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BEFORE THE
INDIANA GAMING COMMISSION

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

MICHIGAN CITY CASINO AND LODGE PRESENTATION
AND QUESTIONS AND ANSWERS
VOLUME IV Pages 268 thru 384

The presentation of the Michigan City Casino and Lodge
and the Questions and Answers as had before the Indiana
Gaming Commission, commencing on Tuesday, February 13, 1996,
at or about 11:30 a.m. at the Pine Lake Hotel, 444 Pine Lake
Avenue, LaPorte, Indiana.

GAMING COMMISSION MEMBERS PRESENT:

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

Also Present:

- JACK THAR
Executive Director, Indiana Gaming Commission
- FLOYD HANNON
Deputy Director, Indiana Gaming Commission
- KAY FLEMING
Chief Legal Counsel, Indiana Gaming Commission
- JANINE HOOLEY
Director of External Affairs
- Members of each Applicant's Staff
- Members from the General Public

Reported by:
Natalie Bearickx, CSR, Associate Reporter

1 Tuesday, February 13, 1996 --

2 (At or about 11:30 Gaming Commission and
3 members of the public present at the Pine
4 Lake Hotel.)

5 MS. BOCHNOWSKI: We are going to have this
6 presentation for one hour, and then we are going
7 to recess for lunch. I have been asked to make
8 a couple of announcements. First of all, there
9 is no smoking allowed in this room. And,
10 secondly, we had a few people coming into the
11 community rooms, which is really a private room
12 for the commissioners, so that is not a public
13 room. If you want coffee or pop, you need to
14 buy that yourselves because actually we are
15 paying for that.

16 Okay. Without any further ado, I guess we
17 can stay right here and we'll begin the
18 presentation.

19 MR. RUBELI: Thank you. I'm Paul Rubeli,
20 chairman, president, chief executive officer of
21 Aztar Corporation. And I will be opening up the
22 presentation on behalf of Michigan City Casino
23 and Lodge or what we call MCCL. This has been a
24 very difficult process for us so far here in
25 Michigan City, as I know it has been for you

1 and, in fact, I would suggest it has been for
2 everyone involved.

3 And I want to step back just a minute or
4 two in the beginning to perhaps make an
5 observation that might be relevant to everyone.
6 The existence of the event of an Indian casino
7 arriving in southern Michigan creating a
8 land-based competitor is new relatively speaking
9 and very unique to the Indiana gaming process.
10 And I think it has created a series of unique
11 but nevertheless real situations that everybody
12 involved has had to deal with. I recall the
13 Indians announced this decision sometime last
14 year, of course, yet they made a contract with
15 Harrah's, which is a very well regarded gaming
16 operator.

17 The intention is that they are going to put
18 a land based casino someplace in southern
19 Michigan and maybe even northern Indiana was
20 what was being said then. Well, what happened
21 to Michigan City was an immense bail out of
22 interest. You had any number of firms that just
23 simply packed up and left, declared they were no
24 longer going to be interested in this market,
25 and by the time the summer was over with it was

1 down three applicants, most of whom were
2 scrambling to reduce their perception of the
3 market, the investments that they intended to
4 make and a city that was confronted with trying
5 to engage in a selection process in the midst of
6 very dynamic and moving series of equations.

7 So what you have got are a lot of things
8 that aren't quite like they have been in each of
9 the other jurisdictions. We will speak to
10 ourselves but I think it's also reflected that
11 the other applicants wound up significantly
12 reducing the original scope and size of the MCCL
13 scope project, I think the other two applicants
14 did the same. That resulted in pretty pictures
15 that were nice to look at but, frankly, can't be
16 built for the kind of money wherein some of the
17 budgets that exist today and I think we all have
18 to be cognizant of that.

19 We also had a situation where the city was
20 confronted with trying to conduct a selection
21 process in what was now a smaller group of
22 applicants, applicants who themselves were
23 changing positions in the real world, and a
24 selection process that got compressed into a
25 very, very short period of time. I recall

1 yesterday that the dates were given by the
2 consulting group, whether it was Carl Zeitz or
3 Dick Treptow, I can't remember, but the first
4 meeting of the selection committee happened here
5 on October the 11th and the last one was
6 December the 6th, that was seven weeks.

7 Now, when we participated in Evansville,
8 that was nine months. And there is a big
9 difference in what happens in a seven week
10 process where you are getting 48 hours notice to
11 respond to something and a nine month process
12 where there's a lot of time to do things in a
13 very deliberate, careful and hopefully
14 methodical way. That's not saying that it's
15 wrong here, I'm just saying the Indian situation
16 resulted in real and significant changes,
17 created dynamics.

18 And the ultimate burden in the end has been
19 flowing to your staffs because even after the
20 selection process I will suggest to you there
21 have been continuing and -- what's the proper
22 term -- clarifications in the original
23 applications, bluntly stated things have
24 changed. But what we are trying to present to
25 you today is, as of February 13th, that

1 represent from our point of view at least what
2 MCOL believes is going to be the best
3 presentation we can offer to this commission,
4 but I will be quick to tell you up front it is
5 the same one the city selection committee saw.
6 In our case we happen to believe this is one,
7 with its clarifications, that is substantially
8 better. But to the extent there may be some
9 in-between version A and version B, that's the
10 real world, I think that the city did what they
11 had to do in their circumstances.

12 I think your staff has been dealing with a
13 very difficult situation over the last few
14 weeks. I will tell you, we dealt with a very
15 difficult situation that came to our attention
16 only yesterday morning regarding the harbor and
17 the NIPSCO site and we had to deal with that
18 over the last 24 hours, so things are what they
19 are on February 13th.

20 Now, my personal goal today is not to make
21 this process easier for you because that's not
22 able to be done but I will try my best. And
23 our commitment to you is to prove as
24 presentors -- we will try our best to try to
25 keep things simple and keep it clarified and

1 give you the best answers we can to answer any
2 questions you have and try in an affirmative
3 presentation to sort of reduce the thing to what
4 we think are the basic factors that is part of
5 your decision making process in terms of looking
6 at all three applicants and, frankly, looking at
7 the city of Michigan City and deciding what it
8 is that you want to decide.

9 So with that very long winded presentation,
10 let me introduce our MCCL team which is where I
11 was supposed to have begun. Aztar came into the
12 picture only in August when we were asked by
13 local partners of MCCL to consider joining them
14 to be in charge of their development and
15 ultimately the operation and management of the
16 casino. I want to remind the commission that we
17 are limited under Indiana and under Indiana reg
18 to only own up to 10 percent interest in a
19 second casino, so we are here as an owner but it
20 will be less than 10 percent. But I will tell
21 you we will be the developer. We'll be the
22 manager of the construction, design and opening
23 process, and we will be the operator of this
24 casino under a long-term contract with MCCL. So
25 what you get is Aztar for those things but we

1 will be less than 10 percent ownership, which
2 will also create some difficulties which we'll
3 share with you in terms of the clarity of
4 presentation to you.

5 Joining us in this team, though, is a
6 Horizon Lighthouse Place -- the owners of
7 Lighthouse Place has been spoken about so much
8 yesterday and this morning and they will be
9 presenting to you in a few minutes; Kehl
10 Riverboats, one of the largest developers, and
11 in some cases, of operators of riverboats,
12 having done 10 of them over the last few years;
13 very strong local business interests with two
14 very successful businessmen from northern
15 Indiana, the Lubezniks, who own and operate the
16 largest number of McDonald's franchises in
17 northern Indiana and some local partners that
18 have struggled for the last two years to
19 maintain the application of MCCL and keeping it
20 before the commission that brings us here today.

21 I want to talk a little bit about Aztar.
22 I'm sorry. I'll introduce this team in more
23 detail then I'll talk about Aztar. Horizon is a
24 large public company in the real estate trust
25 business, they are one of the largest operators

1 of factory outlet malls. And the president,
2 co-chairman and CEO of Horizon is with us today,
3 Jeff Kerr, who will be presenting to you in a
4 few minutes.

5 Kehl Riverboats received the first license
6 in Iowa, opened the first boat subsequently in
7 Missouri, Louisiana, as I said earlier, had
8 built 10 of these boats most of which have been
9 sold to other gaming companies in our business.
10 They are a company that's been in business a
11 long time and were the proud recipient of a
12 Ronald Reagan award in 1986 as business persons
13 of the year. They have been involved in every
14 facet of operations from vessel construction to
15 operations.

16 In 1994 Bob was singled out by the Trade
17 Journal Passenger Vessel News to receive its
18 first annual Compass Award for his leadership in
19 the riverboat gaming business, so we're pleased
20 to have him as part of the team. Glenn Lubeznik
21 runs businesses in northern Indiana, in fact,
22 right here in Michigan City, seven McDonald's
23 restaurant, employs 500 employees and has been
24 here 32 years in this city. Rod Lubeznik has a
25 \$33 million business operating in northern

1 Indiana and Chicago 21 McDonald's locations,
2 over 1800 employees. A very sizeable business
3 is run by these two men, 35 years in business.

4 Let me go right to the market. There was
5 some discussion actually just before break time
6 about just what is this market called Michigan
7 City. What I have here on a map is Michigan
8 City in the center of two circles, the inner one
9 is a 50 mile radius circle, the outer one is a
10 100 mile radius circle. The blue dots represent
11 existing or approved casino sites, the three in
12 Illinois to the left; the three in Lake County
13 that have been recently approved in East
14 Chicago, two in Gary and one in Hammond and
15 Michigan City, of course, where we are standing
16 or sitting here today.

17 I bring this slide up to clarify just what
18 is this market, and I want to make an important
19 point in our point from our view. This market
20 is a lot better than some of the trade
21 newsletters and some of the trade journals that
22 have given it credit for. For some reason it
23 got relegated into, oh, that's the small market
24 up there on the northern side of Indiana, not
25 true.

1 Let me lead you through what we believe is
2 the primary market, very simply it's the
3 counties in blue. We have exceeded, in our
4 judgment, what's going to happen here. All of
5 Illinois counties and Lake County, western
6 counties of Indiana, just simply saying, that's
7 not in our primary market. If you look at what
8 we think is the primary market, it is the
9 counties to the south, to the east and to the
10 northeast of Michigan City.

11 What's interesting to highlight is in those
12 blue areas are living today are 2.5 million
13 people. Now, we are very familiar with
14 Evansville, you folks went through a license
15 hearing last February all about Evansville. Let
16 me give you this illustration to compare this
17 market to Evansville, this is just a frame of
18 reference, in Evansville within 650 miles the
19 inner circle lives 650,000 people. In this
20 inner circle in only the blue counties, meaning
21 excluding Lake County, there is one million
22 people. In Evansville within 100 miles in all
23 directions there are two million people just
24 reaching into Louisville. In this chart here
25 within 100 miles just including blue counties

1 there is over 2.5 million people.

2 Putting it in laymen's terms this is a
3 bigger primary market than Evansville, and we
4 have a window of opportunity here before the
5 Pokagons open up in Michigan to seize this
6 opportunity to establish this market, to
7 establish a market share, to get customers here
8 in our data base just like we are planning to do
9 in Evansville. We'll have an opportunity there
10 before Louisville gets challenged by other boats
11 or before Cincinnati even gets challenged to do
12 what we are doing right now, get that market,
13 then you are going to take on the competition
14 when it comes.

15 So important point number one, Michigan
16 City is a bigger market than Evansville in terms
17 of its primary population. And I just don't
18 think that's been a conventional wisdom in our
19 industry, and it's a fact that ought to be
20 shared with you. Should this city deserve a
21 license, absolutely, absolutely no question.
22 And for a window of opportunity, we think for
23 the last -- for two years we have a big market
24 to go after in south and eastern Michigan and
25 southeastern Michigan and we intend to do it

1 with our proposal.

2 Now, the Indians will come, we think, after
3 two years. At some point the Indians arrive in
4 Michigan, and what we are showing you here is
5 the judgment. At the time we filed an
6 application we presented to the City of Michigan
7 City that we thought the Indians might be in the
8 Kalamazoo area just to the west of Kalamazoo and
9 so we put a blue dot there. Other people and
10 analysis people went to work on the same basis
11 we did elsewhere and said, now, those yellow
12 counties are no longer going to be our primary
13 market, they are going to be the market that
14 will be the primary market for the Pokagon
15 Indians land-based casino.

16 The point is even when they are excluded
17 and Illinois and Lake county Indiana are
18 excluded, there be still be left in those blue
19 areas one point two million people. That also
20 is bigger than what we are going to be left with
21 in Evansville when the other boats go up on the
22 Ohio River, so there is a very large primary
23 population to begin with. We have a two year
24 window of opportunity. We think, during those
25 two years that we can see recently a market here

1 of over \$110 million of casino revenue, same
2 attitude as others, little bit smaller because
3 there's more competition here but I will come
4 back to that.

5 When the Indians come, if they come to
6 Kalamazoo in our submission, we believe that
7 will immediately drop to 70 million, big hit, 40
8 to 45 percent reduction, and the reason is a
9 land-based casino is a very significant
10 competitive advantage over a riverboat. There
11 are no cruising schedules, period; you get in,
12 you get out, you arrive, you leave whenever you
13 want 24 hours a day. And the facilities
14 themselves look much more like a real casino
15 than what we have to pretend we have on these
16 boats, so there is real competition coming in
17 the form of that land-based casino. And we
18 think the market will drop from \$110 million,
19 our share of the market to be precise here, from
20 110 million down to 70 million.

21 And recently in the fall, which led to some
22 of the confusion, I think, among the applicants,
23 before the city selection they began talking
24 seriously about coming to New Buffalo. Now, New
25 Buffalo is the farthest left-hand yellow point

1 on that map, it's only 10 miles from Michigan
2 City right up Route 12, I guess it is, and, wow,
3 talk about being in your backyard. So if that
4 happens our people have already done an
5 estimate -- it's not in the submission because
6 who knows where they will wind up -- we think it
7 will drop to 50 million of casino revenues.

8 So the real world is we are looking at an
9 operation that for the first few years is going
10 to be a very strong viable operation with
11 significant revenues. We still think this is
12 still probably the more likely scenario than the
13 Indians, which would mean \$70 million casino,
14 but we are prepared and we are only prepared to
15 invest on the assumption it's a \$50 million
16 casino in the long run. We have to survive in
17 that environment is the reality that we think we
18 face. But actually dealing with maps, to orient
19 everyone as to an issue, that hasn't come up.

