

ORIGINAL

BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: June 21, 1995

PLACE: Indiana Government Center Auditorium  
302 West Washington Street  
Indianapolis, Indiana

REGARDING: Lady Luck Gaming Corporation

REPORTED BY: Sherry L. Malia, RPR, Notary Public

MEMBERS OF THE COMMISSION

Alan I. Klineman, Chairman  
Thomas F. Milcarek  
Donald R. Vowels  
Ann Marie Bochnowski  
Robert Sundwick

ALSO PRESENT

John J. Thar, Executive Director,  
and Members of the Staff

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1                   MR. KLINEMAN: Let the record show that  
2 all of the commissioners except Dr. Ross are  
3 present and we're ready for the Lady Luck  
4 presentation. Which I guess it's about three  
5 minutes after 9:00, we'll give you until three  
6 minutes after 10:00. Thank you.

7                   MR. DAVIS: Mr. Chairman, Members of the  
8 Commission, Executive Director Thar, and ladies  
9 and gentlemen of the staff, good morning. I'm  
10 Wayne Davis, a partner with the Indianapolis law  
11 firm of Henderson, Daily, Withrow & DeVoe, and I'm  
12 going to be your guide this morning to the Lady  
13 Luck Lawrenceburg presentation.

14                   Before we begin, I would like to  
15 introduce the presenters for our presentation this  
16 morning. From your left to right, we have Alaine  
17 Uboldi, who is the president and chief operating  
18 officer of Lady Luck Gaming Corporation. Next to  
19 him we have Robert Ewbank, a founding member of  
20 Dearborn Riverboat Express, a Dearborn County  
21 citizen, and his family has resided in Dearborn  
22 County for approximately a hundred and fifty  
23 years. Next to Bob is Larry Tombari, who is the

1           senior vice president of development for Lady Luck  
2           Gaming. Then we have Bill Watt, a former chairman  
3           of the Indiana Transportation Board, a former  
4           assistant to Governor Bowen, and a past official  
5           with the Federal Railroad Administration. Next we  
6           have Michael Hlavsa, the chief financial officer  
7           of Lady Luck Gaming. And Nancy Donovan, one of  
8           the most experienced riverboat casino marketing  
9           professionals in the industry and the director  
10          from the company's newest casino, Lady Luck  
11          Bettendorf in Bettendorf, Iowa.

12                       Over the past few days we have seen a  
13          number of different scenarios and theories that  
14          claim to serve the best interest of Indiana and  
15          the people of Dearborn County. What we want to  
16          show you today is the reality of it. Honest, up  
17          front, and we believe compelling evidence that the  
18          Lady Luck Lawrenceburg proposal is the only  
19          project which puts the integrity and livelihood of  
20          the citizens of Dearborn County first and foremost  
21          and still accomplishes the goal of creating a  
22          successful resort and gaming operation.

23                       Essentially, the other development

1 proposals duplicate one another but with different  
2 names and different operators. Lady Luck  
3 Lawrenceburg, we believe, is different from the  
4 onset. It is a practical, realistic difference  
5 that is a strength for Dearborn County. It is a  
6 proposal essentially created by our local  
7 partners, and therein lies the real debate  
8 surrounding what will be best for all the people  
9 of Dearborn County.

10 The unique nature of the Lady Luck  
11 Lawrenceburg proposal is difficult to understand  
12 at first we know. We have heard that from  
13 skeptical voices. But as you saw for yourselves  
14 when you visited Dearborn County and toured the  
15 proposed sites, the traffic and environmental  
16 constraints in Lawrenceburg and the surrounding  
17 area require that a development respect the  
18 heritage of the community, the needs of those who  
19 live there today as well as the legacy for the  
20 generations to come. While you might not find  
21 Dearborn County in a lot of tourist magazines,  
22 those who call it home happen to think it's a  
23 pretty wonderful place.

1                   From the hills to the rivers and  
2                   everywhere in between, Dearborn County has a lot  
3                   to offer in natural beauty. And then there's the  
4                   man-made variety, with a host of historic downtown  
5                   buildings that stand in evidence to its proud  
6                   culture and history. The next chapter in that  
7                   history will be riverboat gaming.

8                   The decision you make for Dearborn  
9                   County will affect the character of that area for  
10                  years to come. The impact of your decision is  
11                  what we will address in our presentation this  
12                  morning. We will begin with a brief explanation  
13                  of Lady Luck Gaming Corporation and Dearborn  
14                  Riverboat Express and then get right to the issues  
15                  and the reasons that we believe make Lady Luck  
16                  Lawrenceburg the best choice for the citizens of  
17                  Dearborn County and for Indiana.

18                  And now let me introduce Alaine Uboldi,  
19                  who is the president and chief operating officer  
20                  of Lady Luck Gaming Corporation.

21                  MR. UBOLDI: Good morning and thank you  
22                  for this opportunity. I would like to give a  
23                  quick overview of our company.

1           Lady Luck Gaming first became a public  
2           company in September 1993 and today is traded on  
3           the NASDAQ stock exchange. While we have only two  
4           years as a public company, we have, however, for  
5           30 years operated a casino in downtown Las Vegas.

6           Lady Luck Casino Hotel was opened by Mr.  
7           Andrew Tompkins, our chairman, in 1964. It was a  
8           very small newsstand with seventeen slot machines  
9           which has evolved now into a prosperous hotel  
10          casino for downtown Las Vegas which covers nearly  
11          two city blocks.

12          When the gaming industry was right on  
13          the brink of expansion outside of Nevada, Andrew  
14          Tompkins and myself decided to create a separate  
15          company with a sole purpose to pursue the  
16          strategic and emerging gaming markets. Soon after  
17          we opened our first casino, and then we carry on  
18          opening to the United States. As of today, Lady  
19          Luck operates five casinos and is a partner in a  
20          sixth one.

21          The first casino, as you can see, was  
22          and is still operating in Lady Luck Natchez in  
23          Mississippi. The second one operates in Central

1 City in Colorado. The third one is Lady Luck  
2 Biloxi in Biloxi, Mississippi, on the gulf coast.  
3 Then came Lady Luck Rhythm & Blues in Coahoma  
4 County, just south of Tunica County, which is  
5 right on the bridge connecting Arkansas. Lately,  
6 on April 21st, I think, we opened our last casino  
7 that we operate, which is Lady Luck Bettendorf in  
8 Bettendorf, Iowa. And, finally, we are a 35  
9 percent partner with Bally's in North Tunica,  
10 Mississippi, and the casino is supposed to open  
11 sometime in November.

12 Our historical roots give us a strong  
13 since of perspective in the emerging business of  
14 casino gaming. We are sensitive to the emerging  
15 culture of the areas in which we operate. We work  
16 very hard to become an asset to the community we  
17 serve. The same is true for Lawrenceburg,  
18 Indiana. We are extremely excited about the  
19 possibility of Lady Luck Lawrenceburg and hope  
20 that you will see the same excitement.

21 I will now welcome Robert Ewbank, who  
22 created Lady Luck Lawrenceburg, and he is going to  
23 explain that.



1                   MR. EWBANK: Good morning. Thank you,  
2                   Alaine. My name is Robert Ewbank, and I am a  
3                   native of Lawrenceburg where I practice law, as  
4                   did my father and his father before him.

5                   My family arrived in Dearborn County  
6                   five years before Indiana became a state. For a  
7                   century and three-quarters, we have raised our  
8                   children, buried our dead, and respected our  
9                   community. One of the charms of Lawrenceburg is:  
10                  Not a lot of things change. It's a quiet city.  
11                  Its essential nature is shaped by the rhythms of  
12                  the river.

