

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.

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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 Jearse 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