KLINEMAN: Maybe ten or twelve.

25 MR. HASSLER: You could subtract that from a few

1 thousand.

2 (Discussion was held off the
3 record.)

4 MR. SUNDWICK: The sheriff needs some more boats.
5 Anybody who is in the business here probably ought to pay a
6 little attention to that or they might have a real problem,
7 those here who are involved.

8 MS. BOCHNOWSKI: Not only with a plan but maybe
9 with some money.

10 MR. SUNDWICK: Well, they're going to have to
11 have -- you know, if the County doesn't have the money to
12 do it, they can have all the great boats you want; but
13 without a plan, you won't go anyplace. I guess that's what
14 I'm hearing.

15 MR. HASSLER: Unfortunately, a lot of people look
16 to the Coast Guard to rescue them because that's where our
17 meat and potatoes are at. But with all of our budget
18 cutbacks, we've lost -- we used to have two helicopters in
19 Chicago. We've lost one of those, and now the remaining
20 one only operates in the summertime. And then Station Cal
21 Harbor has only two boats.

22 MR. SUNDWICK: If they have more helicopters --
23 you might just switch. They need boats maybe more than
24 they need their helicopters.

25 MR. HASSLER: Yes, they do. Actually, they could

1 use a barge, a couple of big barges to go out and rescue
2 people.

3 MR. SUNDWICK: Good idea. Thank you, sir.

4 MR. KLINEMAN: Mr. Thar?

5 MR. THAR: I have two questions, one along the
6 same lines as Commissioner Sundwick's. And that's that one
7 of the proposals in Hammond, or all of the proposals, at
8 least from the City's viewpoint, is that part of the safety
9 in maneuvering the boat away from the dock and out of the
10 harbor into the lake would include an escort by a Lake
11 County Sheriff's boat with lights and other things which
12 would basically, I guess, warn small craft not to try to
13 enter the harbor. Is that a procedure that would be
14 approved by the Coast Guard?

15 MR. HASSLER: They intend to do this for every
16 trip that the boat makes?

17 MR. THAR: That's the impression we were left
18 with, yes.

19 MR. HASSLER: Okay. I've seen this done before.
20 When organizations make application for regattas and marine
21 events, they will provide sponsor boats to control local
22 traffic. And we receive it in writing from the applicant.
23 But usually they're just for a few days; and once the event
24 is over, those resources go away. We would certainly
25 entertain that if it was a permanent thing.

1 (Mr. Hassler stepped down
2 from the podium.)

3 MR. KLINEMAN: And the gentleman from --

4 MR. THAR: Walter Land.

5 MR. KLINEMAN: Mr. Land is here. He arrived
6 early. Thank you for arriving early. We've got a small
7 problem here, so we're ready for you a little earlier than
8 we ordinarily thought we would be, so if you'd come
9 forward.

10 (Mr. Land with the Indiana
11 Department of Transportation
12 took the podium.)

13 MR. KLINEMAN: This is Walter Land from INDOT.

14 MR. LAND: Yes, sir, Mr. Chairman.

15 MR. KLINEMAN: And do you have any presentation
16 or you're just here to answer any questions?

17 MR. LAND: I'm just here to answer your
18 questions. We have reviewed the plans and the traffic
19 study for Hammond and found them satisfactory and been in
20 contact with the consulting engineers as well as the City
21 officials on that.

22 MR. KLINEMAN: And that's the 112th Street
23 overpass; is that what you're speaking to?

24 MR. LAND: Yes.

25 MR. THAR: Yes. Walter, in your review of the

1 plans, is that ready to be constructed or there's certainly
2 preliminary actions that need to be completed such as land
3 acquisition, air rights, things like that?

4 MR. LAND: There was still one air right as of
5 last Friday to be secured from CSX.

6 MR. THAR: So that would be over the railroad?

7 MR. LAND: Yes. Other than that, things are a
8 go.

9 MR. THAR: Is that necessary for any construction
10 on that overpass?

11 MR. LAND: Yes, sir, it is.

12 MR. THAR: Have you had an opportunity to look at
13 the proposed construction for that overpass?

14 MR. LAND: Yes, I have.

15 MR. THAR: And based upon your preliminary review
16 of it, does it seem to meet the requirements that INDOT
17 would impose upon an overpass like that from a construction
18 standpoint?

19 MR. LAND: Yes, it does.

20 MR. THAR: And from a traffic flow view, does
21 that seem to alleviate some of the traffic congestion in
22 the area or is it going to add to traffic?

23 MR. LAND: No, it should alleviate some of it.
24 The traffic study we finished just this morning, and there
25 are certain considerations in there that the consultants

1 pointed out that we will have to coordinate with the
2 developer, whomever that might be, to make sure that those
3 requirements are met; and it will be more than adequate.