13                  You can well imagine our initial concern  
14                  when riverboat gaming was authorized by the  
15                  general assembly. While we were grateful for the  
16                  economics of gaming, we were fearful that it would  
17                  change our lives forever.

18                  During the conversation at the coffee  
19                  shop, out in front of church, at the PTA, it  
20                  became apparent that the people of Lawrenceburg  
21                  had three things they wanted from gaming: First,  
22                  economic development. After all, the river  
23                  brought us our initial prosperity. Is it not

1 fitting that it should be the instrument of our  
2 revival? Secondly, the citizens of Lawrenceburg  
3 being somewhat skeptical, wanted to know what  
4 would be left for our community should the  
5 riverboats leave town for more lucrative waters.  
6 Finally and most importantly, we wanted to make  
7 sure that Lawrenceburg remained Lawrenceburg.

8 As the gamers came to town, our worse  
9 fears began to assume a scary reality. What would  
10 be the impact on traffic? What would happen to  
11 the Oxbow, as we know it the horseshoe bowers?  
12 What would become of the city? It was as if the  
13 music man had come to town with a bunch of band  
14 uniforms to sell but without a tape measure. We  
15 were determined not to let this happen.

16 Upon reflection, we realized we had the  
17 people with experience in construction,  
18 engineering, administrative law, small business,  
19 land development, traffic control, and even  
20 maritime operations. We were determined that  
21 outside forces would not impose ill-fitting plans  
22 in our community. But how are we to avoid the  
23 inevitable traffic jams, the disruption of

1           inappropriate construction, and the possible  
2           ruination of our heritage? The central traffic  
3           reality of Lawrenceburg is that there are only  
4           three ways you can get there. We knew the river  
5           was out. We were all too familiar with congestion  
6           on U.S. 50, not to mention the addition of ten  
7           thousand cars a day to the already unsafe and  
8           grossly polluted conditions on the only artery  
9           through town.

10                       One Sunday in July of 1993, when I was  
11           on my way with my son to see a Reds game, I had to  
12           wait on a train at the train crossing at U.S. 50  
13           and the I-275 connector. It dawned on me: We can  
14           move tourists to the riverboat by train with a  
15           mass transit system. We would avoid the  
16           additional congestion and the pollution of another  
17           ten thousand exhaust pipes, and we could build a  
18           hotel on the outskirts of town, thus saving the  
19           wetlands and . . . (inaudible.)

20                       We know our plan is different and we  
21           realize we are asking you to think outside of the  
22           box. But, after all, this was a county  
23           referendum. We are convinced that our concept

1 will best serve the needs of Lawrenceburg,  
2 Dearborn County, Southeastern Indiana, and the  
3 State of Indiana.

4 Larry Tombari will now walk us through  
5 the components of Lady Luck Lawrenceburg. Thank  
6 you.

7 MR. TOMBARI: Thanks, Bob. With that  
8 backdrop, our team faced a particularly  
9 challenging development problem with five  
10 significant obstacles. The objective was to frame  
11 a project that provides a maximum benefit to the  
12 most entities while minimizing the detrimental  
13 impact of a high volume commercial business  
14 enterprise. Many of these are quality of life  
15 issues that all applicants should address. I  
16 would like to describe how we addressed each of  
17 these constraints. Later we will summarize the  
18 financial aspects of the project.

19 First, a word about the environmental  
20 constraints. One of the major development  
21 constraints relates to environmental concerns,  
22 particularly as they relate to the Oxbow  
23 Conservancy land located between the I-275

1 connector access and downtown Lawrenceburg.  
2 Sensitive environmental issues, such as wetlands,  
3 wildlife habitat, and Indiana burial grounds  
4 associated with the Oxbow area have all come to  
5 surface since the advent of gaming development in  
6 Lawrenceburg. Concerns have also been expressed  
7 concerning the fly ash pit areas for gaming  
8 developments on the west side of town. Note that  
9 the Oxbow area is actually a very large area,  
10 probably a thousand plus acres between the access  
11 road and the levee protecting the town.

12 Local and state-wide environmental  
13 groups, including the Oxbow and Sierra clubs, have  
14 indicated that development of the land will  
15 destroy several species of wildlife and flora.  
16 Moreover, the development of such an area would  
17 permanently destroy a sensitive area that the  
18 citizens of Lawrenceburg and Dearborn County have  
19 enjoyed for more than 150 years.

20 We didn't believe that the citizens of  
21 Dearborn County nor the commission would opt for  
22 laying waste to an environmentally sensitive area  
23 for development that could depart in a few years.

1 We don't think the citizens of Dearborn County  
2 would have voted for riverboat gaming if they knew  
3 the Oxbow would be destroyed for the sole benefit  
4 of a gaming development. If development of a  
5 project is held up for sometime by concerned  
6 citizens and powerful environmental groups,  
7 Lawrenceburg could lose its competitive edge as  
8 nearby venues open up to gaming competition in  
9 Ohio and Kentucky during the litigation and the  
10 legislative process.

11 The Lady Luck project allows for  
12 retention of the Oxbow conservation area since no  
13 development occurs in the area. The land-based  
14 improvements are located near the town of  
15 Greendale, out here, and the riverfront facilities  
16 and gaming vessel are located on the downtown  
17 riverfront, which is the historical docking space  
18 for vessels landing at Lawrenceburg.

19 We have completed an application into  
20 the Army Corps of Engineers and expect little  
21 difficulty with the site being proposed. The  
22 Oxbow Group and Sierra Club have extensively  
23 reviewed the proposed developments offered by the

1 applicants, and I think they will be speaking here  
2 tomorrow. The Sierra Club provided an unsolicited  
3 endorsement of the Lady Luck Lawrenceburg project  
4 during the public hearings in Lawrenceburg. A  
5 copy of the statement has been contained in the  
6 books that we will be providing to the commission.  
7 The Oxbow group has not endorsed a specific  
8 applicant but has publicly voiced its concerns  
9 regarding possible destruction of wetlands and  
10 habitat if development occurs in the Oxbow land.  
11 A summary of that Oxbow study is going to be  
12 contained in the books that you will be receiving.

13 Now a word about infrastructure  
14 constraints. When I first arrived in Lawrenceburg  
15 in July of 1993, it was apparent that the  
16 infrastructure was woefully inadequate. I was  
17 caught in very heavy traffic during mid day on  
18 either side of U.S. 50. The best project for  
19 southeastern Indiana would be one that best  
20 addressed what was basically Nineteenth Century  
21 infrastructure with a 1990s development project.

22 Lawrenceburg was built along the Ohio  
23 River and utilized it as a primary transportation

1 route until the advent of the railroad, which  
2 basically parallel the river through town.  
3 Finally, the highway systems were built, with U.S.  
4 50 being the primary artery through Lawrenceburg,  
5 connecting the Cincinnati-Northern Kentucky area  
6 via Interstate 275. The I-275 connector is the  
7 only bridge across the Ohio River in the area.  
8 Basically, there's only one way into and out of  
9 Lawrenceburg.

10 The City of Lawrenceburg has narrow  
11 streets and inadequate parking for commercial  
12 projects. U.S. 50 is heavily traveled at times  
13 and has been described as one of the state's most  
14 dangerous highways, experiencing on average one  
15 accident daily. As it passes through  
16 Lawrenceburg, U.S. 50 passes by the Lawrenceburg  
17 schools and portions of the central business  
18 district. Access to the central business district  
19 from I-275 requires two difficult left hand  
20 vehicular turns. U.S. 50 crosses railroad tracks  
21 of the Central Railroad as it passes through the  
22 City of Lawrenceburg in two points: up here and  
23 again down here as the tracks loop around.