20 The interstate is along the southern
21 portion of this map and the western -- what I'm
22 trying to illustrate is that downtown Michigan
23 City area, whether it's Trail Creek or the
24 harbor is a long way off that interstate. I
25 mean it is a long drive on surface streets to

1 get from I-94, no matter how you come here, to
2 the downtown area. Now, that is a competitive
3 disadvantage because every other one of those
4 northern Indiana casinos that you folks approved
5 is either near an interstate or right off an
6 interstate, easy to get to. Psychologically
7 this place is not easy to get to, it's a lot
8 easier to go whipping on I-94 and wind up in New
9 Buffalo than it is to get off at this exit or
10 vice versa. So how far we are from the
11 interstate is important to us as a consideration
12 for the city to deal with the decision of where
13 should this place be best located.

14 In summary we think there are four points
15 that constitute what we call the Michigan City
16 business reality, a very competitive market but
17 nevertheless a big market, let's not be
18 apologetic about it; number two, we are going to
19 have to deal with Chicago area riverboats to the
20 west, and our assumption is we don't get any of
21 their business in terms of primary marketing.
22 But if it's true that Lighthouse Place derives
23 as much as a third of their business from
24 Chicago, and they believe it's true, then we'll
25 get that piece of the Chicago business if we are

1 right next door to them, that's why we are going
2 to be where we are going to be. But otherwise
3 we have not assumed in our numbers any Chicago
4 business to speak of other than what we call
5 limited transient.

6 The Pokagon Indians are very real. When
7 they will come, where they will come and how
8 they will come is still the guessing game of
9 marketing warfare, maybe it's going to take them
10 a little longer. It looks like politically the
11 climate is less favorable. It looks like
12 Governor Angler (phonetic) is under some
13 pressure in Michigan. It looks like there is
14 some litigation pending in the southern New
15 Buffalo area. It looks like some wonderful
16 opportunities are emerging for Michigan City to
17 seize the initiative, have a window of
18 opportunity. So maybe the other guys bail out
19 of here but maybe we do find ourselves at the
20 right time and the right place and we may get
21 more than two years.

22 They have to go through a long and arduous
23 political process to get land, to get land and
24 trust, to get land approved, to get a whole
25 series of permits out of their way and to get

1 something up and running. By the way, Harrah's
2 is kind of distracted right now with some other
3 problems so they don't have themselves in the
4 best situation from that point of view either.
5 So I say in the end Michigan City has a chance
6 here to do this thing right.

7 You better remember with an off highway
8 location it's not going to be easy to get people
9 off the I-94 highway to come here. We are not
10 the only casino. When you have a monopoly, it's
11 easy, you can put a casino anywhere. But when
12 you don't have a monopoly, you better pay
13 attention to where the site is. We think the
14 decision factors come down to these three, who
15 are the operators you are dealing with and what
16 are their experience; where is the project
17 located and exactly what kind of scope is
18 reasonably sized for this market and, lastly,
19 who really has the ability to finance this
20 project, other than that your job is easy. It
21 seems to me those are the main points that we
22 would like to address.

23 You know us as Aztar, for the record I'll
24 go through this -- I won't spend much time on
25 it -- we're a New York Stock Exchange Company,

1 we have over 16 years in this business. We have
2 over a billion dollars of assets, over \$600
3 million of revenue a year, and we would clear
4 over 100 million in cash flow a year. We are
5 licensed in New Jersey, in Nevada in Missouri
6 and Indiana. We operate currently five casinos,
7 three land-based so we know what land based
8 casino are all about and two riverboats,
9 Atlantic City; Las Vegas; Flanigan; (phonetic)
10 Caruthersville, Missouri, which opened 10 months
11 ago and Evansville which opened two months ago.

12 This (indicating) is our big building in
13 Atlantic City, we're proud of it, it's got now
14 1000 rooms, but we currently have 600 rooms
15 under construction. This is the third time we
16 have added rooms to this place and when it opens
17 in May, we will have the largest hotel in
18 Atlantic City, it will be larger than Trump's
19 Taj Mahal. In Las Vegas we have a 2,000 room
20 resort destination hotel. In Flanigan, Nevada,
21 where nobody has ever heard of, we have a 1600
22 room resort hotel. These are big properties,
23 land-based, we know what that business is about.
24 We also have a tiny riverboat in Caruthersville,
25 this is only 600 passengers. It's been open 10

1 months and we have learned a lot about the
2 riverboat business, particularly the issues in
3 Missouri. And most currently, of course, we
4 opened the first riverboat in Indiana in the
5 city of Evansville, Casino Aztar's boat in
6 Indiana. And this (indicating) is a picture
7 showing in the upper left the pavilion that's
8 being used on a temporary. And in the corner on
9 the upper right part is the construction going
10 on, as we speak, to build the 40,000 square foot
11 pavilion and eventually the 250 room hotel and a
12 parking garage that will make a land-based
13 destination resort facility appear on the banks
14 of the Ohio River with a floating casino tied up
15 to it, we are real excited about it. You know
16 the results in December, they were very good for
17 us. We'll be releasing January in two days, I
18 guess it is, and we really like what we see down
19 there. It's been a great relationship, I think,
20 for this company, for the city and for the
21 state. In total there's over 9,000 employees
22 5,000 hotel rooms, over 200,000 square feet of
23 casino space, 180,000 square of convention
24 space, 40 restaurants and lounges and a lot of
25 big entertainment.

1 The biggest showroom in Atlantic City is a
2 1700 seat headliner showroom and a big showroom
3 in Las Vegas -- and we know what the
4 entertainment business is about and that's part
5 of the dimensions we hope to bring to our
6 developments in Indiana. We are bringing it to
7 Evansville and we'll bring the same commitment
8 here to Michigan City. We can even picture
9 headliner entertainment in Michigan City under
10 certain circumstances, meaning not the kind of
11 weather we have had to endure in the past few
12 days, but summertime, springtime entertainment
13 is going to be part of the proposal that we're
14 presenting to both the city and to this group.

15 People are important and we have been
16 committed to this notion that people are
17 important. And women have equal opportunities
18 in this company, and the numbers speak for

19 themselves. We truly believe this
20 population was made by God to be 50/50 and we
21 try to employ it that way. We have also had a
22 strong commitment to minority hiring. It was a
23 very proud record that we presented to you folks
24 before and you are seeing a little bit of an
25 update again today, and typically and in most

1 cases we have working for us a percent of
2 minorities equal to double the local population,
3 and those are the kinds of commitments that
4 create some very dedicated employees that work
5 very hard for this company.

6 I want to move on to a slide that's unique,
7 it's for the commitment we made in Evansville in
8 their selection process in early 1995 and the
9 commitments we made to this group also in
10 February of '95. And this is our first official
11 report since being open as to how we did against
12 those commitments in terms of minority hiring.
13 We committed to hiring 10 percent which is the
14 local population almost in Vanderburgh County.
15 As we speak, we have 18 percent minority on
16 board. We said we would have 45 to 55 percent
17 women, we actually have 52 percent women. We
18 said we would higher 90 percent of our employees
19 from Vanderburgh County, we already are at 85
20 percent, and when the hotel and pavilion opens
21 at the end of this year, we'll be over 90
22 percent, this is extraordinary.

23 We made a commitment to minority business
24 enterprise and women business enterprise, that
25 took a long time getting to because Indiana has

1 not as strong commitment in this area as some of
2 the other states, so we have to work with
3 ourselves and help the state agencies do some of
4 the things they are trying to do. We said we
5 would get 5 percent the first year, 10 percent
6 the second year and 15 percent the third year,
7 our people right now buy 35 percent from
8 minority business enterprises and women business
9 enterprises. It's a very proud record for this
10 industry or for the state of Indiana and we see
11 this continuing.

12 And, lastly, something we never really
13 promised in terms of fixed numbers, because we
14 didn't know how to do it, we said we would
15 concentrate on buying locally, it turns out 74
16 percent of our purchases are coming out of
17 Vanderburgh County. You folks don't have to be
18 embarrassed about your selection in Evansville,
19 that's our experience as Aztar.

20 Let's talk about this location and scope.
21 I heard a lot about the favored location. Let
22 me just say we wound up getting a survey
23 commission -- and I think the results were
24 presented to the staff last week and perhaps to
25 all of you commissioners, I'm not sure -- that

1 surveyed Michigan City, city of LaPorte and the
2 county and asked a bunch of questions to
3 qualified respondees which do you prefer and,
4 hey, it's pretty obvious people of this county
5 and people of LaPorte and the people of Michigan
6 City would rather see it on the harbor because
7 it's more logical to have it there is my belief
8 as to why the said that.

9 It turns out that there were 17 of the 21
10 members of the selection committee that
11 preferred Trail Creek, so I simply raised the
12 question with the selection committee, was that
13 representative of the population or was that
14 representative of the desires of the government.
15 But this we submit to you as some factual
16 evidence and, of course, anyone can dispute
17 surveys, and be my guest, but we think it's
18 better than having nothing. So there has been a
19 lot of controversy over this location, and it
20 was only back in 1993 when the previous mayor
21 assembled a group of companies to give the first
22 presentation. We know that Aztar was here then
23 as Aztar Corporation.

24 Bob Haddock came to Michigan City in
25 October of '93, gave a presentation before a

1 meeting Mayor Behler put together and several
2 other applicants were there and we all talked
3 about casino gaming. It was a prerferendum
4 presentation to help get it passed. At the time
5 even in the summer of '93 the designated site
6 was going to be Trail Creek, the reason why,
7 it's very simple, there had been a developer
8 there sometime before who had promised great
9 things. A lot of money had been lent, a bunch
10 of land had been cleared, some people had been
11 displaced and then he walked out. And so,
12 folks, there's a problem on our hands, ah ha,
13 let's use casinos to fix that urban renewal
14 problem and that's the background and it's still
15 with us in 1996 is my belief.

16 The problem is, as we see it, that Trail
17 Creek is basically an urban renewal area -- and
18 there is nothing wrong with urban renewal
19 areas -- but if you want to designate one,
20 recognize what it is that you have and why you
21 have it that way. But we think as a casino site
22 the Trail Creek site has some problems.

23 I would like to read you some notes I have
24 made on this. Number one, the access is very
25 poor there are no major streets in or out of the

1 site; number two, the visibility is very poor,
2 the site itself sits in a depression, it's very
3 hard to see it visually; three, the surrounding
4 area is not very attractive, it was previously
5 an industrial area and currently is an urban
6 renewal area, in fact, it's surrounded by a low
7 income residential area, that troubles me about
8 moving a casino into that kind of -- what should
9 be a family and people neighborhood.

10 There is some technical issues going
11 forward to confront including substantial
12 dredging, which is going to require corps
13 approval, and we've been there before with
14 environmental impacts, potential delays as a
15 result of these, and as well the inability to
16 cruise Lake Michigan has been the subject of a
17 lot of question. Most serious of all, however,
18 in my judgment the isolated nature of that site.
19 There is no foot traffic now, there's no logical
20 foot traffic in the future. There are no other
21 tourist hooks at this site on the east side of
22 the city to support the casino. In short, this
23 is not a fun site, and we are in the business of
24 marketing fun and that is not a fun site,
25 period.

1 Now, the harbor site by contrast has
2 excellent access following current traffic
3 patterns right down Route 35 on to Michigan
4 Boulevard, just like the city would like it to
5 work, with particularly good exiting flows which
6 would eliminate potential congestion. The site
7 is very visible, it sits on high ground with
8 fabulous views of the harbor, marina and
9 Washington Park. I'm really sorry that
10 yesterday morning when you guys were over there
11 that you had to do it in that inclement weather.
12 If you're here on a spring day or even a fall
13 day when there is a blue sky and the sun is
14 shining, that is a gorgeous harbor. And that
15 site there sitting up on the bluff overlooking
16 the harbor, the marina, Washington Park, the
17 beach area and whatnot, it's just simply
18 beautiful, it was not so beautiful at 8:30
19 yesterday morning. Third point about the harbor
20 site is, there is considerable potential for
21 foot traffic and a number of already existing
22 tourist hooks to tie in to support this casino
23 and, of course, that's the important point.
24 Most importantly it can be and it will be
25 integrated into Lighthouse Place and draw upon

1 its already existing 2.4 million visitors a year
2 and become a true destination, retail and
3 entertainment complex.

4 Now, if given the choice, I will ask the
5 rhetorical question which one succeeds. Under a
6 highly competitive environment that's going to
7 have the Indians arriving that faces the
8 business realities we have in the previous
9 spot -- there is one other city that tried to
10 use casino development as an urban redevelopment
11 tool and it was called New Orleans. And they
12 forced that operator to put a casino where they
13 didn't want to put the casino and you know the
14 outcome of that particular experiment. Now,
15 that's simply not what this company is prepared
16 to do in Michigan City. And I will tell you if
17 even offered the choice, we will not go to Trail
18 Creek even if you were to grant us the license,
19 and that's been decision of this partnership, so
20 it's either the harbor or we don't come to
21 Michigan City. Okay.

22 I'm not sure where I'm supposed to go next.
23 This (indicating) is the site, an aerial which
24 shows in red the encompassing area of the
25 harbor, and I have a -- these things are hard to

1 use from a distance. This (indicating) is all
2 the current Lighthouse Place development. This
3 (indicating) up here is our particular site,
4 MCCL. We have 12 acres of land under option
5 right now. This (indicating) is the harbor, of
6 course. I want to point to a couple of
7 landmarks because I think it's good reference.
8 This (indicating) is the Washington Park area.
9 This (indicating) is the zoo. Of course, this
10 (indicating) is the beach. This (indicating) is
11 the marina. This (indicating) is the harbor
12 coming out. This (indicating) is a breakwater.
13 I want you to keep that in your mind because
14 this (indicating) area in here (indicating) we
15 believe under certain circumstances, weather
16 conditions and whatnot, that working with the
17 Coast Guard that we ought to be able to get
18 permission to take our boat out and cruise
19 literally on Lake Michigan without having to
20 play any word games about what constitutes Lake
21 Michigan.

22 After that you will see later our plans to
23 basically cruise in the harbor out of the
24 channel and away from pleasure craft. It's an
25 exciting concept because in that red area is

1 over 50 acres that we intend to integrate into
2 one integrated development in partnership
3 with -- I will show you the details of that in a
4 moment but I wanted to cover the essence with
5 you.

6 Now, yesterday I think it was the mayor who
7 said, well, the public has been opposed to any
8 development on the shore, and there was an
9 incident a couple of years that was -- there was
10 an attempt to development on the shore -- that
11 the public would have an outcry. Well, what she
12 was referring to, I believe, is this marina.
13 They tried to expand going this (indicating) way
14 and was going to take like 1400 feet of beach
15 out, which was truly on the shore, and the
16 public did do an uproar about that. We are
17 talking about developing now what's already a
18 bulkhead area in the harbor and we simple don't
19 agree -- and, of course, we presented to you
20 that survey that suggests that the people of
21 Michigan City, at least 48 percent of them,
22 prefer the harbor as a location.