4 MR. THAR: One of the proposals, or maybe more
5 than one proposed, is the closing or limiting the access to
6 the present Hammond Marina via Calumet Avenue. Does INDOT
7 have a feeling as to whether or not access to Calumet
8 Avenue could be eliminated or closed down?

9 MR. LAND: I couldn't answer that, Jack.

10 MR. SWAN: Mr. Land?

11 MR. LAND: Yes, sir.

12 MR. SWAN: Did you look specifically at the
13 traffic congestion opportunity at the parking garage itself
14 or is that inside of your jurisdiction here?

15 MR. LAND: No, it's not.

16 MR. SWAN: But the road leading to it is?

17 MR. LAND: Yes.

18 MR. SWAN: And you don't see any problems with
19 that?

20 MR. LAND: No, sir.

21 MR. SWAN: If we had an eight- or nine-story
22 parking garage there and all the cars leading to it, you
23 don't see a traffic problem?

24 MR. LAND: No, sir.

25 MR. KLINEMAN: I wondered, are people done with

1 Hammond? Does anybody have anything further on Hammond? I
2 just want to switch to Lawrenceburg. How are things going
3 down in Lawrenceburg these days?

4 MR. LAND: Well, I'm going back there tomorrow,
5 Mr. Chairman, and I was there two days ago.

6 MR. KLINEMAN: And you're still working on it?

7 MR. LAND: Still working on it, and we are making
8 progress.

9 MR. THAR: Can you just give the Commission an
10 update in terms of the Greendale/Lawrenceburg issues, the
11 levy issues, where people are in those discussions in
12 relationship to INDOT?

13 MR. LAND: Well, I'd say, Mr. Thar, that the
14 situation is fluid. We are continually negotiating. I met
15 with the developer there until 7 o'clock the night before.

16 MR. KLINEMAN: If you can get it done, you'll do
17 it.

18 MR. LAND: We seem to be in agreement. We are
19 moving parallel with development of the highways as well as
20 the other consideration with the local communities. And
21 hopefully they will merge and we will proceed with the
22 construction. I think we will.

23 MR. KLINEMAN: This Commission is very happy that
24 you are assigned and the developers should be very happy
25 that you are the gentleman that INDOT chose to be the

1 gaming czar, because you are really very capable, and we
2 appreciate your services.

3 MR. LAND: Thank you very much.

4 MR. KLINEMAN: Well, thank you very much for
5 coming up here. I'm sorry we don't have any more for you.

6 (Discussion was held off the
7 record and Mr. Land stepped
8 down from the podium.)

9 MR. KLINEMAN: We passed a resolution saying,
10 "Whatever Walter wants, give it to him. That's what we
11 want." Remember the last resolution? I guess all we --
12 we're getting settled on a time. We have a date, but are
13 we settled on a time or should we just leave the time open?

14 MR. THAR: I think because of the uncertainty of
15 the situation, we weren't able to settle on a time. It
16 would be no earlier than 9:00 and no later than 11:00.
17 That's about the best we can say right now.

18 MR. KLINEMAN: Okay. We are going to announce
19 that the next business meeting of the Indiana Gaming
20 Commission will be November 17, 1995, in Indianapolis -- at
21 the auditorium?

22 MR. THAR: Yes.

23 MR. KLINEMAN: -- at the auditorium in the
24 conference center. At that time, we will make a decision
25 on Hammond. And if things are proper, we might be in a

1 position to conclude hearings on EC, the name of which I
2 cannot say. But we don't know for sure what will happen,
3 so we'll have to wait for further court proceedings. But
4 you are notified that we will be meeting on November 17,
5 sometime that morning, to have a business meeting and to
6 make a decision on Hammond and to consider what further
7 actions we can take in regards to East Chicago. Okay?
8 With that, we will adjourn.

9 (The proceedings were
10 adjourned at 1:45 p.m.)

11 * * * * *

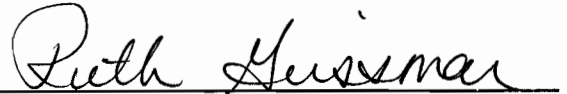
STATE OF INDIANA)
) SS:
COUNTY OF PORTER)

REPORTER'S CERTIFICATE

I, RUTH GRISSMAN, a duly qualified stenotype reporter and duly authorized to administer said oath, do hereby certify that the foregoing proceedings were had before me on Thursday, October 19, 1995, at the Inter-Generational Center, 1402 E. Chicago Avenue, East Chicago, Indiana.

I further certify that I then and there reported in machine shorthand the proceedings so given at said time and place, reduced the same to typewriting from my original shorthand notes, and that the foregoing is a true, correct, and complete transcript of said proceedings.

IN WITNESS WHEREOF, I hereby affix my name and seal this 22nd day of November, 1995.



Ruth Grissman,
Shorthand Reporter
My Commission Expires 4-30-99