1                   Exit polling during the county  
2                   referendum on gaming indicated that the biggest  
3                   concern of Dearborn County residents was the  
4                   traffic volumes that riverboat gaming would bring  
5                   to the area, exacerbating an already burdened  
6                   system. Riverboat gaming will bring an additional  
7                   ten thousand cars daily into Lawrenceburg, which  
8                   should create virtual gridlock every weekend  
9                   starting Friday afternoon. The traffic problems  
10                  start the moment vehicular traffic turns left onto  
11                  U.S. 50 from I-275. U.S. 50 passes by the area  
12                  school system, including Lawrenceburg High School,  
13                  Central Elementary, Greendale Middle School, St.  
14                  Lawrence Catholic Elementary School.

15                  U.S. 50 has been the site of many  
16                  vehicular incidents, and, in fact, two members of  
17                  our project team. I think one of the accidents  
18                  actually nearly fatally injured Mr. Ewbank's  
19                  mother. The citizens of Dearborn County and  
20                  commission can expect an increase in accidents  
21                  along U.S. 50 and an increase of incidents of  
22                  drivers driving while intoxicated. This is a  
23                  recent article of an accident. It involved a car

1 crashing into a school bus. These are school  
2 children that are being put into the ambulance.

3 Highway 61 in Tunica County,  
4 Mississippi, is probably a good predictor of what  
5 could happen along U.S. 50 in Dearborn County.  
6 Traffic counts increased from 2300 per day in  
7 1990, which is prior to gaming down there, to more  
8 than 4,000 in 1992 and 9500 in 1994. Fatalities  
9 increased from one in 1990 to eighteen last year.  
10 Note that the average daily traffic counts in 1994  
11 in Highway 61 are nearly the same as those  
12 predicted for a Lawrenceburg gaming facility  
13 during the peak periods.

14 Tunica County is a rural agricultural  
15 area, much less developed than Dearborn County.  
16 One could presume that the number of accidents  
17 would be much higher than that experienced in  
18 Tunica County since traffic on U.S. 50 passes  
19 through urban areas. While traffic counts are  
20 certainly a safety issue, it could become the  
21 overriding issue. Former Indiana State Police  
22 Officer Jim Theobald, who has been advising the  
23 team as to these matters, views safety as perhaps

1 the most important factor in the development of  
2 gaming in Dearborn County.

3 The point to direct destination traffic  
4 away from local traffic is at the I-275  
5 interchange. While other applicants provide  
6 various ramp-over schemes, we have been very  
7 skeptical as to when such projects could be  
8 expected to be completed, the feasibility of  
9 constructing highways over levees and railroad  
10 rights of ways, and the availability of funding  
11 for the figures proposed by the city-hired  
12 engineers are insufficient. Permits would be  
13 required at both the state and federal levels, and  
14 the ramp-over schemes are proposing destruction of  
15 wetlands and the same environmental problems that  
16 I described earlier.

17 Of course, no applicant has title to all  
18 the property being proposed for the various casino  
19 roads. I can say that because various members of  
20 the Lady Luck Lawrenceburg investor group actually  
21 own some of the property. Any type of levees that  
22 would be constructed to contain roadways would  
23 have to be built to contain 80-foot flood walls.

1                   There are two rail lines bisecting the  
2                   City of Lawrenceburg: Central Railroad of Indiana  
3                   and CSX. Every proposed project must consider  
4                   traffic crossing these rail lines at some point.  
5                   When we recognized this, we partnered up with  
6                   Central Railroad to provide the requisite rights  
7                   of way to riverfront property and the Canadian  
8                   National Railroad to provide passenger operations  
9                   and much of the infrastructure improvements. Lady  
10                  Luck's project can control the traffic, the  
11                  freight traffic, as it impacts passenger traffic.  
12                  The same cannot be said for the CSX traffic. The  
13                  main east-west line for CSX is the track through  
14                  Lawrenceburg, right here.

15                  I think one of the applicants yesterday  
16                  testified that three or four trains pass through  
17                  the city daily on this track. According to CSX,  
18                  the average number of trains passing through  
19                  Lawrenceburg on a daily basis is six during the  
20                  daylight hours and four through ten at night.  
21                  Therefore, one can expect ten to sixteen trains  
22                  daily through Lawrenceburg on CSX.

23                  CSX also reported to us that the number

1 of trains coming through Lawrenceburg was expected  
2 to increase over the next few years. Trains of  
3 this size -- the average train contains 75 to 125  
4 cars, and they proceed through Lawrenceburg at  
5 what was reported as 15 miles per hour. Now, the  
6 residents there in Dearborn County will probably  
7 tell you they are not going that fast. CSX also  
8 reported that there will be an increase in the  
9 number of trains. Trains of this size virtually  
10 extend the entire length of downtown Lawrenceburg,  
11 nearly two miles in length. And when you are  
12 caught in traffic jams in downtown Lawrenceburg,  
13 it's because the trains extend this entire length,  
14 which is a little better than two miles.

15 Assuming that the Indiana Gaming  
16 Commission enforces cruising regulations, there's  
17 an excellent chance that patrons will miss many  
18 cruises because of delays caused by rail traffic,  
19 either with CSX or with Central. Patrons that  
20 will be transported via mass transit from these  
21 off-site parking lots during temporary operations  
22 or whatever, or the expected ten thousand vehicles  
23 per day, will face delays and many will



1 Lawrenceburg has forced some applicants to  
2 configure development projects adjacent to  
3 residential neighborhoods. This is unprecedented  
4 anywhere in the United States gaming markets, and  
5 our team felt that displacement of residents on a  
6 large scale or condemnation of their homes would  
7 not be well received by this commission. Lady  
8 Luck's facilities are located along the highway  
9 arteries and in the downtown riverfront corridor.  
10 The project does not displace residents nor  
11 require taking of property for gaming development  
12 purposes.

13 A few words about competitive  
14 positioning. The Lawrenceburg gaming project is  
15 subject to potential competition from other  
16 tri-state venues with superior locations,  
17 including the Cincinnati riverfront, Covington,  
18 Kentucky riverfront, or Turfway Park race course  
19 in Florence. The Lawrenceburg facility will at  
20 some point compete for Indianapolis patronage with  
21 Indiana riverboats located near Louisville,  
22 Kentucky. It's important to understand that a  
23 location at or near the Cincinnati riverfront or

1 the Covington riverfront or at Turfway Park  
2 located along I-75 are vastly superior to  
3 Lawrenceburg or anywhere in Southeast Indiana. To  
4 remain competitive over the long term,  
5 Southeastern Indiana needs to have a project that  
6 will contain improvements that will be attractive  
7 to regional destination traffic so that they will  
8 travel to Lawrenceburg as opposed to Cincinnati or  
9 Kentucky venues.

10 Lady Luck's project contemplates  
11 significant land-based, non-gaming facilities,  
12 including a 500 room hotel, 150,000 square foot  
13 family entertainment center, recreational  
14 facilities, and parking for up to 5,000 cars, all  
15 located away from the riverboat. These facilities  
16 will be utilized by non-gaming visitors as well as  
17 those wishing to visit the gaming facility. We  
18 have access to more than 225 acres of land, which  
19 will easily accommodate all the proposed  
20 improvements, and land for additional development  
21 or peripheral development. The development has  
22 enough planned parking for commuter rail service  
23 that is being contemplated by passing carriers in



1 the cities of Cincinnati and Indianapolis. We  
2 believe that the higher level of management  
3 demonstrates long-term commitment to Indiana and  
4 foresight regarding potentially competitive  
5 jurisdiction.