23 The concept is an integration of existing
24 tourist attractions, and I wanted to just kind
25 of diagrammatically summarize it for you. With

1 the riverboat as an anchor, this city can take
2 advantage of an already existing hook and tie it
3 altogether in one big destination entertainment
4 complex, the harbor and marina we talked about,
5 the beaches, Washington Park and zoo, the civic
6 center, downtown area, Lighthouse Place, which
7 we'll come back to, the Dunes to the west. And
8 Amtrak has a railroad station right on the front
9 edge of our property that we would intend to
10 integrate for our development so that literally
11 we would have a shot at maybe marketing some
12 package deals out of Chicago, particularly in
13 concert with Lighthouse Place, and let that
14 train stop right there, right there where the
15 casino pavilion will be and tie it into the
16 Lighthouse Place so Amtrak is an important part
17 of our thinking too.

18 The point is this hooks it altogether so
19 that it gets critical mass and it will function
20 as an integrated entertainment complex, all of
21 it walkable. You cannot walk from Lighthouse
22 Place to Trail Creek, you just can't. I don't
23 know if you are familiar enough with the area
24 but that's unrealistic. This, of course, is
25 right next to each other, all these points, and

1 so the thing works together so we are excited
2 about the idea.

3 We're not just going to build a casino and
4 a parking lot, but we'll serve as a catalyst for
5 a large integrated development that just might
6 bring people off the highway to Michigan City.
7 Our project will consist of in total 230,000,
8 square feet of retail, 200,000 built by Horizon,
9 30,000 built by us. To give you a feel, the
10 current light Lighthouse Place has 433,000
11 square feet in it, so we are talking about a 50
12 percent addition to that complex integrating the
13 casino, the pavilion and our hotel as part of
14 it.

15 Our casino boat will have 1350 positions,
16 it's a big boat currently rated for 2,000
17 passengers, it depends on what we do with the
18 Coast Guard about going into Lake Michigan, we
19 hope we can keep it around 2,000 passengers plus
20 a crew of 250. We will have a hotel of 100 to
21 120 rooms, lots and lots of parking and the
22 important part is it's integrated with
23 Lighthouse Place. Schematically that same
24 photograph that I showed you that was the real
25 world is now replaced by the diagram. Here's

1 (indicating) in gray the existing Lighthouse
2 Place buildings. Everything up here
3 (indicating) would be brand new. Orange
4 buildings are the retail space including two
5 down here (indicating), these Horizon would
6 build; these (indicating) we would build but all
7 of it goes into one integrated site.

8 Here's (indicating) the situation of the
9 hotel located facing the harbor up on the bluff
10 with beautiful views. It's just a great
11 location for the hotel. Amtrak comes right
12 through here (indicating). Where the railroad
13 station is we would integrate into our facility.
14 See, this plan said originally we were going to
15 put our boat here (indicating) as an affirmative
16 docking spot. It's recessed so it's out of the
17 way of the harbor, out of the way of the
18 traffic. The reason we felt comfortable
19 presenting this to the commission when we did
20 earlier and expecting to present to you today is
21 in the December 6th meeting representatives from
22 NIPSCO made representations that they would not
23 take a position on casino gaming or any
24 applicant until after you have finished your
25 process issuing a certificate of suitability,

1 yesterday that changed. In effect, they did
2 take a position because on the surface they
3 excluded this applicant by simply saying we'll
4 give you a year at our site but you can't have
5 it any longer, that's a change of rules.

6 I don't know what that means about amending
7 or clarify submissions to you but it requires a
8 plan as to how we are going to intend to deal
9 with this. We have had our set of problems over
10 the past 24 hours, too, so I want to talk a bit
11 about that. I think I have talked enough about
12 this.

13 Let me move on to where we were going to
14 move our boat and what we were going to do with
15 it. What we were going to do is have that boat
16 located in a recess. The current shore line is
17 right here (indicating), dig into it, simple
18 slip. And this boat would cruise up and down
19 here (indicating) similar to what we do at the
20 plaza in Evansville staying this side of the
21 Kentucky line staying out of the channels where
22 the barges are running, the masters and captains
23 having full discretion over that vessel to do
24 what they do so well. And that boat works just
25 fine in a much more difficult situation than

1 this placid harbor presents to us.

2 This (indicating) is the main channel for
3 pleasure boating. In other words, this boat can
4 stay out of the channel, it does not have to
5 interfere with pleasure boating. Under certain
6 circumstance, as I said earlier, we would like
7 to work with the Coast Guard to see if we can't
8 get approval to take that boat out actually
9 under the main body of the lake staying this
10 side of the breakwater. I can't tell you we'll
11 get approval, I don't know if we'll get
12 approval. I suspect the Coast Guard themselves
13 couldn't answer that today because they all want
14 to look at the vessels, our plan, they want to
15 look at our emergency response plans. They want
16 to understand how we intend to run the vessel,
17 what its capabilities are, whether we believe
18 there is reason to believe that we can get
19 ourselves approved to do that.

20 We have accomplished far more on the Ohio
21 River in terms of what we needed to get approved
22 and we think this thing can be done too.
23 Emergency response plans -- I heard Chairman
24 Klineman ask the question yesterday -- we are
25 real good at that and we are very proud of it.

1 I don't know if you know this or not but the
2 drill that was held in the city of Evansville
3 before it opened was unique in the riverboat
4 casino business. In the Midwest no other
5 operator, no other state required, frankly, that
6 an operator conduct the kinds of emergency
7 response, not only planning but actual drilling,
8 that has gone on in Evansville. And we will do
9 the same thing here in Michigan City, that's the
10 cruising plan we had, and we are going to get
11 back to it if we can still do it.

12 And this (indicating) is the boat that we
13 are going to use. This (indicating) is the boat
14 that Kehl Riverboats already has built, it
15 already exists, it's waiting to be delivered up
16 here, it's theirs to contribute to the
17 partnership. This (indicating) is site we are
18 going to use because there were three sites
19 available on that harbor, one was NIPSCO, the
20 second was DNR and third was a place called
21 George Marina.

22 Last fall we really liked this DNR site and
23 that's, frankly, where we would rather put the
24 both. And things came up and DNR took a
25 position and we really, frankly, understand the

1 position they took and that site appears to be
2 nonviable. Well, let me leave it at that. This
3 (indicating) site here, NIPSCO, was going to be
4 the temporary site for all the applicants which
5 was going to be our permanent site. NIPSCO
6 changed the rules for whatever reason and so
7 this can still be a temporary site. And by the
8 way, we will intend to use this as our temporary
9 site.

10 This (indicating) is George Marina and we
11 have that property under option with a signed
12 agreement so it's ours to control. Our
13 engineers, working yesterday and last night,
14 have a plan that shows the slip going here
15 (indicating) that now is pulling the boat out of
16 the channel in which instance we are not
17 blocking the harbor and we're not blocking Trail
18 Creek, this boat could work. It does have to
19 come in and out. Let me put it this way, if we
20 deal with barge traffic on the Ohio River, we
21 can deal with some crafts coming under the
22 bridge off of Trail Creek. This boat can work
23 in the harbor.

24 Then we would continue to cruise, as we
25 showed you previously, and you can get out on

1 Lake Michigan and we're back on track again. We
2 almost had to withdraw this application last
3 night if we couldn't resolve this problem. So
4 we are on the harbor we have a site and we think
5 the site works and we control the site more
6 importantly. It's going to require some
7 shifting of our design on the buildings but
8 that's no problem, what we'll do is we'll bring
9 the terminal over here (indicating) and flip it
10 on the other side of the hotel. We'll put the
11 terminal here (indicating) and we'll go across
12 to the George Marine site. So we're just going
13 to move some of these dots.

14 The point I'm making is I would rather
15 focus again on the master development of 50
16 acres and say the boat can go here, it can go on
17 DNR, it can go on George Marina, whatever works
18 out the best. When this process is finished and
19 the politics gets removed, we will work out the
20 best solution and we will have that boat either
21 way operating continuous to our property. This
22 (indicating) is the remaining development that
23 we are so excited about. The orange buildings
24 again are the new buildings going in. The white
25 buildings are the existing Lighthouse Place. We

1 have a traffic plan that comes in with the red
2 line coming in on Michigan Boulevard from Route
3 35 to a new main entrance and exiting going down
4 the blue straight out and off to I-94 much
5 paralleling some of the traffic flow out of
6 Lighthouse Place but providing a much preferred
7 entrance to the city.

8 More importantly from my point of view in
9 terms of creating fun this yellow -- we call it
10 the yellow brick road -- ties this whole complex
11 together into a very, very, very user friendly
12 mall, pedestrian mall, that for most of the
13 year, except for the bitter winter when there's
14 wind, you are going to be able to walk around
15 this place in one integrated environment. This
16 is looking to the south to the new Lighthouse
17 Place area and to their existing area in the
18 background where they are showing their
19 additional buildings. And from the same spot
20 looking to the north toward the harbor where
21 that building with the Lighthouse on top would
22 be our pavilion. Under the original plan the
23 white building is our hotel overlooking the
24 harbor. But the important thing to bring to
25 your attention is it's linked with this very

1 user friendly pedestrian mall, it's a fun place
2 kind of like San Antonio's Riverwalk or some of
3 the urban development areas that have been
4 successful in transforming inner cities into
5 pedestrian friendly places like Harbor Place or
6 Ghiradelli Square down there in San Francisco.
7 All of this is possible if we have the
8 application of that site, if we have a partner
9 that we have. And it's my pleasure at this
10 point to introduce to you Jeff Kerr,
11 co-chairman, president and CEO of Horizon who's
12 going to tell you some of the exciting things
13 they are planning to do as part of their
14 involvement with us.

15 MR. KERR: Thank you, Paul. And thank
16 you, commissioners, for giving us this
17 opportunity to visit with you. I was prepared
18 to say good morning, now I have to say good
19 afternoon. It feels like early evening for me.
20 Paul, as you can tell, has a passion for this
21 project as do we. And in listening to the
22 presentations earlier today and some of the
23 concerns the commission and staff have over the
24 Indians, I hope we aren't building Custer's last
25 stand in Michigan City.

1 As you know, we have been an important part
2 of that community for several years. One of the
3 things I wanted to do with you this afternoon is
4 share with you some history on Horizon Group,
5 what the company is, what we represent, share
6 with you some -- strictly some information on
7 some of the premier projects that we have
8 developed in the country because that will give
9 you a sense for the integration elements and
10 what our location based entertainment people do
11 and then more importantly echo really Paul's
12 feelings about how important the harbor location
13 is.

14 We are a permanent fixture in Michigan
15 City, we intend to be one whether the Indians
16 show up in southwestern Michigan or not. It's
17 our view that when you are faced with these
18 kinds of decisions that timing and the
19 credibility of the folks that are talking about
20 the development come into play. I think we have
21 aligned ourselves with Paul's groups and the
22 folks that are delivering the boat. And I have
23 a tremendous amount of respect for Glenn and Rod
24 Lubeznik and their commitment to Michigan City.

25 I think you will find, as we move through

1 the presentation very quickly, that all of the
2 ingredients are there for a very successful
3 execution. Horizon is a publicly traded
4 company, New York Stock Exchange listed traded
5 under the symbol HGI. We currently have 34
6 projects nationwide in 19 different states, just
7 under nine million feet of GLA. Here's a
8 portfolio map that will give you a sense for the
9 depth and brunt of our locations. You will find
10 that we have deployed as far south as Viro Beach
11 and really as far west as Honolulu, Hawaii.

12 We are involved in recreating an urban
13 landscape which is really the conversion of the
14 dull factory facilities a very exciting project
15 for us. Although the company has been
16 recognized as being a leader in the outlet
17 center business I, like Paul, think we are in
18 the delivering fun business. Retail, in our
19 view historically, has become pretty boring,
20 pretty vanilla box. And we attracted to our
21 portfolio nationwide last year more customers
22 than ever and the reason is our consumer looks
23 at the value experience as fun, as
24 entertainment.

25 Here's a photograph of a project we did in

1 Birch Run, Michigan, which we opened in 1986
2 with just 13 stores and 60,000 feet. Today we
3 have over 750,000 feet of retail mass. 15
4 phases have been completed and that really
5 becomes important in this discussion, more
6 particularly in the city of Michigan -- from
7 Michigan City's point of view because it's
8 our belief that the harbor site -- and our
9 project is the beachhead or the launching pad
10 that can stimulate a whole bunch of other
11 economic activity.

12 You can see we have aligned ourselves with
13 some of the most powerful brands in the country,
14 Polo, Ralph Lauren, Espirit, Spiegel, Lennox,
15 Anne Taylor. In Birch Run, like in Michigan
16 City, we will bring alive new recreational
17 formats that will attract families so it won't
18 be just gaming. You are going to see an
19 introduction of new recreational concepts that
20 may include ice arenas, we're working on golfing
21 concepts, so we are real excited about the
22 overall merchandising approaching that our
23 retail development group wants to execute.

24 We have talked about Indiana and our
25 contribution to the state. We have projects in

1 Edinburgh, in Fremont, Indiana, we are good
2 corporate citizens. We employ, I think Jonathan
3 was telling me, just under 2400 people in the
4 state notwithstanding our contribution to the
5 state profits relative to sales generation.
6 Again Michigan City, Indiana, we have been here,
7 it's a beachhead for us. We are prepared to
8 make substantive investment. As you can see on
9 the job creation issue alone 1850, that's a very
10 real number. Our 1995 gross sales in Michigan
11 City were just under 100 million. The center
12 represents one of the top 10 in the entire
13 country, our project and our commitment, \$20
14 million, 200,000 feet of retail space
15 integration, recreational in its format. And
16 you can see, as I have discussed before, what
17 some of the potential uses are.

18 Synergies are real and verifiable and
19 Michigan City, as Paul shared with you, at our
20 location last year we had more customers than
21 ever enjoying it, over two million, so it has
22 become a recognizable location. I was kidding
23 Jonathan this morning, obviously I have been to
24 the site several times, like most customers --
25 it is inconvenient -- I still get lost finding

1 my way from Michigan. So we are interested as a
2 developer and owner of this project in
3 increasing the mass, creating more of a
4 beachhead so it doesn't become Custer's last
5 stand.

6 We have met with Aztar marketing people.
7 We have created a terrific joint marketing plan.
8 You may already know the marketing staff in the
9 project, we are spending pretty close to
10 \$800,000 a year in Michigan City promoting not
11 just Michigan City but the project. We have
12 ample parking, shared parking. And our site
13 development people have created a plan that will
14 make it convenient for the consumer to move from
15 the retail use to the entertainment component of
16 our development.