6 A word about some of the region-wide  
7 benefits. The Lady Luck project was designed to  
8 provide larger region-wide benefits as required in  
9 the Indiana gaming legislation. In the  
10 development agreement that we have with the City  
11 of Lawrenceburg, we agreed to fund certain  
12 infrastructure improvements; however, we did so on  
13 the condition that it benefits all of Dearborn  
14 County. Additionally, the project provides many  
15 benefits to the town of Greendale. Most of the  
16 improvements are located near the town of  
17 Greendale and Greendale utilities district will  
18 service the land-based improvements. Moreover,  
19 the project contemplates additional flood proofing  
20 of the levee, providing for development of the  
21 Greendale Industrial Park which heretofore has had  
22 difficulty receiving FEMA approvals for additional  
23 development. This development will result in

1 subsequent employment for a projected thirty-five  
2 hundred manufacturing jobs in the area. Finally,  
3 the development of passing rail service between  
4 Indianapolis and Cincinnati has been discussed for  
5 sometime by many entities. The Greendale junction  
6 area would serve as a spring board for this  
7 development which benefits the state as well as  
8 the tri-state region.

9 A few words about the endorsement  
10 process. Certainly a difficult obstacle we faced  
11 was that the City of Lawrenceburg had committed to  
12 a developer prior to the legislation even being  
13 passed. Even though the city was compelled to go  
14 through the motion of an RFP process, the initial  
15 developer was guaranteed an endorsement,  
16 regardless of the scope of its project or any  
17 inducements provided to the city or the county.  
18 With a belief in the commission who favored those  
19 applicants who, in accordance with the intent of  
20 the legislation, are for the most state-wide and  
21 region-wide benefits, the Lady Luck team  
22 negotiated with the City of Lawrenceburg a  
23 development agreement submitted as part of our

1 application.

2 Finally, we understand the City's  
3 position as relates to economic benefits. The  
4 City solicited proposals and asked proposers to  
5 consider leasing land located in the Oxbow. Since  
6 we had studied the property for quite sometime, we  
7 knew we could not offer the City of Lawrenceburg a  
8 ground lease payment that other applicants could  
9 and did. The City has a large list of public  
10 improvements, including a ramp-over access road  
11 and a new city sewage system. We declined to fund  
12 a ramp-over since one of the project's primary  
13 advantages was a relief of traffic that would  
14 cause gridlock in the city, and we've been advised  
15 that the road might ultimately not be feasible.  
16 We agreed to build the sewage treatment center but  
17 did so with the condition that it benefit the  
18 entire county of Dearborn.

19 In summary, the conceptual framework  
20 that I've discussed led to the development plan.  
21 Lady Luck's project is the only one that doesn't  
22 harm the environment, that doesn't overwhelm the  
23 infrastructure, that creates a long-term

1 competitive project, and provides the most  
2 region-wide benefits. We would like to take a few  
3 minutes now to show the Lady Luck project in  
4 motion, to demonstrate the simple yet elegant and  
5 innovative approach that we've taken to this  
6 complex development problem.

7 (VIDEO PRESENTATION.)

8 MR. WATT: I'm Bill Watt, former  
9 chairman of the State Transportation coordinating  
10 Board, and I've been involved in railroad issues  
11 in Indiana since the early 1970s.

12 You might say that in order to solve  
13 Lawrenceburg's existing and future traffic  
14 problems we've chosen the most durable  
15 passenger-moving concept in American history. Our  
16 challenge is to move as many as 14,000 people  
17 daily to the Lady Luck riverboat at dockside and  
18 do it in a way that maintains a high standard  
19 reliability of safety, provides frequency and  
20 flexibility to suit the passengers, avoids  
21 clogging the streets of historic Lawrenceburg with  
22 automobile traffic that will detract from the  
23 overall tourism experience, respects the city's

1           unique character by not requiring intrusive  
2           parking structures and redesigning of streets,  
3           and overcomes the existing problem caused by the  
4           busy CSX freight railroad main line running  
5           through the heart of the City. It's a challenge  
6           faced elsewhere, from day-to-day people moving  
7           throughout urban America and serving recreational  
8           centers of all kinds, many of them vulnerable to  
9           traffic congestion and pollution impact.

10                   The automobile is convenient until its  
11           use is required in high volumes, which adds  
12           pollution and congestion, and that convenience is  
13           lost sitting in a traffic jam. For years planners  
14           have searched for practical alternatives.  
15           Monorails have been used in Seattle and the  
16           Orlando Disney complex and are being employed in  
17           the Las Vegas casino expansion. Shuttle buses are  
18           used elsewhere, such as national parks and many  
19           parking situations. Central City Colorado is  
20           considering a tunnel which would allow passenger  
21           train access to its casinos. Excursion trains  
22           serve the Grand Canyon. A passenger ferry boat  
23           crosses the Colorado River for the casinos. But

1 the solution for Lawrenceburg proved to be closer  
2 at hand, the railroad.

3 A monorail that required a dedicated  
4 corridor complicated construction and newly  
5 manufactured operating costs. Buses would relieve  
6 auto congestion but, to meet peak demand during  
7 the hour prior to departure, would require a bus  
8 every two minutes or less. The automobiles, ten  
9 thousand of them daily, would require downtown  
10 parking. By contrast, the Central Railroad  
11 corridor in Lawrenceburg already is in place.  
12 Plans call for utilizing existing passenger  
13 equipment available to our contract operator.

14 The railroad is America's longest  
15 established transport mode for moving people in  
16 volume on both scheduled and special runs. High  
17 frequency railroad service has operated for 150  
18 years, and today new trains are being added in  
19 places like Washington, Atlanta, and elsewhere.  
20 In 1947, the New Haven railroad carried 37,000  
21 passengers to a single football game. Special  
22 trains once brought people to the Indianapolis  
23 Motor Speedway.

1                   But we are not in the nostalgia  
2                   business. Computer rail is expanding in the  
3                   United States because it's proved technology and  
4                   makes marketing sense. 14,000 passengers per day.  
5                   Is it feasible for Lawrenceburg? Well, consider  
6                   another example close at hand, Northwest Indiana's  
7                   South Shore Railroad. South Shore's weekday total  
8                   ridership now averages nearly 12,000 daily and in  
9                   a far more complicated setting. The trains run to  
10                  and from Chicago, from as far east as South Bend,  
11                  and with numerous stops in between. Lady Luck's  
12                  train shuttle route is about two miles with no  
13                  intermediate stops. Total ridership at  
14                  Lawrenceburg will be higher than South Shore's on  
15                  a daily average, but customer demand will be  
16                  spread over an entire day of riverboat departures  
17                  and arrivals. Most of South Shore's ridership  
18                  crams into rush hour commuter periods totaling  
19                  four hours per day.