17 Shaping the future on an investment in
18 Michigan City is real. We are prepared to
19 expand it. We think it's absolutely incumbent
20 upon the commission and the staff folks to
21 recognize that the development should start with
22 the harbor site. We are prepared, as we are
23 demonstrated in other locations, to expand the
24 scope of our other development activities well
25 beyond the harbor site but it's a necessary and

1 essential first step. Thank you very much. And
2 I would like to introduce Bob.

3 MR. HADDOCK: I'm Bob Haddock, executive
4 vice president and chief financial officer of
5 Aztar. It's nice to see some of you again. I
6 would like to come back to the three points that
7 Paul pointed out that we think are the key
8 decision points. And I would like to dwell on
9 the last one which is the ability to finance the
10 project or I would like to say more directly who
11 will it get done. Just to review briefly,
12 230,00 square feet of retail space and riverboat
13 casino. By the way, riverboat -- this
14 particular riverboat, I think, is 74 feet wide
15 and would be the same vessel used both in the
16 temporary and permanent operation.

17 The hotel, lots of parking and integration
18 with Lighthouse, place as Paul and Jeff
19 mentioned. It is true there can be no doubt
20 that what you are seeing today is enhanced from
21 the perspective of what was presented to the
22 city of Michigan City in the evaluation process,
23 I think it is probably one of the reasons that
24 MCOL did not fare so well in that evaluation.
25 But having said that nonetheless, the total

1 project budget \$81 and a half million is the
2 same although the components have shifted, and I
3 can answer how that came to pass in question and
4 answers.

5 I think the important point from our point
6 of view is the analysis that's been done by
7 Indiana University and Purdue University and
8 Indiana applies I submit in terms of economic
9 impact because, in fact, the project scope and
10 dollar amounts are the same although the
11 project, in my view at least, has been enhanced.
12 The components of the project, as you can see
13 here generally speaking, 17 million for the
14 vessel, 9 million for the gaming equipment, 24
15 million of retail including the \$20 million
16 project that Horizon will do and the 4 million
17 that MCCL will do, the hotel, \$11 million of
18 real estate and other costs including the
19 working capital, various other costs,
20 capitalized interest and a \$4 million
21 contingency adding up to \$81 and a half million.

22 The -- I think this is a realistic budget.
23 We have built a lot of projects over the years.
24 What you see here can be built for these
25 dollars. I think when you look at the pretty

1 pictures that have been shown by some of the
2 competition and to compare what we are doing in
3 Evansville, the costs, which you know in
4 Evansville, I think one needs to be concerned
5 about whether some of those projects can be
6 built, frankly, at the dollars talked about.

7 The sources of funds for this particular
8 project are as explained here. MCLL equity of
9 the \$19 million, which comes from Mr. Kehl in
10 his business as well as Aztar's contribution and
11 the contribution of Rod and Glenn Lubeznik,
12 equipment leases for the vessel and for the
13 gaming equipment and other equipment, that's
14 roughly \$21 million. We anticipate a bank
15 financing or similar financing of 15 million.
16 Horizon will commit \$20 million to the project
17 and, of course, hotel development is 6 and a
18 half million or a total of \$81 and a half
19 million. I would be happy to go into more
20 detail if you would like in questions and
21 answers. I would like to point out that the
22 equity of 19 million, which I think there's
23 actually more equity in the project than that
24 because, in fact, the Horizon piece will have
25 equity in it of a substantial amount. So the

1 equity component of this project, I think, is
2 perhaps more significant than what we might
3 think with regard to the projection.

4 With regard to the projections, Paul has
5 spent some time talking about the market and how
6 we see it in the window of opportunity that we
7 do see before competition with the Pokagons. We
8 are looking at gaming revenue in excess of \$100
9 million, and then assume to be three years of
10 operation when we see a competitive facility
11 with the Pokagons assumed here to be in the
12 Kalamazoo area, the revenues drop down to the
13 \$70 million level. And I will remind you that,
14 in fact, with a casino located in new Buffalo
15 you are probably looking at a casino revenue of
16 around \$50 million.

17 I think that just to summarize on the
18 finance side we had a highly competitive
19 situation, as a result I think it's important
20 that the project be well located and that it be
21 the right size and that it be capitalized so
22 that it can survive tough times. And I think
23 the capitalization and the scope of this
24 project, I think both will work well for us and
25 for Michigan City and the state of Indiana as

1 well, not just in the short-term but in the
2 long-term as well. With that I will turn it
3 back over to Paul.

4 MR. RUBELI: The decision factors we've
5 covered, I think in terms of operators and
6 experience, we are in a unique position because
7 we are an operator in Indiana and we have stood
8 before you. Our operations are there everyday
9 for you to evaluate and we'll simply stand
10 behind our record that we have been a good
11 operator. We have done a good job for Indiana
12 We have done a good job for Evansville and we
13 have lots and lots of experience elsewhere in
14 the country.

15 We have been through hard times and we have
16 been through some good times I think that a
17 company that's here 16 years later -- what you
18 see is what you get. We say what we mean and we
19 mean what we say. We may not always be right
20 but we do always say what we mean and we mean
21 what we say. You have an operator before you on
22 the casino side that has a wealth of experience
23 that was brought to solve the problems we
24 outlined in the earlier part of our
25 presentation.

1 We also have Horizon, an operator that's
2 experienced and its record submission speaks for
3 itself. And you can see everyday, Lighthouse
4 Place is surviving in, frankly, an area that
5 does great in the summertime and spring but this
6 is a tough area in the winter. Michigan City is
7 a beautiful city when the sun is shining, this
8 is a tough area to run a business when it's not.
9 You have to take your hats off to the Lighthouse
10 Place people because somehow they get those
11 Chicagoans to drive an hour and a half to get
12 over here so that's an impressive operator
13 experience.

14 You've got the Kehl organization that have
15 built 10 riverboats, sold most them to others,
16 been contracted by others to have those boats
17 built. Their boats are operating right now in
18 Iowa, in Lake Charles, Louisiana; St. Charles,
19 Missouri. These are people are who understand
20 the boat business. They have a vessel that was
21 built on spec that now has a home, this
22 partnership.

23 You have local businessmen, Rod and Glenn
24 Lubeznik, that already employ hundreds of people
25 in this area that understand what northern

1 Indiana is looking for in terms of business
2 presence in a business community. So I would
3 submit so to you that insofar as operator's
4 experience is concerned, I just simply don't
5 believe you have a better applicant before you
6 than this group.

7 Project location and scope we, spent a lot
8 of time on that because it's been an essential
9 dilemma that separates the applicants before
10 you. They are willing to go to Trail Creek, we
11 are not; we have given you the reasons why,
12 we'll let those stand before you, you make
13 judgment as to whose right. Lastly, the ability
14 to fund the project, frankly, we think that has
15 a lot to do with what's presented in 1 and 2.
16 We simply think we have the best opportunity to
17 get this project financed.

18 As Bob said, the ultimate issue is will it
19 happen. We said it would happen in Evansville,
20 it did happen in, frankly, basically the time
21 lines we said it would happen. Insofar as key
22 decision factors are concerned, we present these
23 before you. I think that in summing it all up
24 the thoughts that had come to my mind and
25 saying, why us instead of them and what's this

1 all about, first point -- I want to go all the
2 way back to the beginning of my presentation.
3 Do not underestimate the Michigan City market.
4 And I think you have to look at the data and
5 stuff we showed that says the market is here.
6 It's a bigger market in terms of primary
7 customer base than Evansville, Indiana, which
8 you already know is a successful market. And
9 for some reason Michigan City got downgraded in
10 the perception of the industry followers, the
11 movers and shapers. Maybe there was more fun
12 things to follow but maybe there was a lot of
13 misunderstanding about this market. You are
14 talking about 12 million people, and Jack is
15 right and we are not going to get them out of
16 Chicago unless Lighthouse Place gets them over
17 here, and that's why Michigan City will never
18 get them because you have got four casinos over
19 there in Lake County. You put the Indian casino
20 on the other side of them they are really dead,
21 they are dead twice now. We showed you
22 carefully and painstakingly the counties, they
23 are there.

24 The bottom line is you have a team that
25 has two billion dollar public companies involved

1 in it, the largest riverboat developer part of
2 it and the two largest you McDonald's
3 franchisees in northern Indiana. We also
4 understand the city's need for urban
5 redevelopment in Trail Creek just as we worked
6 with city of Evansville to accomplish what they
7 wanted to accomplish. We made a commitment to
8 the mayor of the city of Michigan City, we will
9 work with her and her administration, too, but
10 please let the casino survive as an economic
11 engine to fuel that growth and don't try to use
12 it in a place that it doesn't belong. Thank you
13 for your patience with us.

14 MS. BOCHNOWSKI: Thank you very much.
15 Okay. We have an hour and 15 minutes scheduled
16 for lunch.

17 (A lunch recess was taken.)

18 MS. BOCHNOWSKI: Jack had to -- he will be
19 with us in just a little bit so we can go ahead
20 and move on without him. All right. We'll go
21 ahead and get started so we are not here all
22 night. Would somebody like to start the
23 questioning.

24 MR. VOWELS: I have got one to start off
25 with here, I guess. Mr. Rubeli, you are there

1 at the podium. The basic question that I would
2 have and, whoever can address it or however you
3 want to address it, the way I look at this, I
4 need to know whether you understand that I don't
5 know that we can license an application as
6 proposed today because neither Horizon nor Kehl
7 has been investigated. Do you have anything you
8 would like to respond in that regard?

9 MR. RUBELI: Well --

10 MR. VOWELS: You've been through this
11 process before.

12 MR. RUBELI: Right. My view on Horizon is
13 they are not an owner in this property, they are
14 not an equity holder. And I don't think that
15 they are required to be licensed. We simply
16 have a proposal for a joint development, they
17 are going to do their thing, we are going to do
18 ours, they happen to be next to each other. So
19 in view on Horizon, I don't think they are an
20 entity that we can -- I don't think -- I'm not
21 the lawyer but I'm giving the answer with
22 respect to --

23 MR. VOWELS: We got this letter from, I
24 believe, from Mr. Maddox on January 31st --

25 MR. RUBELI: Right.

1 MR. VOWELS: -- which refers that --
2 advised us of the Kehl ownership interest and in
3 here is referenced Horizon.

4 MR. RUBELI: Well, let me say this, in the
5 very original application we spoke about the
6 proximity to Lighthouse Place, the intent to do
7 joint marketing, the synergy, the destination
8 entertainment complex concept, we had all that.
9 We are simply presenting to you -- and it's
10 been -- is that they are willing to actually
11 step forward, stand at the same podium, and say
12 if we do this, they are going to do that.

13 MR. VOWELS: They being Horizon you are
14 talking about?

15 MR. RUBELI: Right, Horizon. In other
16 words, that \$20 million is their \$20 million
17 project, it's theirs to finance, theirs to
18 build, theirs to operate. What I think you need
19 to address is not their licensability but rather
20 how do you obligate this team such that if you
21 approve us, that you get \$81 million dollars
22 worth of development which means Horizon has to
23 agree to be obligated to sign a development
24 agreement. For example, we at some point would
25 sign a development agreement with the city of

1 Michigan City and they are prepared to do that.

2 I simply am saying, Mr. Vowels, that I
3 don't think they are required and licensed. I
4 don't think their stepping forward today is a
5 change in the sense of what our proposal was
6 which was to cooperate with Lighthouse Place and
7 make it happen. We are now saying to you that
8 -- and I'll tell you what they're going to do --

9 MR. VOWELS; They are not going to have an
10 ownership interest so --

11 MR. RUBELI: Right. Now, the Kehl
12 ownership interest --

13 MR. VOWELS -- it's a whole different
14 ballgame.

15 MR. RUBELI: You're absolutely right. And
16 the only thing we can give you comfort on is
17 that they have, in fact, been licensed by three
18 other states. But as of today, this afternoon,
19 I would presume you are in no position to
20 license us or license them, however, that's not
21 the decision you need to make today.

22 MR. VOWELS: In Mr. Maddox' letter of
23 January 31st, it makes mention of reciprocity,
24 exchange of background and suitability
25 information. My understanding in talking with

1 the staff is that's not true. There is no such
2 thing as reciprocity, they do give us
3 information. I guess in my mind it needs to be
4 understood at least from where I'm coming from
5 that I don't see how a license for this
6 application is as it's proposed can be
7 considered until Kehl is adequately investigated
8 and --

9 MR. RUBELI: We have a procedure in other
10 jurisdictions, I don't know if it's permitted
11 under the regulations in this jurisdiction,
12 either an applicant identified otherwise files
13 the application, gets the paperwork in and then
14 stands aside pending completion, meanwhile the
15 rest is approved and licensed.

16 There is provisions in -- well,
17 particularly jurisdictions of New Jersey where
18 we have encountered this and dealt with it in
19 that regard. People who join an operation, a
20 development, a project, that are subject to
21 licensing requirements in the state of new
22 Jersey that they will waive it. They don't
23 ignore it, they simply stand aside, force them
24 to stand aside.

25 Under the assumption that the state

1 themselves have perfected the means and ways to
2 say that they will conduct that licensing
3 process in whatever, the 60 or 90 or 120 days
4 appropriated to the individual that's being
5 looked at. My hope in this instance is we are
6 dealing with a gentleman that -- it's a family
7 business, it's not a complicated partnership.

8 MR. VOWELS: You know, I have read through
9 this and on its face it looks all right. In the
10 applications that we have had in the past in
11 other jurisdictions where we brought the
12 information to the attention of co-investors,
13 that has opened a lot of eyes, and a lot of
14 heads were spinning.

15 I remember in Evansville, if you recall,
16 when it came out that Elvis Park had an
17 agreement to pursue gambling casinos in state of
18 Kentucky, Commonwealth of Kentucky, and the
19 other reinvestors were craning their necks at
20 that information.

21 MR. RUBELI: I think what you are saying is
22 one of the benefits of having a highly regulated
23 industry, sometimes some of us can sleep better
24 at night, too, but you are right, it's an issue.
25 It goes to the start of what I started my

1 comments about, we are dealing with some very
2 unique circumstances here in Michigan City.

3 Again I will submit, I do believe it's all
4 traceable in the Pokagen Indians, the
5 announcements, the repercussions it indicated,
6 the changing events, companies leaving the area,
7 others coming in, scrambling to get projects
8 downsized, scrambling to find participants and
9 investors, all with where there's a will,
10 there's a way, let's get Michigan City done. At
11 this juncture we have this issue but before you
12 is the proposal. Now, the answer is how to do
13 we figure out how to make it work that would be,
14 of course, my desire.

15 MR. VOWELS: Now that we have figured that
16 Horizon is not an owner or is not going to have
17 an ownership interest, can you explain to me or
18 lay out just exactly what the cooperate
19 structure will be as to what you proposed today.

20 MR. RUBELI: Yeah. I'm going to ask Bob.
21 The reason I hesitated is unless you want to
22 call upon Bob.

23 MS. BOCHNOWSKI: Please state your name.

24 MR. HADDOCK: Robert Haddock.

25 MR. VOWELS: Mr. Haddock, I'm going to be

1 taking notes so if you can do it at a deliberate
2 pace, please.

3 MR. HADDOCK: The ownership structure
4 actually will be, at least from a practical
5 point of view, the legal entities, the limited
6 partnerships and so forth. I guess I would ask
7 Mark Maddox to talk about that if we need to
8 have that described.

9 As the entities are now constituted, as a
10 practical matter, Aztar will have an 8.68
11 percent ownership interest. In equal shares Rod
12 and Glenn Lubeznik will each have half of 16.18
13 or I guess it's better to say each of them will
14 have 8.09 percent. Mr. Kehl or whatever
15 entities he chooses to have involved will have
16 65.14 percent.

17 MS. BOCHNOWSKI: So there may be other
18 entities besides Mr. Kehl in that 65 percent?

19 MR. HADDOCK: No. I'm not implying that,
20 but I mean whether it's a trust -- or the Kehl
21 family I would describe it as. And then the
22 local group, being the group of individual
23 investors who first had the obligation, would
24 have a 10 percent interest. Having said that,
25 let me also say that in the local groups hard

1 equity contributions today have been limited,
2 and so the bulk of the funds that they might
3 ultimately receive from this project will be
4 received back into the project after the hard
5 equity dollar contributions by the investors
6 that I just described recently have received a
7 return and our return -- and the local investors
8 will help them to receive a piece of the cash
9 flow. But in terms of the then ownership
10 interest there will be, as I said, 10 percent to
11 the local investors and the others and in the
12 percentages I described.

13 MS. BOCHNOWSKI: The other problem we have,
14 though, even if the Kehls were found suitable
15 for licensure, we don't know what their
16 financing plan would be for this. Are they
17 going to come up -- do they have that much cash?

18 MR. HADDOCK: Well, the situation
19 specifically is that they own a vessel --

20 MS. BOCHNOWSKI: Right.

21 MR. HADDOCK: -- which is the vessel that
22 you saw. And they will be contributing that
23 vessel to this partnership, which is a \$17
24 million vessel, valued at \$17 million to the
25 partnership and it will be -- \$15 million of

1 that \$17 million will be contributed by Mr. Kehl
2 and family as equity on the project. So if
3 there is financing that needs to be raised for
4 that purpose, the equity will come with the
5 vessel.

6 MS. BOCHNOWSKI: So the boat constitutes
7 the 65 percent?

8 MR. HADDOCK: That's correct.

9 MS. BOCHNOWSKI: How are you going to build
10 the hotel, where is that money coming from?

11 MR. HADDOCK: The vessel will, in turn, be
12 used -- will be involved in a sale lease back
13 situation, it will become the collateral in an
14 equipment lease. So we estimate that at \$10
15 million, possibly more of the value of that
16 vessel, will be provided to the partnership, it
17 will then lease it. It was part of the
18 equipment lease I described as part of my
19 presentation.

20 The gambling equipment, the electronic
21 gaming devices and other equipment, computers
22 and certain pieces of furniture, fixtures,
23 equipment as well would be leased. But the
24 vessel itself would constitute a source of funds
25 as what I described. The bank financing would

1 be a source of funds to build the rest of the
2 project.

3 The hotel will be financed separate and
4 apart from that. We continue to be very eager
5 to try to find a hotel developer who has a
6 network of hotels in the Indiana Community. We
7 think there will be too much synergy if we can
8 find the right project, so our hope continues to
9 be that that project will come in and be
10 financed by a third party developer or perhaps a
11 third party developer in conjunction with us.
12 If that's not the case, the partnership will do
13 the hotel.

14 The hotel financing is thought of by us as
15 being separate. Horizon financing is thought of
16 by us to be separate. And the rest of the MCCL
17 financing would be provided by, as I said, the
18 bank facility, the equity and the other
19 financing.

20 DR. ROSS: Is that boat -- that boat looks
21 like a riverboat -- is that boat going to be
22 okay for the Coast Guard?

23 MR. HADDOCK: Yes, it is.

24 DR. ROSS: They have looked at it?

25 MR. HADDOCK: Yes. And I would like to ask

1 John Wagner (phonetic), who you may recognize as
2 the fellow who runs Aztar's riverboat
3 operations, who is responsible for our
4 Evansville operation, to address that.

5 MR. WAGNER: Yes, sir. It is designed as a
6 riverboat. We have had several discussions with
7 the Coast Guard, with also the design
8 engineering firm. It will meet the criteria for
9 partially protected waters to cruise on Lake
10 Michigan. We also have a document stating so
11 from the designer which we would be glad to
12 submit to the staff if you so desire that.

13 MR. THAR: The present -- the present
14 proposed rule requires the boat to be able to
15 sail partially protected Lake Michigan waters 12
16 months a year, does that boat meet that
17 certification today?

18 MR. WAGNER: You would have to define that
19 just a little bit. If you sail on Lake Michigan
20 12 months out of the year and it's required to
21 go through ice and have double a bottom and
22 everything else, no, it would not. It does not
23 have a Great Lakes load line. Our discussion
24 with the Coast Guard is if you stay one mile
25 from shore, the Coast Guard does grant you that

1 exemption or given weather conditions or
2 anything else.

3 MR. THAR: Is that boat today capable of
4 sailing in open waters -- certifiable for
5 sailing in open waters in Lake Michigan?

6 MR. WAGNER: Today it's not capable only
7 because it does not have a COI.

8 MR. THAR: If today was July 12.

9 MR. WAGNER: If today was July 12, giving
10 all the parameters of whatever we discussed in
11 our safety plan and everything else, to set the
12 guidelines, could it cruise on Lake Michigan
13 under certain circumstances, yes, it could.

14 MS. BOCHNOWSKI: What kind of circumstances
15 would those be?

16 MR. WAGNER: The circumstances that I mean,
17 Commissioner, is basically that the state of
18 Indiana requires that we develop a very
19 comprehensive risk analysis where you look at
20 the weather conditions and everything else.
21 Then in our cruise route we have to define given
22 operating criteria, those criteria would be,
23 wind speed, wave height, restricted visibility.
24 Whatever we decided and proposed to the Gaming
25 Commission, you would have to say, yes, that

1 meets them. But the conditions we're talking
2 about is wave height and wind speed.

3 MR. THAR: John, I take it you are familiar
4 with our proposed rule.

5 MR. WAGNER: Yes, sir.

6 MR. THAR: It sets for the Coast Guard
7 standards and our standards, does that boat meet
8 our standards or does it need to have work done
9 on it?

10 MR. WAGNER: Good question. It looks
11 like -- I can't definitively answer that only
12 because the engineers haven't looked at
13 everything. There might be some slight
14 modifications for partially protected waters
15 versus protected waters, it all has to do with
16 damaged stability which is how much roll it will
17 take before it will take on water, et cetera,
18 how many passengers you can put on each of the
19 three decks. You might have to raise some tank
20 vents a little bit. We believe that the
21 modifications it would have to undergo would be
22 minor.

23 MR. HADDOCK: Could I just follow up on
24 that. Bob Haddock from Aztar. We believe the
25 boat is certifiable with modest modification,

1 that it can cruise on the lake within the
2 definitions within the proposed regulations as
3 well as Coast Guard regulations with minor
4 modifications.

5 MR. THAR: Bob, before you sit down, can I
6 ask a follow-up since you cover the financing.

7 MS. BOCHNOWSKI: No, please.

8 MR. THAR: During the course of your
9 portion of the presentation I believe that you
10 thought the financing would be Michigan City
11 Casino and Lodge equity, 19 million?

12 MR. HADDOCK: Right.

13 MR. THAR: Equipment lease, 21 million?

14 MR. HADDOCK: Right.

15 MR. THAR: Bank, 15 million; Horizon, 20
16 million; hotel, 6.5 million. We now know that
17 Horizon is not MCCL, is it?

18 MR. HADDOCK: Horizon is not MCCL, that's
19 correct.

20 MR. THAR: So we can take that 20 million
21 out of your project?

22 MR. HADDOCK: It's not an MCCL component,
23 that's correct.

24 MR. THAR: Are you representing now that it
25 is questionable whether or not the hotel will be

1 an MCCL component, it could be a third party
2 component or later on down the road it can be an
3 MCCL component?

4 MR. HADDOCK: It could be a third party
5 component but MCCL is prepared to commit to
6 build the hotel, so it will be either a third
7 party component or joint venture with MCCL or it
8 could conceivably be an MCCL project.

9 MR. THAR: I have a very difficult time
10 evaluating the project at 81.5 million when
11 Horizon is going to do an expansion with \$20
12 million which has no nothing to do with MCCL?

13 MR. HADDOCK: Our view of this, Mr. Thar,
14 was that the economic impact of this project by
15 virtue, especially in its integration, is an \$81
16 and a half million project, \$21 and a half
17 million of which is being provided -- \$20
18 million which is being provided by Horizon.
19 There will be co-management agreements as
20 between Horizon and MCCL. Horizon will be
21 managing our retail space and so forth so we
22 really view it as a --

23 (Discussion held between Mr. Rubeli and
24 Mr. Haddock off the record.)

25 MR. HADDOCK: That's right. I mean as a

1 second point, Paul says to me that if you are
2 asking, will Horizon do the \$20 million project
3 without us -- I can let Jeff Kerr speak for
4 himself but I think the answer to that is no.

5 MR. THAR: That's true. I might not put a
6 gas station in either if they're not going to --
7 and I might not put McDonalds in there.

8 MR. HADDOCK: That's -- what you are saying
9 is not disputable.

10 MR. THAR: That \$20 million is not coming
11 from MCCL?

12 MR. HADDOCK: That's correct.

13 MR. SUNDWICK: Who wants to answer the part
14 about the management fee?

15 MR. RUBELI: I will. What's your question?

16 MR. SUNDWICK: You say alluded to -- that
17 you would be participating as the -- as the, I
18 guess, manager, and you have a fee. What
19 particular fee would be charging the
20 organization, what percentage?

21 MR. RUBELI: The fee is very straight
22 forward, it's 4 percent of AGR plus an
23 additional 1 percent subordinated to the cash
24 flow returns to the equity holders. So I view
25 it as a 4 percent fee with a 1 percent

1 incentive.

2 MR. SUNDWICK: In the business would that
3 be high, low, medium?

4 MR. RUBELI: Well, there really isn't a lot
5 of record in the business, Bob, to answer that.
6 The fact is there are deals, a very limited
7 number of which exists in the casino business.
8 In the hotel business more typically you might
9 see 5 percent of revenues and 10 percent of cash
10 flows as an incentive. Sometimes 4 percent are
11 revenues, 5 percent are cash flows, that's kind
12 of in the range. If you got in the city of
13 Windsor and you had any idea of the Ontario
14 government, you start at 4 percent and they beat
15 you down at 2.75 percent which is what Hilton,
16 Caesar and Circus Circus negotiated. But they
17 have got a \$350 million monopoly there for 2.75
18 percent, that's their fee. And then they have
19 an incentive portion that's quite complicated
20 tied to cash flow.

21 I don't know of any other example that
22 exists in the riverboat business that I can
23 indicate to you is a clear example. So, in
24 other words, what I'm saying in our industry
25 normally, management fees, management contracts,

1 are not typical. We are in business where there
2 is a lot of egos involved and the owner wants to
3 operate it and they don't want a manager and you
4 don't have lots of partnerships around or if the
5 partnerships exist, the fee structure might be a
6 much more complicated one.

7 My bottom line is I think the best example
8 within our hotel industry where you have
9 thousand of rooms under financial contracts
10 require a lot of similar things and it's a
11 reasonable bargain. Put it into money terms, if
12 this thing does 100 million in the first year,
13 we'll get 4 million. We're looking at the third
14 year dropping to a \$70 million revenue times 4
15 percent, that is 2.8 million.

16 When all is said and done, out of a \$600
17 million company for it to be worth while for us
18 to do something, 2.8 million is not a lot of
19 money, and there is other reasons that create
20 incentives for us to want to do this project,
21 it's not the fee. So I think it's a very
22 reasonable fee considering what Aztar is
23 bringing to the table, frankly what we have done
24 already in Michigan City. And it will be a very
25 reasonable fee going forward to what we think we

1 can do in help building the Indiana casino
2 industry.

3 MR. SUNDWICK: If, in fact, it was legal
4 under Indiana law that you could own this casino
5 on your own, would you?

6 MR. RUBELI: There is no question we would
7 prefer to own 100 percent and operate our own
8 assets, we do in every other jurisdiction. We
9 are 100 percent owners, we have no exceptions.
10 We are 100 percent owners of any operated
11 company we are in for obviously reasons, we like
12 the business, we would like to be in the
13 business, but we can't do that under Indiana
14 law. Let me give you the clue to that, I'd also
15 hate to give up all of the hard effort that we
16 have placed into building the Indiana market and
17 not try to capitalize on it. So if you only
18 give us 10 percent, well take it, we wish we
19 could have more.

20 MS. BOCHNOWSKI: How will operating this
21 boat impact on your operations in Evansville?

22 MR. RUBELI: Well, you know that's the
23 beauty of this commission, Ms. Bochnowski,
24 because we see it all positive. There is
25 absolutely no direct competition in any

1 overlapping market that we can think of. I mean
2 we are Casino Aztar in southern Indiana, and we
3 are going to be Casino Aztar in northern
4 Indiana, and the two don't meet in terms of
5 specific bodies that we are completing for
6 everyday.

7 However, in terms of the more broad based
8 and very important consumer franchizing,
9 consumer awareness building, word of mouth,
10 whatnot, to be able to advertise heavily in the
11 northern markets and advertise heavily in the
12 southern markets under the umbrella Casino
13 Aztar, we believe it to be powerful and positive
14 for both casinos. No financial analyst can put
15 that on a piece of paper and put a number to it
16 but it's there and I believe it and that's one
17 of the reasons -- I said there is several
18 reasons to Commissioner Sundwick's question, do
19 we want to do this, that's one.