20                         Here is some operating highlights.  
21                         Three train sets will operate the schedule, a  
22                         second set of tracks will be added to the Central  
23                         Railroad right of way, all grade crossings between

1 the hotel terminal and river terminal will be  
2 bridged. We have an agreement with CSX to bridge  
3 the diamond in Lawrenceburg, thereby overpassing  
4 the CSX track. The passenger service will be  
5 operated by CANAC, the contract operations arm of  
6 Canadian National Railways. Each train set will  
7 consist of two locomotives and ten passenger cars.  
8 Each car holds eighty passengers, is ADA  
9 compliant, and boards at the platform level.  
10 Trains depart from the hotel and river terminals  
11 every 12 minutes, transit time is 5 minutes. At  
12 platforms, loading is from one side, unloading  
13 from the other. Five trains will arrive within  
14 each riverboat loading and unloading window. The  
15 last train will depart the hotel terminal 12  
16 minutes before the riverboat departs and will  
17 arrive in sufficient time for passengers to board  
18 the boat.

19 On weekdays, one track will be dedicated  
20 to freight traffic for specified periods of time.  
21 In addition to carrying crews and passengers, the  
22 schedule will allow riders to go into downtown  
23 Lawrenceburg and to the entertainment barge on a



1 scheduled basis. Employees will park at the hotel  
2 terminal and commute to work at the riverboat by  
3 train. An excursion or commuter train from  
4 Cincinnati will be coordinated with the hotel  
5 terminal departure times.

6 To sum it up, the Lawrenceburg rail  
7 shuttle proposal is fully consistent with  
8 long-established rail operations in city's like  
9 Chicago, Boston, Washington, D.C., and Northwest  
10 Indiana. Thank you.

11 MR. HLAVSA: Good morning. My name is  
12 Michael Hlavsa. I'm the chief financial officer  
13 of Lady Luck Gaming Corporation. I'll briefly  
14 describe the financial data relating to the  
15 project, specifically the development costs and  
16 the operating projections.

17 Cost estimates for this project are  
18 summarized on this table. We have divided them  
19 into three primary categories: Phase I,  
20 pre-opening; Phase II, with the operating years  
21 one and two; and Phase III, operating years three  
22 and four. While the initial costs are  
23 approximately \$120 million, the total project

1 costs are nearly \$190 million. Virtually all of  
2 the improvements are designed to be in compliance  
3 with the development agreement that we have  
4 executed with the City of Lawrenceburg.

5 A significant portion of the total  
6 project costs relates to infrastructure, both as a  
7 part of the development agreement with the City of  
8 Lawrenceburg and from our specific development  
9 plan. In fact, of the \$188 million of project  
10 costs, nearly \$35 million is for infrastructure,  
11 grants, and contributions. Nearly \$20 million of  
12 infrastructure improvements, public work grants,  
13 and contributions are part of the development  
14 agreement with the City of Lawrenceburg. The  
15 majority of these will occur prior to the opening  
16 of the permanent facility.

17 In addition, the Lady Luck plan calls  
18 for \$15 million of infrastructure related to  
19 off-site, transportation-related improvements.  
20 These are primary to railroad infrastructure  
21 improvements, and these amounts include the  
22 estimated costs of raising the levee, which  
23 provides the benefit of flood proofing the

1 Greendale Industrial Park and the Lawrenceburg  
2 Fairgrounds. The extensive infrastructure and  
3 related permanent improvements represent nearly 20  
4 percent of the total project costs. These costs  
5 will provide benefits to all Dearborn County  
6 residents and will not be dependent upon the  
7 success of the riverboat project.

8 The initial capital requirements for  
9 this project are a hundred and twenty million.  
10 Our investment bankers have suggested a debt  
11 portion of the project of 70 to 80 percent and an  
12 equity requirement of 20 to 30 percent. We have  
13 had a number of serious discussions with  
14 significant financial resources and preliminary  
15 agreements, as I'm sure most other applicants have  
16 had. We have not concluded these discussions. We  
17 believe that Lady Luck can provide the adequate  
18 equity for the initial phase of this project on  
19 its own.

20 Our intention is to provide a casino  
21 vessel and entertainment barge as equity for the  
22 project. This is exactly what we did in  
23 Bettendorf, Iowa. We have just provided a twenty

1 million dollar cruising vessel that is being  
2 utilized by that joint venture. We could  
3 either -- our options are to either lease a  
4 temporary vessel and begin construction of a  
5 permanent vessel immediately or we could complete  
6 a vessel that Lady Luck currently has under  
7 construction. Lady Luck has expended  
8 approximately \$6 million on a vessel that's  
9 partially completed, and that process could finish  
10 very quickly. That vessel was originally intended  
11 for the State of Missouri; but since that  
12 licensing process has slowed, it is now available  
13 for other uses.

14 With respect to the entertainment barge,  
15 Lady Luck currently has invested over \$7 million  
16 in barges, heating ventilation, air conditioning,  
17 steel work, and escalators that could be utilized  
18 in a project in the Mississippi. That project is  
19 now being joint ventured with Bally's, and they  
20 are moving their casino boat which allows us to  
21 utilize these assets in this project.

22 Lady Luck currently has over \$20 million  
23 in corporate cash that could be used in connection

1 with this project. We have no other projects  
2 currently that require cash commitments. This  
3 table provides some highlights as to our operating  
4 projections for the project. Obviously the market  
5 will ultimately prove what revenues will be  
6 generated in the Lawrenceburg market, and it won't  
7 make a significant difference as to which operator  
8 is doing the operating.

9 In addition, the gaming taxes collected  
10 by the City, the County, the State, will be  
11 approximately the same for all operators. The  
12 Lady Luck project anticipates the total gaming tax  
13 and admission tax will be 40- to \$45 million  
14 annually over the initial five years of operation.  
15 The Lady Luck riverboat will be about 400 feet  
16 long by 108 feet wide. It will contain over 2300  
17 gaming positions in 60,000 square feet of prime  
18 gaming space.

19 Other proposals may be more ambitious,  
20 but we believe they are not being realistic. The  
21 real test is going to be in the years following  
22 the addition of competitive pressures in the  
23 Lawrenceburg market. That is when good marketing

1 becomes critically important and this leads into  
2 the introduction of Nancy Donovan, who is fresh  
3 off of a successful opening in Bettendorf, Iowa,  
4 to explain a little bit about our marketing  
5 program.

6 MS. DONOVAN: Thank you, Michael. It's  
7 a pleasure to be here this morning. This morning  
8 I will highlight some of the marketing strategies  
9 that have made Lady Luck Casinos a nationally  
10 recognized casino and hospitality company. I will  
11 also outline our marketing plans for Lady Luck  
12 Lawrenceburg.

13 Lady Luck has a proven track record of  
14 success. For the past 30 years, we have been  
15 attracting customers in every walk of life to your  
16 exciting casinos and hotels. In 1994, over 4.5  
17 million players visited a Lady Luck Casino and  
18 over 550,000 persons enjoyed an overnight stay at  
19 our hotels. In 1995 we expect those figures to  
20 grow by 25 percent, with over six million players  
21 visiting our casinos and over 650,000 persons  
22 enjoying an overnight stay at our hotels.

23 Currently we manage and operate over

1           150,000 square feet of gaming space and over 1200  
2           hotel rooms. We are proud to be among the most  
3           experienced casino and hotel operators in the  
4           nation. This means we understand how to  
5           successfully develop, position, and operate casino  
6           projects in emerging competitive gaming markets.  
7           We are prepared to bring our experience and  
8           expertise to Indiana in the name of Lady Luck  
9           Lawrenceburg.

10                   Our primary marketing strategies focus  
11           on our Mad Money Player Club. As Vicky Lawrence,  
12           our celebrity spokesperson, shows us, we currently  
13           have over 1.5 million active players in our Mad  
14           Money data base. This data base allows us to  
15           bring a distinct marketing advantage to the  
16           Indiana market and, that is, we have already  
17           identified customers that are ready to visit Lady  
18           Luck Lawrenceburg.