20 The other reason, frankly -- I'll say it
21 publicly, I don't mind it -- we would like to
22 shape this industry going forward. It's in our
23 interest protect that \$110 million investment we
24 are making in southern Indiana, to be able to
25 also be a voice that counts in Indiana beyond

1 just one location to make sure we're all still
2 around 10 years from now, not just as -- but
3 that the rules don't change in Indianapolis
4 either. So there is a reason for us to enhance
5 our position by simply being able to participate
6 in a more full way in both markets. I feel very
7 positive with very few negatives that there all
8 kinds of employee synergies that make sense and
9 whatnot.

10 MS. BOCHNOWSKI: That was my next question
11 on the employees, do you have employees
12 currently who would manage this operation or do
13 you have to --

14 MR. RUBELI: Chomping at the bit, you bet
15 we do. We employ 9,500 people and they all want
16 to be general managers some day. I don't mean
17 that shrewdly at all, I mean that's the beauty
18 of it. In Evansville we have --

19 MS. BOCHNOWSKI: Do you have some --

20 MR. RUBELI: -- a thousand people on board,
21 today we'll have 1800 by December, and we have
22 people who want to move up in the ranks. And
23 this is a great opportunity to take the skills
24 they have learned and the mistakes we have made,
25 we have a couple. You never asked us to talk

1 about those but someday we will. You learn from
2 those and you hope you don't make them in the
3 next jurisdiction, in this case the market.

4 But we do have employees who have people
5 ready to go. This is not a huge operation, you
6 have to keep the context here, but it's a big
7 operation. I mean I'm not trying to -- it's not
8 a huge one but it's a big one. This is not a
9 small boat and a parking lot, and this is not a
10 small market. Any \$100 million target
11 opportunity is not small.

12 We believe we've grated away and are
13 exposing \$55 million of our investments as MCCL,
14 to go to Mr. Thar's point, to create a joint
15 development -- let's use that term -- a joint
16 development that creates \$81 million of economic
17 development, spread the risk to enhance the
18 opportunity to go take a shot at the reward.

19 And what if the Indians never happen and
20 then we will have been right. And if they do
21 happen, we'll still have a success. We won't
22 make a lot of money at 4 percent but we'll have
23 other benefits as well. So the employees are
24 one of the considerations and we do have people
25 who we would love to move up into the

1 opportunities to serve up here as well.

2 MR. SUNDWICK: You weren't the selected
3 candidate by the city for probably a number of
4 reasons that I think you expounded on, but yet
5 you have to make a commitment to the city equal
6 to the one that the -- I guess you could say the
7 selected or preferred organization or equal to
8 what your company would make to the city of
9 Evansville, you are prepared to do that?

10 MR. RUBELI: While I want to make sure I
11 understand the question, you say are we prepared
12 to make the commitments here financially and
13 contract-wise in the terms and conditions in
14 Michigan City, Indiana, the answer would be no
15 in that the financial requirements placed upon
16 all of the applicants in the city of Evansville,
17 I think, recognized that from their point of
18 view there was less long-term than we clearly
19 see here in Michigan City, so we were willing to
20 spread those public sector incentives over the
21 20 year or 15 year life of the contract
22 believing, and still believing, that market will
23 even after Crawford or -- I have to be careful
24 here -- Lawrenceburg or Rising Sun or whatever
25 other licenses are given there, michigan City,

1 because of economic realities and the risks
2 associated, we may only be looking at 50
3 million, that is not a lot to pass on to the
4 city.

5 MR. SUNDWICK: Let's talk proportionately,
6 you are prepared to do the same types of things
7 proportionately that you would do in Evansville?

8 MR. RUBELI: I want to show you an answer
9 to that, if I may. That's what we -- excuse
10 me -- that's what we had proposed as community
11 incentives in October when we were asked by the
12 city to present to them what it was that we
13 would contribute.

14 At the 11th hour, after each applicant kind
15 of enumerated for lots of good reasons, these
16 programs made sense to us to kind of forget all
17 those, you get 4 percent of revenue, and we need
18 a contract negotiated within 24 hours and we say
19 we are just not going to do that. So we entered
20 into an agreement with them that basically
21 codified and crystalized, we agreed to agree on
22 that, which we said we would do.

23 Beyond that, if we're the selected
24 operator, we'll sit down and negotiate with you,
25 the city, but if not, all obligations are off.

1 In other words, we couldn't deal with the
2 changing requirements. The top item, for
3 example, is one half of 1 percent is the amount
4 of AGR we were going to pledge to help redevelop
5 Trail Creek even if we wound up on the harbor.

6 There is various numbers associated with
7 the rest, you add it all up, that's about 1
8 percent of revenue, rough numbers. That's
9 reasonable for this market because we are all
10 going to get a share of the admissions tax, we
11 are all going to get a share of the Indiana
12 gaming tax and to go much beyond that, that
13 doesn't fit the Michigan City market.

14 MR. RUBELI: I would just like to add one
15 comment to that. Mr. Sundwick, you may remember
16 that in Evansville the city owned the site and
17 that a large part of the new revenue you may be
18 thinking constitutes at least paying the city
19 for control of the site, whereas here the site
20 that we are looking at is being proposed is
21 completely a private site, in fact, the cost of
22 it is \$11 million and you need to consider those
23 tradeoffs as well.

24 MS. BOCHNOWSKI: I want point out that
25 those sites are in an enterprise zone apparently

1 so there may be some tax abatement.

2 MR. RUBELI: I think the enterprise zone
3 was that may have been referenced was referenced
4 in Trail Creek. I think these properties are
5 owned -- I don't believe -- locally you can
6 confirm that.

7 MR. SUNDWICK: My point is -- I'm not
8 trying to put you on the spot, what I'm trying
9 to do is to try you to understand your
10 commitment to the community based on you weren't
11 the preferential --

12 MR. RUBELI: Let's go back to the essence
13 of the question. Since we weren't the selected
14 operator, would we willing to sit down with the
15 city and move forward and work something out.
16 Let me say real clearly, you do not have to tell
17 this applicant how important it is to have the
18 cooperation of the city. I mean when we all
19 start doing these projects, there is 101 things
20 that come up that nobody foresees.

21 You have to work together, you've got to
22 make it happen. There is all kinds of
23 regulatory agency approvals required. There's
24 all kinds of -- city departments have to get
25 involved. So my view would be this, hey, the

1 selection process, I understood where that group
2 was coming from, I just don't happen to agree
3 with it from my business point of view. I
4 understand this city has a problem in Trail
5 Creek they want resolved, it goes back to way
6 before 1993.

7 We understand our obligation as a sole
8 licensee of a community to be a part of a
9 partnership to the community. We are prepared
10 right now to sit down with Mayor Bergerson and
11 any other person in the city staff and negotiate
12 the development agreement that's required
13 whenever you do any commercial development.

14 We are certainly prepared to put right
15 back on the table that which we had on the table
16 in October, or if they would like to propose
17 other alternatives to that, I think the
18 principal is there, the question is the amount.
19 And, hey, the other cities were in a stronger
20 position when they did what they did and this
21 area, because all of us aren't sure of exactly
22 what will happen.

23 We have done a good job outlining, I
24 think, all of us, what could happen, what should
25 happen, but also a lot of risk that it could be

1 100 million, in our case 113 million in the
2 first year, it could be 50 million after the
3 Indians are in New Buffalo. So the city's share
4 is going to have to be mitigated at, frankly, 4
5 percent, which was the 11th hour, which we will
6 not do, there is just not enough money in it.
7 We pay 20 percent to the state, a \$3 win on a
8 \$45 admission is another 8 percent, seven and a
9 half, that's 27 and a half percent off the top
10 before you have paid one bill. And you start
11 adding more on for the city, folks, this is a
12 business and there aren't too many that can take
13 a tax of 27 and a half percent right off the top
14 when you have all this competition. Now, see,
15 Evansville doesn't have this kind of
16 competition.

17 Lawrenceburg has got the monopoly of
18 Cincinnati. What Michigan City has is what I
19 showed you on that map, no more, no less, two
20 and a half million people in the eastern
21 counties that are going to be cut down to 1.2
22 million in the primary markets that we are all
23 going to fight for. So I think the reality
24 is Indiana starts with a high rate, this city
25 will get a good share of that revenue, their

1 proportion of the 20 percent. They will get the
2 admissions tax, their proportion of that. We
3 are willing to give them what we offered to give
4 them because it's a reasonable economic offer.
5 If you want to sort it out and restructure it
6 within reason, we are willing to do that, but we
7 are not willing to go to 4 percent.

8 MR. SUNDWICK: You are willing to be a good
9 corporate citizen?

10 MR. RUBELI: We are willing to be a good
11 corporate citizen. We are also willing to be a
12 business that's in business and survive to be in
13 business. No one knows the exact answers, but I
14 hope I conveyed to you where I think we stand on
15 it.

16 MS. BOCHNOWSKI: Now, you have talked --
17 and I can't exactly remember what was up
18 there -- what about the surrounding communities,
19 the county-wide -- because this is a county-wide
20 project, the county voted on it, and we have to
21 think about more than Michigan City.

22 MR. RUBELI: We had a third line there that
23 was exactly that. In addition to whatever the
24 city council voted on or didn't vote on or
25 whatever that interpretation was, that was the

1 subject of yesterday's discussion which we
2 have -- we as applicants, none of us have any
3 control over. We independently said out of our
4 revenues, because of the points being made in
5 the public, that we will have a revenue sharing
6 plan for the county government and other cities
7 and towns in LaPorte County.

8 MCCL will contribute one quarter of 1
9 percent of just the gaming revenue to the county
10 of LaPorte, city of LaPorte, towns of Westville,
11 Kingsford Heights, Wanatah, LaCrosse, Long
12 Beach, Michiana Shores, Pottawatomie Park, Trail
13 Creek and Kingsbury. Each entity will receive
14 an amount based on population percentage. So
15 the answer is yes to your question but that was
16 rejected.

17 MR. SWAN: May I ask a totally different
18 question. How are we dealing with the train
19 tracks in your proposal?

20 MR. RUBELI: Well, they stay where they
21 are. And we simply create the pedestrian
22 walkway over them, as we do in any of these boat
23 jurisdictions where you have got the high
24 pedestrian ramps that go across the boat. I
25 will tell you, to be quite accurate here, that

1 right now we do not have those air rights from
2 Amtrak, but we see no reason that they won't be
3 granted.

4 It's like any pedestrian overcross that
5 would exist on a right of way. The actual train
6 station, which is kind of a cute little thing --
7 it needs a paint job, it's got flower pots with
8 no flowers, that's kind of a disconcerting
9 thing -- will be incorporated because I mean --
10 it looks like a little Swiss railroad station,
11 and so we see incorporating that right at the
12 door of our pavilion so that that train could
13 stop there.

14 We are not going to interfere with the
15 tracks, Amtrak continues to go through. The
16 plan is to bridge the patrons accessing the boat
17 ramp over it through a pedestrian walkway
18 system, and we need permission from them to do
19 that and that's one of the items we have to deal
20 with.

21 MR. SWAN: I have forgotten my map on this,
22 will this incoming and outgoing traffic be
23 affected by train traffic and traffic in their
24 automobiles?

25 MR. RUBELI: We have a map too. There is

1 the tracks. Here's (indicating) the train track
2 that's the subject, and that's (indicating) the
3 Amtrak station, that's the border of our
4 property. Now, I think your question had to do
5 with does it interfere with the access route,
6 the answer is no, because the primary access
7 routes are Route 421 coming in, 35 from the I-94
8 interstate. And those tracks are simply
9 isolated and they -- what they do is they border
10 our property, that's another option. This board
11 shows the -- why don't -- why don't you walk up
12 and show them, Gary.

13 MR. KAHN: This board shows the route of
14 the Amtrak line as well and the primary access
15 to 35 is this (indicating) way and at this
16 intersection the train station would be right
17 here (indicating). My name is Gary Kahn
18 (phonetic).

19 MR. RUBELI: Gary is with our architectural
20 firm that did the design.

21 MR. MILCAREK: Is there enough room between
22 the railroad tracks and the harbor to get boat
23 in there without moving the train tracks?

24 MR. RUBELI: Gary, can you stay with that
25 question. The question is: Is there enough

1 room for the cutout without interfering with the
2 tracks?

3 MR. KAHN: Yes.

4 MR. THAR: Is that true with the new site
5 you had developed in last 24 hours?

6 MR. KAHN: Yes.

7 MR. THAR: Did you actually have time to go
8 out and measure it or are you just saying it is?

9
10 MR. KAHN: We have accurate information
11 regarding the existing marina facility and the
12 distance from the existing breakwater of the
13 railroad tracks.

14 MR. THAR: Where would your crossover be
15 then?

16 MR. KAHN: In the scenario where the boat
17 docks at the -- let me get to this side -- in
18 the scenario where the boat docks in the marina
19 location here, the buildings, as it would
20 suggest, would have to be adjusted to the east
21 with the pavilion and entry access point moving
22 east farther.

23 MR. THAR: Do you control all of the
24 property in gray?

25 MR. KAHN: In gray, yes.

1 MR. RUBERLI: Bob just held up one that
2 isolates that new site and we do control it,
3 correct.

4 UNIDENTIFIED SPEAKER: We do control what's
5 in gray. And we also control this (indicating)
6 parcel of ground pursuant to the option that was
7 executed last night for this site.

8 MS. BOCHNOWSKI: Is that to scale, that
9 really is the way the riverboat was would get in
10 there.

11 UNIDENTIFIED SPEAKER: Yes, it's to scale.

12 MR. THAR: And that white van is where the
13 tracks are, am I correct in saying that.

14 UNIDENTIFIED SPEAKER: In the arch?

15 MR. THAR: The northern boundary of the
16 arch.

17 UNIDENTIFIED SPEAKER: In the arch, that's
18 correct. Yes.

19 MR. MILCAREK: Given the fact that the city
20 is so strongly on the site of the creek, how do
21 you --

22 MR. RUBELI: It had to come out at least
23 once.

24 MR. MILCAREK: How do you feel is your
25 relationship with the city?

1 MR. RUBELI: I think it's going to be fine.
2 I think that there's a lot of history here but
3 most of it was associated with the prior
4 administration and, hey, again we understand
5 where they are coming from. We all have a new
6 beginning in January of 1996 and I mean I don't
7 know -- I haven't spoken with Mayor Bergerson
8 personally on the matter but I heard her closing
9 statements yesterday when directly asked could
10 she work with any applicant and she said -- and
11 I wrote it down -- I'm anxious to work as soon
12 as possible with whatever applicant you pick, I
13 will take that offer literally. We are anxious
14 to work with Ms. Bergerson and the group here,
15 just as we did in Evansville, to make this
16 happen. And I genuinely believe that's the wish
17 of the community. When this is all over with,
18 everyone does go back to work, let's go get on
19 it and make it happen.