19                   Like all major casinos, our Player Club  
20           program is a program in which card members can  
21           earn value in the casino through points for slot  
22           play and complimentaries for rated table play.  
23           Players Club programs are very successful in

1 regional riverboat casino markets. Players visit  
2 our casinos more often because they know their  
3 slot points are redeemable for prizes,  
4 merchandise, exciting concert tickets, and even  
5 cash. Because of our national presence, the  
6 strength of our Players Club program is that our  
7 players can earn value and receive benefits at any  
8 of our Lady Luck properties.

9 This year our direct marketing  
10 department will send out over five million direct  
11 mail pieces to our existing and identified  
12 prospective players. Through these campaigns, we  
13 are able to offer players a variety of valuable  
14 rewards and incentives. Our strategy for  
15 developing and maintaining a long term and very  
16 loyal customer base is to treat each player as a  
17 VIP, regardless of their level of play. We  
18 provide them with an exciting gaming experience  
19 every time they visit a Lady Luck property at an  
20 outstanding value. In fact, the regent Zaget  
21 survey (phonetic), which is an independent  
22 industry survey conducted in Las Vegas, ranked  
23 Lady Luck Las Vegas, of all other Las Vegas



1 hotels, as the number one value in the entire Las  
2 Vegas area.

3 Our marketing strategies also take a  
4 personalized approach in what we call relationship  
5 marketing. Through various interaction with our  
6 players and continuous interaction, Lady Luck team  
7 members build relationships with them. We really  
8 get to know our customers. We want our customers  
9 to do business with people they know. In fact, it  
10 is not uncommon for our players to personally call  
11 our general managers to respond to one of our  
12 invitations because they know them so well. This  
13 personal recognition has helped us to maintain and  
14 grow our extensive customer data base.

15 Lady Luck Lawrenceburg considers the  
16 core market to be more than the 7.1 million  
17 residents who live within a hundred miles of the  
18 casino. However, our pre-opening and operating  
19 marketing campaigns will target the existing Mad  
20 Money members and major population centers within  
21 a 300 mile radius of Lawrenceburg.

22 Pre-opening marketing expenses are  
23 forecast to reach \$2 million. Lady Luck

1 Lawrenceburg plans to contribute \$75,000 to the  
2 Dearborn County Commissioners to expand convention  
3 and tourism development. We have held discussions  
4 with local, regional, and state tourism officials  
5 regarding existing programs and are looking  
6 forward to working jointly with them to position  
7 Lady Luck Lawrenceburg within their consumer and  
8 group programs.

9 We feel confident that Lady Luck's  
10 national marketing strength will provide  
11 additional opportunities to expand the visitor  
12 traffic to the State of Indiana and the entire  
13 tri-state region near Lawrenceburg. Strategies to  
14 secure over a quarter million pre-opening  
15 reservations will be implemented. These will  
16 include transportation programs to bring customers  
17 via railway, bus, and airplane.

18 As you have already heard, rail service  
19 is a focal element of our project. Our partner,  
20 Central Railroad of Indiana, has the track rights  
21 to downtown Cincinnati and Union Station here in  
22 Indianapolis. We believe that a regular rail  
23 service program established from both markets will

1           be attractive to residents as well as visitors to  
2           the area. In fact, the train experience will be a  
3           featured part of our marketing programs and  
4           entertainment options. Grand opening and ongoing  
5           media plans will focus on major electronic and  
6           print campaigns and target markets to position  
7           Lady Luck Lawrenceburg as a featured regional  
8           resort destination.

9                   A full-scale public and community  
10           relations program will support and strengthen all  
11           media bias. Lady Luck Lawrenceburg will spend an  
12           additional \$10 million on marketing during the  
13           first year of operation to generate an estimated  
14           three million visitors annually. A portion of the  
15           first year's marketing budget will be dedicated to  
16           implementing exciting casino promotions and  
17           development and enhancement of a series of theme  
18           special events. Lady Luck's successful marketing  
19           strategies have proven that by offering frequent,  
20           exciting, value-oriented casino promotions and  
21           unique special events, customers visit the casinos  
22           more often because they know there is always  
23           something fun and exciting going on at a Lady Luck

1 casino.

2 Our thirty years of experience in the  
3 casino and hospitality industry have led us to  
4 become affectionately known as "The Players  
5 Place", a place to enjoy an exciting gaming  
6 experience at a great value in a comfortable  
7 gaming atmosphere with friendly employees  
8 delivering outstanding customer service. We are  
9 willing and able to bring "The Players Place" to  
10 Indiana with Lady Luck Lawrenceburg. Thank you.

11 MR. DAVIS: Mr. Chairman and Members of  
12 The commission, we believe that only Lady Luck  
13 Lawrenceburg offers realistic solutions to some  
14 very real problems in Lawrenceburg: traffic  
15 solutions, economic development, and environmental  
16 responsibility. Three very important reasons to  
17 select Lady Luck, But one of the most important  
18 considerations for Dearborn County is its future  
19 and how it will compete in the years to come.

20 In Las Vegas, where Lady Luck began over  
21 30 years ago, the same people who will lead a team  
22 of local residents in Lawrenceburg have operated  
23 an extremely successful casino hotel business one

1 block north of Fremont street, a focal point for  
2 Las Vegas visitors. And let's make no mistake  
3 about it, today's gaming industry demands a solid  
4 understanding of market dynamics and potential, a  
5 proven management team, and the experience to  
6 create a viable operating casino in a very tight  
7 time frame. In other words, we believe it  
8 requires the kind of capabilities that Lady Luck  
9 Gaming has demonstrated in successfully building  
10 its first five casinos.

11 Lady Luck Lawrenceburg is perhaps the  
12 only applicant that has actively involved the  
13 local residents of Dearborn County in the planning  
14 of the project and not just the elected officials  
15 or special interests. The evidence of local  
16 resident involvement is apparent in the sensitive,  
17 common sense way our plan solves traffic, economic  
18 development, and environmental concerns by  
19 adapting to existing infrastructure and geography.  
20 We thank you for your attention. We look forward  
21 to the question and answer session with other  
22 members of our team. Thank you.

23 MR. KLINEMAN: Thank you. We'll take a

1 10 to 15 minute break at the present time. Be  
2 back about a quarter after.

3 (A recess was had.)

4 MR. KLINEMAN: We might as well sort of  
5 get into the question period now. Does anyone  
6 want to lead off?

7 MS. BOCHNOWSKI: Well, I'll start with  
8 an easy one, I guess. Your concept of staying  
9 away from the environmentally sensitive areas that  
10 we've been talking about all week are real  
11 impressive. I'm concerned about how you are going  
12 to actually get people to park at this hotel  
13 facility instead of bypassing that and going  
14 downtown, parking downtown, and crowding the  
15 downtown area. How are you going to get people to  
16 actually park at the hotel and take the train in?

17 MR. TOMBARI: My name is Larry Tombari.  
18 I'm the vice president of development for Lady  
19 Luck Gaming Corp.

20 The only way that one can board the  
21 riverboat is with ticketing. All ticketing is  
22 done out at the hotel site. Signage as you exit  
23 off I-275, where probably in excess of 90 percent

1 of the traffic will come from, will all be pointed  
2 toward that particular location. We also intend  
3 on some of the pre-opening costs relating to  
4 informing people that they must do this because  
5 there is no ticketing and, of course, no parking  
6 in downtown Lawrenceburg.