20 MR. MILCAREK: You have a statement here in
21 order to support development of minority and
22 women owned businesses which you would purchase
23 up to \$250,000 of supplies and so forth as well.
24 There seems to be some confusion with the
25 statements here that we are going to help the

1 minority and the business owners, no one can
2 have a clear-cut picture of how.

3 I know the fact that everybody is going to
4 help and everyone is going to do something. The
5 question is: How are we going to do that? What
6 is available for them to go into business, what
7 supplies? How could we provide a list off
8 things saying, you want to get in on this, you
9 don't just want to work for the riverboat. If
10 you try to develop this business, this business
11 and this business, give us some guidelines on
12 that.

13 MR. RUBELI: We could answer that one with
14 a very long and -- at some point, Commissioner,
15 we will do this for you. We had brought during
16 the process in Evansville people out from our
17 East Coast operation, Lynn Keys, if you remember
18 that name, a young lady that's worked very hard
19 to develop MBE programs for us on the East
20 Coast. And she was assigned to understand
21 better what was available as resources in
22 Indiana at the state level, what the city had,
23 what was expected here, what do these words mean
24 when they asked if we could do this.

25 Well, let me make sure I understand what

1 you are asking first. And out of it came a
2 realization that I alluded to earlier, that as I
3 understand this, and I'm not an expert on it,
4 but that the state of Indiana is themselves only
5 beginning to develop the programs and the
6 resources and the methods of setting up minority
7 business enterprises and women owned business
8 enterprises.

9 What's interesting is the obligation is
10 we'll do business with certified -- there is
11 really two issues, Commissioner, one is what
12 kind of businesses and how do I get into them,
13 but even if you do that, you would be amazed at
14 how minority businesses and women businesses are
15 there but they haven't been certified.

16 One of the problems was Indiana themselves
17 did not have, as I understand it, a program
18 completely set up that had all of the
19 mechanisms. So our people were -- and I forget
20 who it was unless you remember, Bob -- one
21 agency of the state or one of the departments to
22 develop a program for beginning to develop the
23 forms and the procedures to educate the existing
24 community that already had some businesses as to
25 what they could do. And then as an offshoot we

1 recognize in southern Indiana, in particular in
2 the Vanderburg County area, we were going to
3 have to do a lot of primary work to actually get
4 them set up. So how did we do it, conducted
5 literally education seminars and we have some
6 people on staff whose job it was to put together
7 those seminars and the booklets, the forums and
8 brought people together and said -- as part of
9 that, I'm certain I have seen list of -- these
10 are the kinds of businesses, and it's wonderful
11 ones, printing businesses, some florist
12 activities, decorating activities.

13 There's a group of young guys I know that
14 do T-shirts and now they do lots of T-shirts for
15 promotion efforts for the casino. And there
16 were other kinds of services, carpentry
17 services -- sometimes we go to the outside
18 because we don't want to staff up the certain
19 things and we had to do at a lot of that primary
20 work. So I think what I would like to suggest
21 we do for you, because it doesn't apply here
22 necessarily, to put together a little package.
23 We'll get that package done and send it off to
24 you and from there it should be available to any
25 applicant or any jurisdiction, so this is a lot

1 of work. What we are very proud of -- to
2 refresh your memory when we put that slide up on
3 Evansville, we had committed to 5 percent, and
4 Jim Brown's group is generating 35 percent and I
5 will be happy to make them available in whatever
6 form is appropriate to show what can be done
7 here, frankly we are surprised ourselves.

8 MR. MILCAREK: I certainly think we need a
9 vehicle to explain this to the people because --

10 MR. RUBELI: If I may, Mr. Kerr is going to
11 have to be departing, he wanted to offer
12 something.

13 MR. KERR: In connection with the specific
14 question about what we can do for minority
15 interest, one of the things we have done as a
16 company -- we have a retail development group
17 last year alone besides really inducing and
18 incubating interest in our particular channel of
19 distribution with companies like Tommy Hill
20 Figure or The Gap, a portion of the company that
21 crosses over the marketing line does temporary
22 space uses and those come in the form of carts
23 or key offs that you may be familiar with if you
24 shop regional malls, which we'll forgive you for
25 shopping at this particular moment in time.

1 But the fun part about the retail
2 development site of the business is it's a low
3 cost entry and we have a lot of folks on the
4 minority side that end up purchasing the rights
5 to the cart for a weekend or special event or
6 we're even merchandising our parking lots. I
7 happen to think and our partners agree that we
8 need to bring the fun back to the retail
9 environment, that's why we characterize our
10 business as being entertaining. It's a little
11 like walking through the farmer's market, being
12 there is something very entertaining about
13 knowing every melon isn't going to look the same
14 way. So our retail is very aggressive and we
15 have even executed it in Michigan City if
16 shopped carts were made available to everybody.

17 MR. RUBELI: I wanted to complete an answer
18 that I was not listening, I guess. I was
19 advised your question, Commissioner Milcarek,
20 how do we make this 250,000 -- we have a
21 contribution to minority and women owned
22 business in our original community proposal of
23 250,000 per year of supplies and services on a
24 prefunded basis and that's the how.

25 In other words, we found most of these

1 smaller businesses don't have the cash flow or
2 the capital to be able to go buy the supplies
3 and the parts to put something together. So,
4 for example, we will contract for supplies from
5 a local minority business, a significant portion
6 of the order will be prepaid to assist the small
7 business owner with its cash flow, and that's
8 the way you get the program started, you upfront
9 the money to buy raw materials required to
10 provide the goods or the services.

11 MR. MILCAREK: Along those same lines do
12 you have a profit sharing program for the
13 regular employees, some type of an incentive?

14 MR. RUBELI: We have in Aztar Corporation a
15 401K program, which the company administers, and
16 we have an employee stock option program, an
17 ESOP program. We have a profit sharing but it
18 may not and has not in recent years been funded
19 each year. It's there structurally but it's
20 there to be used only from time to time
21 depending on particular results for a particular
22 year.

23 MR. SWAN: What about in this organization?

24 MR. RUBELI: Don't know the answer to that,
25 don't know because in this instance here the

1 MCCL partnership will first have to be sensitive
2 to what are the norms and practices of the local
3 area, that's usually a starting point for
4 determinable salaries, wages, benefit programs
5 and this falls under the guides in the benefit
6 program.

7 Initially I would doubt it but in longer
8 term when you get there, these will be MCCL
9 employees and it will be an MCCL benefit
10 program, it may or may not be identical to
11 Aztar, probably would not be, because the
12 starting premises is you look at your local area
13 and you don't want to throw a monkey wrench into
14 the local practice so we'll match whatever the
15 local practice is.

16 MR. MILCAREK: Could you gave me a
17 realistic date of when you might open your
18 temporary boat, if you will.

19 MR. RUBELI: I will. I can give you an
20 exact date, 90 to 120 days after the Corp of
21 Engineers decides when they give their approval,
22 I mean that is literally how to look at this.
23 We can open a boat in 90 to probably 120 days
24 after corp approval. The problem in every
25 jurisdiction has been, of course, being too

1 optimistic on people that have repeatedly come
2 to these podiums and said it's going to take six
3 to nine months to get corps approval. In
4 Evansville, frankly, they delivered it right in
5 the six month mark. Then we had 120 days to
6 build a fairly substantial docking mechanism, so
7 we opened it four months after corps approval.

8 We believe here two things, an advantage in
9 the actual docking mechanism can be a lot less
10 since you don't have the banks of the Ohio River
11 to deal with with huge flood changs.; two, if
12 the temporary site is still available at NIPSCO,
13 there are those who believe that doesn't require
14 corps approval, I just don't believe that. I
15 think this corps has made clear that when it
16 comes to casino boats, they will have some
17 reason to be involved in the process. And so if
18 they are involved, in six to nine months -- we
19 will be open 90 to 120 days later.

20 If for some reason there's no corps
21 approval required for that temporary site that
22 we are all proposing adjacent to NIPSCO, then,
23 you know, 120 days is not unreasonable. The
24 boat is ready, that's usually the biggest
25 problem. We know how to put a temporary

1 facility together, we have a very nice one
2 Evansville. But I can't tell you what the
3 corps' position is going to be on this because
4 they won't work with us until we get a
5 certificate of suitability so this is a round
6 robin. You guys are asking us when are we going
7 to be open, and we can't talk with the people
8 who control when we are going to be open.
9 Anyway I think that's good advice to say four
10 months after corps.

11 MS. BOCHNOWSKI: You indicated the city
12 wants the creek location, and you indicated that
13 you ran a poll that show that people generally
14 want the location to be in the harbor. Who ran
15 that poll? Were those questions
16 scientifically -- I understand that polls can
17 say a lot of things, but I know that the way
18 questions are worded can influence answers.

19 MR. RUBELI: Yeah. You're absolutely
20 right. Let me give you an answer to that. It
21 was an opinion run by this outfit called --

22 MS. BOCHNOWSKI: I can't see it.

23 MR. RUBELI: I'll read it to you -- it's
24 called community opinion -- I'm sorry. The
25 Center for Community Opinion, San Ramon,

1 California, February of '96. It's headed up by
2 a Ph.D. graduate of IU, which I suspect is how
3 it came to be.

4 MS. BOCHNOWSKI: If he is a Ph.D. --

5 MR. RUBELI: I would say this, we provided
6 Jack's staff 15 copies of this opinion poll. I
7 would be happy to allow the Xerox machines a
8 copy for anyone in this room. You go to your
9 experts and decide they have listed every
10 question they asked, how they asked it and why
11 they asked it that way. And, Ms. Bochnowski, if
12 you would, you form your own judgment. I can't
13 tell you -- it's scientifically accurate based
14 on how surveys claim they are scientifically
15 accurate. We all know what we are dealing with.
16 I think it's pretty good.

17 As a laymen reading it for the first time
18 only last Friday, I asked the same question, how
19 do they ask the question, it's pretty straight
20 forward. My suggestion would be you have got
21 it and -- unless I have overstepped my bounds,
22 do we have any problems making it publicly
23 available? It's been published anyway. Anyone
24 in room that wants a Xerox copy, they can use
25 mine if they want it. This is the report and I

1 think it looks pretty good.

2 MS. BOCHNOWSKI: Now, are you concerned in
3 that location one of the things that the city
4 said, and I know it for a fact because we do
5 live close to Michigan City, when you have a
6 north wind on Lake Michigan, it's very choppy.
7 Do you feel that's protected enough to keep
8 people from getting sick on your boat?

9 MR. RUBELI: The north wind on Lake
10 Michigan -- there is a beautiful breakwater
11 which we highlighted on the photo.

12 MS. BOCHNOWSKI: Right.

13 MR. RUBELI: Usually when there's a very
14 heavy north wind, there's solid ice in the
15 harbor, this boat is not going to go anywhere
16 anyway. Absent that, let me ask John Wagner's
17 opinion, are we going to get them sick in the
18 harbor? By the way, we talked about the issue
19 going out to the breakwater and beyond. I mean
20 one of the real problems with Lake Michigan,
21 whether it's certified or not, you are not going
22 to take customers to the open water, you get
23 sick. What about in the harbor, with the north
24 wind, do we get waves or is it ice conditions
25 that are the issue?

1 MR. WAGNER: You're right, Commissioner,
2 that is a very valid question, that is a
3 concern. The nice thing about George Marine is
4 you're tucked in there. I believe the statutes
5 do allow for severe weather conditions it's up
6 to the master to determine. That's one of our
7 decisions to stay within the breakwater to take
8 care of guests and give them a safe, comfortable
9 ride.

10 MS. BOCHNOWSKI: So you feel within
11 breakwater they would be comfortable?

12 MR. WAGNER: Yes, ma'am, I do. I believe
13 it's up to the master to make the decision.
14 Certainly if it's extremely rough, I doubt you
15 are going to get waves in the harbor that are
16 more than one or two feet so, yes, it will be
17 very comfortable.

18 MR. RUBELI: Also, importantly, he does
19 have a, quote, safe harbor within the harbor in
20 that that slip is clearly going to be protected.

21 MS. BOCHNOWSKI: Right. But you can't
22 abuse that, you know, where if it's not icy but
23 it just happens to be choppy, you can't stay in
24 there.

25 MR. RUBELI: This company cruises when it

1 can cruise. We paid a premium for a repair crew
2 to come in and so we can get something fixed so
3 it can cruise again. We will cruise. It's
4 actually a pretty cruise in the spring, you are
5 not going to go out in the winter. I don't
6 think this harbor -- it has waves that are one
7 or two feet, the Ohio River has more choppiness
8 than that.

9 MR. SWAN: Could I ask question. On your
10 projected win on this proposal, I think, is
11 somewhere around \$45?

12 MR. RUBELI: Yes.

13 MR. SWAN: You are experiencing 38 in
14 Evansville?

15 MR. RUBELI: Well, I heard you say that and
16 I hate to correct a commissioner of the Indiana
17 Gaming Commission but I have to. Actually in
18 December it was over \$43, it was 43 and change,
19 I think 43.50, something like that.

20 MR. SWAN: Okay.

21 MR. RUBELI: -- per passenger unless -- Mr.
22 Thar, you are not looking at me. Did I speak
23 wrong here?

24 MR. THAR: I would put you at 41, high 41s.

25 MR. RUBELI: One of the dilemmas, in

1 fairness to me, is we operate on a fiscal basis
2 on our company and we report to you on a
3 calendar basis, so by that we cut off -- every
4 Thursday we do four week months and five week
5 months and four week months, so we sometimes
6 have part of a December and a January and part
7 of a January and a February. And mentally we
8 are following our fiscal numbers everyday but we
9 have to report to you once a month on calendar.
10 It's not 38, can I say that, it's over 40.

11 MR. THAR: At least 41 and you could be as
12 high as 43 plus, yes.

13 MS. BOCHNOWSKI: Forty-five is still higher
14 than 41.

15 MR. RUBELI: Bob also reminded me we
16 reported calendar-wise 6.2 or 6.4. The
17 difference between 6.2 and 6.4 -- Mr. Thar and
18 his staff will resolve that one over the months
19 ahead. There is issues whether you count before
20 chip flow or after chip flow. It's a highly
21 technical issue, it doesn't matter, it's up to
22 the accountants and in the end we'll get used to
23 it. I wish I could give you a better answer
24 right now because on my feet I can't, it's chip
25 flow adjustments that create a slight difference

1 between which line on your report you want to
2 take. They are both there for the public to --
3 am I right -- yeah, they are both released
4 to the --

5 MR. THAR: The bottom line of the issue is
6 whether you collect tax now or later.

7 MR. RUBELI: Thank you. You eventually get
8 it.

9 MR. THAR: I'm just saying their win is
10 more than 41 but less than 45 is an accurate
11 statement.

12 MR. RUBELI: For example, though, when we
13 report fiscally as a corporation, we'll soon
14 report the month of December as part of the
15 normal reporting, but our month ended on
16 Thursday, December 28. So we'll be reporting
17 publicly and before everyone said, well, that's
18 not the number, it's not going to be 6.2 because
19 that was based on ending December 31, it will be
20 adjusted -- it will be whatever it was at the
21 end of December 28, that's another set of
22 numbers we deal with, however, the win per
23 passenger, 41 if Jack is right; 43 if I'm
24 right -- but the good news is I can't really
25 tell you. But January is going to be closer to

1 45 we're talking about so we feel real good
2 about that number, 45 is where it's going to
3 come in.

4 MR. SWAN: This market should be about the
5 same as that market?

6 MR. RUBELI: Yeah. I don't see any reason
7 -- one of the big reasons that number is what it
8 is, it depends on whether you have two hour
9 cruises or three hours cruises. I hate to blow
10 a bubble on anyone's theories on the value of
11 the player and high roller marketing versus --
12 but that's also a big difference, very simple,
13 we win so much per hour, you win more on a three
14 hour cruise than you do on a two hour cruise per
15 passenger. Now, when you try to compare
16 Illinois boats to Missouri boats, you've got to
17 make a distinction on how many hours Missouri is
18 counting and how many hours Illinois is counting
19 and it may not be the same range.

20 And then you have the ingredient of better
21 customers, more valued customers, and all that
22 on top. So there are two issues that affect win
23 per passenger, the caliber of the customer, but
24 also simple things like how long is your cruise
25 and what's your mix between two and three hours

1 cruises. And operators will choose different
2 mixes for different reasons. We may choose
3 different mixes at different times of the year,
4 come back to the commission staff and ask for a
5 revision of the schedule. Right now we are at
6 45, that's the projection we are using in
7 Michigan City, that's the internal projection we
8 have been using in our company for this year,
9 '96, and we seem to be right on that in
10 Evansville. I don't know calendar January, I
11 honestly don't.

12 MR. VOWELS: Are your cruises up here
13 going to be similar to what they are in
14 Evansville?

15 MR. RUBELI: Yeah, probably. We are
16 running two hour cruises in the morning and
17 early afternoon and then revert to a three hour
18 cruise in the late afternoon and the evening.

19 MR. VOWELS: Because it shows six here, is
20 that six a day or more, nine, eleven, one,
21 three --

22 MR. HADDOCK: Actually these assumptions
23 were all two hour cruises.

24 MR. RUBELI: Bob is telling me that here
25 they were eventually two hour cruises because

1 one of the considerations here is going to be
2 the interchange of Lighthouse Place. We may
3 want to stick with two hours, is that what it
4 is, ours are all two hour cruises?

5 MR. HADDOCK: I think so. I'm not sure.

6 MR. MILCAREK: What is the timing on this
7 hotel? If you would build a hotel, when would
8 you start the hotel, the first year or second
9 year?

10 MR. RUBELI: Bob, do you want to respond to
11 the question. Bob has been the one working with
12 some of these outside developers and some of the
13 other people.

14 MR. HADDOCK: It would be our intention so
15 start planning for the hotel immediately and
16 start construction as soon as the plans were
17 done. We really don't see this as a phase one,
18 phase two situation. If we were lucky and we
19 are able to get corps approval quickly, we could
20 begin the temporary site. It would be in
21 operation obviously well before the hotel would
22 be built but that will be the goal.

23 MR. MILCAREK: With the increase in
24 Lighthouse Place, how many new stores would that
25 create compared to what we have got?

1 MR. HADDOCK: I would like Jeff Kerr to
2 answer that.

3 MR. KERR: Jeff Kerr of Horizon again.
4 Back to your question about the hotel and one of
5 the -- I would like to make a quick clarifying
6 comment because I sense that both the city and
7 perhaps the commission isn't giving enough
8 credibility to the -- to the creation of this
9 joint development group and whether we are
10 investing heavily, which we are, and are
11 prepared to continue doing in Michigan City or
12 whether we are building a regional mall or for
13 that matter whether Mell Simon is building the
14 Mall of the Americas.

15 What happens and it is easy particularly
16 for governments and commissions to forget how
17 the underwriting actually gets done. We are
18 building an 800,000 feet regional mall up in
19 Muskegan. In order to make that work, we have
20 to give JC Penney the ground and induce
21 Nordstrom's, they literally become our
22 development partners. It's our view that the
23 \$81 million plus or minus in Michigan City is
24 very real. But I think what, perhaps, the
25 city -- and we haven't had a chance to share

1 with them what our vision of Michigan City
2 really is, they are a critical partner to us.
3 And we very fundamentally believe that because
4 of our commitment and our co-tenants that we are
5 going to go out with some leverage. The
6 development must start at the harbor.

7 So you have seen our site development
8 drawings. We believe that naturally it will
9 evolve and should evolve to the creek site
10 which, from our perspective today and in the
11 near future, simply is not developable. It has
12 to start here. Back to -- Forgive me to
13 diverting your attention for a second, back to
14 how many tenants, we are planning 200,000 feet.
15 A portion of use may go to a 10 screen cinema, a
16 portion of that use may go with two sheets of
17 ice and an indoor roller blade, that's 100,000
18 feet right there. The other uses within that
19 200,000 feet would be more classically defined
20 as small shops, 3500 to 5,000 foot users.

21 And then the merchandising strategy, back
22 to minority interest and economic incentive and
23 jobs which are clearly a fundamental goal that
24 we are all trying to get after. The retail
25 development group incubates and merchandises

1 space based on our investment to make that
2 environment become more festive, more fun, far
3 more exciting than what you have heard me
4 characterize as vanilla box retail.

5 MR. MILCAREK: What percentage of stores at
6 the Lighthouse Place would you say is occupied
7 right now, are there any vacant stores?

8 MR. RUBELI: Well, company-wide our
9 portfolio nationally is 95 percent occupied. I
10 would have to defer to perhaps Jonathan, my
11 measurement guy.

12 (Discussion held by Mr. Rubeli and
13 unidentified speaker off the record.)

14 MR. RUBELI: We are pretty close to -- we
15 have a huge amount of interest in these
16 redevelopment plans. I spent the last two weeks
17 out talking to some key tenants who were very,
18 very excited about bringing this concept alive.
19 One of the cautions I will volunteer, since I
20 have been asked, when we were in Evansville
21 before you controlled everything -- we are here
22 before you as a 10 percent owner and not
23 necessarily controlling everything. So in
24 fairness to the process we believe we have good
25 partners. We believe we have a working

1 environment that's great but it is going to be
2 more difficult for Aztar. I'm not in a position
3 to control everything. I don't know Jeff Kerr's
4 business anywhere near as well as Jeff Kerr
5 knows his business so I can't tell, for example,
6 how long it takes to build one of these
7 buildings.

8 I think we are going to work all these
9 things out. I think we have a working
10 environment with the city that's acknowledgably
11 more difficult than it began for us in
12 Evansville, although I must say we had to get
13 there with these people, too, and so one of the
14 cautions is this is a more difficult process all
15 the way around and I just say to you as Aztar
16 Corporation we are proud of what we have done
17 for Indiana, and we are prepared to do here what
18 needs to be done to get this open. But it's
19 going to be harder for us to do that here than
20 it was in Evansville.

21 MR. MILCAREK: One more question about the
22 hotel for 6.5 million, what class of hotel do
23 you get, I mean 150 rooms?

24 MR. RUBELI: One hundred to 120,
25 Commissioner Milcarek, because I think the point

1 you are about to make -- we think you can get a
2 Mariott Courtyard, Residence Inn type quality at
3 100 rooms, that would be 65,000 a room. There
4 is no land cost for these folks, I guess I
5 already prenegotiated. As he said, he gives it
6 away to Nordstrom's, we'll give it away to a
7 developer, and there is still one we have in
8 mind that we almost hoped we were going to have
9 with us today that we may still get here at some
10 point. Think in terms of a basic 100, 120 rooms
11 nice limited facilities, some meeting space but
12 not a lot -- certainly not extensive food and
13 beverage, probably no food and beverage, at
14 65,000 a room in the hotel business without a
15 land cost, you could build a Mariott Courtyard
16 for that, and that might be a nice one to build
17 so --

18 MR. VOWELS: In honor of our missing
19 chairman I'll ask the following question about
20 the noncompete clause.

21 MR. RUBELI: Oh, I was hoping because,
22 unfortunately, he wasn't here that we weren't
23 going to have to deal with that.

24 MR. VOWELS: Would this applicant agree to
25 a noncompete clause and if so for what area?

1 MR. RUBELI: You're supposed to ask for
2 Chicago, isn't that what happened in Hammond and
3 East Chicago?

4 MR. VOWELS: We didn't get the answer we
5 wanted.

6 MR. RUBELI: I was all ready -- the answer
7 is, we have all agreed Chicago isn't in this
8 market so, no, I'm not going to give you a
9 noncompete with Chicago. The answer is no.

10 MR. VOWELS: I will let Alan know that.

11 MR. RUBELI: I would rather try to explain
12 it myself if you don't mind.

13 MR. THAR: I would just like to advise the
14 commission on a technical point. I don't have a
15 question. The technical point is whether or not
16 you can count Horizon's \$20 million in the
17 project. The point of the matter is we cannot.
18 Our only jurisdiction is over Michigan City
19 Casino and Lodge for which Horizon is not a
20 part. We cannot then put that \$20 million in
21 certificates, it's questionable as to whether or
22 not we can put the 6.5 million in for the hotel.
23 This commission can do nothing to the Horizon
24 Group. The Horizon Group -- the day after we
25 gave a license we looked at the market, we can't

1 do it. Certainly Aztar would use their best
2 efforts, MCCL would use their efforts.

3 The point of the matter is we have no
4 control over anything except the applicant,
5 that's why we can't look at that \$20 million,
6 there is no control over it, that's why we got
7 to count it that way, that's why we counted it
8 that way in Evansville. Every penny that went
9 to Evansville came out of Aztar.

10 MR. RUBELI: Well, frankly from one point
11 of view I don't mind that. So we're here with a
12 \$55 million technical project and a project
13 before you that you see and I'm not -- I think
14 that's an important point. My thought was you
15 were going to suggest otherwise that you would
16 bind us as the applicant to cause the
17 development of that \$20 million and that
18 troubled me because then the burden would have
19 been on us how to make that happen because even
20 though certainly Jeff Kerr is willing to make
21 that agreement so. The clout you would have is
22 you take away the applicant's certificate of
23 suitability, it doesn't happen. What's any
24 different between that and being bound to the
25 commitments we make to the whole community or

1 the city? As an intellectual man I'm curious
2 about it because that's the way I saw, Jack,
3 this thing coming together. You could find us
4 the applicant to cause Jeff Kerr and Horizon to
5 make it happen so, in fact, we could be held.

6 MR. THAR: Because I would not want to have
7 to defend the commission's position in court for
8 requiring something outside of our jurisdiction
9 on the part of the applicant if Horizon is not a
10 party, that's what the question was --

11 MR. RUBELI: I would volunteer this much --

12 MR. THAR: May I just finish. Thank you.
13 One of the questions brought up by Commissioner
14 Vowels immediately after the break is what is
15 Horizon's position with MCCL. Let me ask you
16 this: They are not an equity partner, that's
17 it. There's a lot of ways to count the beans.
18 From this commission's position we have
19 jurisdiction over you.

20 MR. KERR: I understand the technical
21 indication.

22 MR. THAR: That's a real interpretation.

23 MR. KERR: I hate to call it the tail
24 wagging the dog but let me explain this because
25 like Paul our company believes in big people's

1 portions. One of the problems my board and
2 finance committee have with the transaction is
3 we wanted to own it all. We would have owned as
4 much of it as we could.

5 Our dilemma became as a company we are
6 organized as a real estate investment trust.
7 And if you can believe this, some attorney
8 somewhere, and probably a couple of bean
9 counters, invented something called bad income,
10 and receipts from casinos and other operations
11 are bad income so we had to structure a very
12 creative underwriting. But again for the rules
13 to suggest that this is isn't real money and
14 that we really aren't binding ourselves in a
15 strategic alliance is simply unfair.

16 MR. RUBELI: That's a good point I forgot.
17 There was a time not too long ago that we were
18 hoping that Horizon stepped in as the primary
19 owner as the 65 percent equity now. To close
20 the loop on this issue, and very clearly I
21 understand that we'll stand before you with a
22 \$55 million application, we still think we'll
23 create more economic benefit for Michigan City
24 and Indiana with that than can be done by the
25 other two proposals in Trail Creek. And maybe

1 for all of our benefits we would be better off
2 going in with a \$55 million application and
3 commitment, particularly if the Indians wind up
4 in New Buffalo. In any case we are going to
5 build what we showed you.

6 MS. BOCHNOWSKI: Are there any other
7 questions? Thank you very much.

8 MR. RUBELI: Thank you for your patience.

9
10 (Proceedings concluded at or about 12:45
11 p.m.)
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1 STATE OF INDIANA)

2) SS:

3 COUNTY OF LAPORTE)

4 COURT REPORTER'S CERTIFICATE

5 I, Natalie Bearickx, CSR, and duly authorized to
6 administer such oath, do hereby certify that on the 13th day
7 of February, 1996, at the Pine Lake Hotel, 444 Pine Lake
8 Avenue, LaPorte, Indiana, State of Indiana, commencing at or
9 about the hour of 11:30 a.m., I then and there reported the
10 proceedings had before the Indiana Gaming Committee;

11 I further certify that I reported said proceedings by
12 the means of machine shorthand and that I have transcribed
13 my original shorthand notes through the use of
14 computer-aided transcription into the typewritten form and
15 that the foregoing and attached pages or parts of pages
16 number inclusively two hundred sixty-nine through three
17 hundred eighty-four comprise a true, correct, complete and
18 accurate transcript of said proceedings;

19 IN WITNESS WHEREOF, I have hereunto set my hand and
20 official seal this 4th day of March, 1996.

21 
22 Natalie Bearickx
23 Notary Public, State of Indiana
Laporte County
My Commission Expires 08/20/99

24 THIS CERTIFICATE APPLIES ONLY TO THE ORIGINAL TRANSCRIPT
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