7 MS. BOCHNOWSKI: And how long did you  
8 say that train ride is going to be?

9 MR. TOMBARI: The train ride is about 4  
10 and a half to 5 minutes. Trains will leave  
11 approximately every 11 to 12 minutes, and, as Mr.  
12 Watt described, the boarding is in, the boarding  
13 is in one side and then you exit out the other  
14 side, much like if you've landed at, say,  
15 Cincinnati airport or these other airport-type  
16 transportation systems.

17 MS. BOCHNOWSKI: So it would in a sense  
18 look more like that than like a regular train,  
19 then?

20 MR. TOMBARI: It's more a shuttle than a  
21 train ride, a shuttle by virtue of the very short  
22 distance in time that you are in the system.

23 MS. BOCHNOWSKI: Okay.

1                   MR. KLINEMAN: You are proposing a 500  
2 room hotel. We heard yesterday that a hundred  
3 rooms was adequate in Lawrenceburg at this time  
4 for a project of this nature. There seems to be a  
5 little bit of difference of opinion. Could you  
6 tell us what would justify the 500 room concept  
7 and what plans you have to make that a viable  
8 entity?

9                   MR. TOMBARI: Yes, sir. The hotel is  
10 actually phased, two phases of 250 rooms each. We  
11 are not in total disagreement, but we believe that  
12 this is a regional destination market whereby  
13 although there are certain to be a lot of drive-in  
14 traffic, particularly early on, but we think over  
15 the long term, as the project develops and becomes  
16 a showcase project, we'll be able to attract  
17 people from the longer distance of driving. And  
18 once you are past an hour and a half or two hours  
19 of driving, you are more compelled to want to  
20 demand to stay in a hotel room. So the additional  
21 phase of the hotel is subsequent. It's about 250  
22 rooms. I think we contemplated adding that in  
23 roughly year three of the operating.



1 MR. KLINEMAN: You do have a convention  
2 facility planned, is that not right?

3 MR. TOMBARI: Yes. There's roughly,  
4 there's 40- or 50,000 square feet of convention  
5 space associated with the hotel and the  
6 entertainment facility.

7 MR. KLINEMAN: And what phase would that  
8 construction be in?

9 MR. TOMBARI: That's all part of Phase I  
10 and -- Phase I includes both the hotel and the  
11 family entertainment facility. What we believe  
12 that Lawrenceburg can become is, again, a regional  
13 convention and destination draw. Of course, the  
14 reason that we are standing here in Indianapolis  
15 today is because you don't have any types of  
16 facilities in the Lawrenceburg area, and we think  
17 there could be great demand for those,  
18 particularly to the extent that you are creating a  
19 new and exciting entertainment draw for these  
20 groups and conventions.

21 MR. KLINEMAN: So that phase would  
22 include everything except the additional, the  
23 first phase of the hotel and center would include

1 everything except the last 250 rooms?

2 MR. TOMBARI: It also doesn't, I think  
3 the first phase does not also include the water  
4 park, which is located adjacent to the hotel, and  
5 I believe the Adventure Golf complex, which is  
6 kind of mixed in adjacent to the entertainment  
7 project. That's why the majority of our costs, I  
8 think roughly two-thirds of the costs, are spent  
9 in the initial phase of the project.

10 MR. SUNDWICK: Could you show us on your  
11 display here where you are going to build the 250  
12 rooms in the second phase?

13 MR. TOMBARI: Yes. The initial 250  
14 rooms is the one fronting U.S. 50. Then we have  
15 the two additional wings of 125 rooms each  
16 flanking the balance of the entertainment center.

17 MR. SUNDWICK: How are you going to get  
18 from the parking garage? You have them going to  
19 the second phase, so for three years you've got to  
20 walk someplace else. From the parking garage you  
21 have --

22 MR. TOMBARI: Yes. There are two,  
23 there's actually two parking areas. There's the

1 parking areas that are surface that are south of  
2 U.S. 50 and then there's a parking garage here.  
3 And basically the main entry way is into kind of  
4 the middle of the family entertainment complex,  
5 because, remember, many of the patrons are  
6 actually not going to desire to walk through the  
7 hotel to get to the staging area where the trains  
8 will be, the ticketing and then the departure area  
9 where the trains will be departing.

10 So, yes, they will be walking in through  
11 here and the lobby area will be around here. So  
12 for the patrons that want to go, that aren't  
13 planning on staying at the hotel, they will not  
14 have to walk through the lobby area. For those  
15 people that will be coming to the hotel, they will  
16 be walking around this area, which will, of  
17 course, be covered prior to adding this additional  
18 phase. It's not as if it won't be covered. These  
19 are cutouts to show various of the facilities  
20 inside this covered entertainment facility.

21 MS. BOCHNOWSKI: So, in other words, all  
22 of that would be covered you are just showing us?

23 MR. TOMBARI: Yes, yes. And, in fact,

1 the water park here is actually surface parking  
2 until it's built in the third or fourth operating  
3 year.

4 MR. SUNDWICK: So what we are really  
5 seeing is a long-term situation. If we make a  
6 decision based on what you are showing us, it  
7 could or could not happen. You could say, well,  
8 three years from now we are not going to do that.

9 MR. TOMBARI: Well, actually, our  
10 development agreement with the City of  
11 Lawrenceburg requires virtually all the  
12 improvements with the exception of these last 250  
13 rooms. Everything else is in the development  
14 agreement specified in terms of the quality and  
15 rough square footage for all the improvements.

16 MR. SUNDWICK: If I were to come to your  
17 hotel and I'm on the second floor inside room  
18 there, I have to look at that roof? You have it  
19 cut away now, but is it going to be covered? And  
20 covered with what?

21 MR. TOMBARI: Oh, out here? Jerry, do  
22 you want to comment on some of the covering?

23 MR. FEDORCHAK: I'm Jerry Fedorchak, one

1 of the architects with G. M. Fedorchak &  
2 Associates. That roof is covered and it will be a  
3 padded graveled roof.

4 MR. SUNDWICK: So you're looking at a  
5 graveled roof?

6 MR. FEDORCHAK: Yes; that's correct.

7 MR. TOMBARI: So if you are not comped,  
8 you would get some of these.

9 MR. SUNDWICK: That's what I was going  
10 to say.

11 (Laughter.)

12 MR. SUNDWICK: The amount of parking  
13 facilities you propose to have totally is how  
14 many?

15 MR. TOMBARI: The total amount of  
16 parking, and it's really virtually unlimited with  
17 the acreage that we have, but we have a capacity  
18 for up to 5,000 cars. The parking, of course,  
19 there is a significant acreage that we have  
20 optioned on the other side of U.S. 50, roughly 160  
21 acres, and this is about an 80-acre parcel. This  
22 particular parking garage, Jerry, is roughly 3500  
23 cars -- it can be more or less -- and, of course,



1 say, staying in your hotel and not really  
2 interested in gambling, interested in some of the  
3 other options, what kind of a walk would it be  
4 from your hotel to, say, downtown, or would they  
5 actually have to take the shuttle downtown?

6 MR. TOMBARI: They must take the shuttle  
7 downtown. This distance from downtown is nearly  
8 two miles.

9 MS. BOCHNOWSKI: Okay.

10 MR. TOMBARI: And, so, again, the train  
11 is running all the time, not just with the periods  
12 when people are going to the gaming facility, the  
13 hours for the facility.

14 MR. MILCAREK: Will there be a charge  
15 for this train if you don't buy a ticket? Say  
16 someone is visiting the complex and doesn't want  
17 to gamble, just go downtown.

18 MR. TOMBARI: There's no charge for the  
19 train. There's no charge for use of any of the  
20 improvements. And, as you may be aware of, the  
21 train allows you to go downtown and not go into  
22 the boat area, if you please. You can go off to  
23 the right and go into downtown Lawrenceburg. We

1 believe that with the amount of volume of visitors  
2 that the place will be receiving, and that a lot  
3 of the visitors may not necessarily be interested  
4 in just coming there for gaming, that Lawrenceburg  
5 will become pretty attractive, and we think a lot  
6 of the downtown merchants and additional  
7 restaurants will start coming round there in what  
8 have been kind of declining areas. Of course, our  
9 project also calls for various grants to downtown  
10 Lawrenceburg for historic facade restoration and  
11 sidewalk restoration, those kind of things.

12 MR. KLINEMAN: I don't want to be a  
13 cynic, but I could envision a cottage industry  
14 springing up on people who would buy tickets for  
15 the boat, ride downtown, and sell them on the  
16 streets and people will be parking all over the  
17 place. Have you given any thought to controlling  
18 that?

19 MR. TOMBARI: Much like, and I'm from  
20 the west, and so we haven't had a lot of -- I have  
21 had a lot of experience on trains, but what you  
22 do, your tickets are actually validated on the  
23 trains when you head into the area. It's going to



1 be like an airline ticket that's torn off. When  
2 someone tears your airline ticket, you can't go  
3 try to sell it to someone else because it's no  
4 good anymore.

5 MR. VOWELS: Does that happen as you are  
6 boarding?

7 MR. TOMBARI: It's going to happen on  
8 the train before you get off the train; not when  
9 they will be boarding.

10 MR. VOWELS: Well, is that going to  
11 impact what you told us was a five minute ride?

12 MR. TOMBARI: Oh, not at all, not at  
13 all. Remember, the trains are divided into --  
14 there is eight, what is there, eight cars per  
15 train. There's a lot of different cars that we  
16 have. Virtually two people can go through and  
17 validate these tickets. We haven't specifically  
18 figured out how the tickets will go, but they will  
19 probably be just quick tear-off tickets.

20 MR. VOWELS: How many people to a car?

21 MR. TOMBARI: There will be eighty  
22 people per car; there are ten cars per train. So  
23 there's eight hundred and eighty people per train.

1           We have, the maximum amount of trains that will  
2           run down there for a specific cruise will be five.  
3           Now, the total capacity on the boat for passengers  
4           and crew is thirty-six hundred, so the absolute  
5           maximum amount of trains that you would ever need  
6           would be something less than five. On average, we  
7           think it will require somewhere between two and  
8           three train loads of people per excursion.

9                   MR. VOWELS: This may be a dumb  
10           question, probably is, but how does the train get  
11           back? Does it go backwards or what?

12                   MR. TOMBARI: No. There is two tracks  
13           and there is two engines, so the train just goes  
14           back and forth. It's much more like a shuttle  
15           than an actual train.

16                   MR. VOWELS: It has an engine on both  
17           ends?

18                   MR. TOMBARI: Yes.

19                   MR. SUNDWICK: These are regular train  
20           engines? I mean, these are not going to be --

21                   MR. TOMBARI: Howard, do you want to  
22           describe this?

23                   MR. SUNDWICK: I've got this vision of

1           this poor locomotive that you bought someplace,  
2           that, you know . . .

3                           (Laughter.)

4           MR. TOMBARI:   Here is the guy who is  
5           selling it to us.

6           MR. SUNDWICK:   Okay.

7           MR. TISCHLER:   I'm Howard Tischler, vice  
8           president of CANAC, a subsidiary of Canadian  
9           National Railways.  The answer to your question,  
10          sir, is that it will be a small standard  
11          locomotive.

12          MR. SUNDWICK:   Okay.  I don't know what  
13          that is so . . .

14          MR. MILCAREK:   Is this diesel electric?

15          MR. TISCHLER:   Yes, diesel electric  
16          locomotives.  If you were to be in Lawrenceburg  
17          and look at Central Railroad of Indiana trains,  
18          they would be going down the same track, it's very  
19          much the same type of locomotive.

20          MR. SUNDWICK:   We heard testimony  
21          yesterday that somebody owns the track between,  
22          and they are going to rip up that track and they  
23          are going to put a road down on that track.  Is

1           that the same track?

2                   MR. TOMBARI: I hate to impeach anybody,  
3           but it's owned by the Central Railroad of Indiana.  
4           We have an option to lease the trackage and the  
5           riverfront property from the Central Railroad of  
6           Indiana.

7                   MR. SUNDWICK: If you don't get a  
8           license, then they might have a contract to sell  
9           it to the other guys that do? I don't know. I  
10          mean, are we are talking about the same railroad?

11                   MR. TOMBARI: The same railroad, the  
12          same location.

13                   MR. VOWELS: Let me ask on that, you do  
14          have an option to purchase that from Central  
15          Railroad; right?

16                   MR. TOMBARI: No. We have an option to  
17          lease that from Central Railroad.

18                   MR. VOWELS: When does your option  
19          expire, do you know?

20                   MR. TOMBARI: This particular lease  
21          option expires December 31st of 1995.

22                   MR. VOWELS: All right.

23                   MR. TOMBARI: That's the -- the option

1 to lease and the terms, the basic terms, are in  
2 the book that's been provided to you.

3 MR. VOWELS: Okay. Let me just ask this  
4 question: If you don't get the license and another  
5 one of the applicants needs to lease those tracks  
6 for whatever reason, will you stand in the way if  
7 there's an extension on your option or whatever  
8 and throw a roadblock into this because you didn't  
9 get the license? Because this isn't unheard of  
10 and we've seen it before.

11 MR. TOMBARI: I know. I remember  
12 Evansville.

13 (Laughter.)

14 MR. VOWELS: Now, precisely, and I would  
15 like a commitment from you that if you wouldn't  
16 receive a license that you wouldn't take the ball  
17 and go home.

18 MR. TOMBARI: The option to lease is  
19 conditional upon Lady Luck receiving the license.  
20 In other words, and I'm not certain if it's true  
21 for the other company, if the company does not  
22 receive a license, the option is no longer in  
23 effect.

1 MR. VOWELS: So you couldn't --

2 MR. TOMBARI: So I can give you my word,  
3 but I believe it's all in the document before you  
4 anyway. I would believe the document before me.

5 MR. SUNDWICK: The document you just  
6 gave us, this book, you mean?

7 MR. TOMBARI: Yes. I'm sorry. That  
8 blue book that's been provided to the commission,  
9 yes. I think there are various sections there and  
10 I think there's a section called the railroad.

11 MR. KLINEMAN: You called it  
12 supplemental material.

13 (Laughter.)

14 MR. SUNDWICK: Well, in the blue book we  
15 have there's no railroad in it. Do you mean this  
16 book?

17 MR. TOMBARI: Oh, I'm sorry. The blue  
18 book that's kind of purple.

19 MR. SUNDWICK: Give us a few minutes to  
20 thumb through it.

21 (Laughter.)

22 MR. VOWELS: Is that the letter  
23 agreement with Central Railroad?

1 MR. TOMBARI: Yes.

2 MR. THAR: Is the individual here from  
3 Central Railroad? Can he speak?

4 MR. TOMBARI: Yes, they are.

5 MR. THAR: What is the situation with  
6 regard to the track? Are there two options out on  
7 it, one for Indiana Gaming and one for Lady Luck?

8 MR. TOMBARI: Are you asking that  
9 question to me?

10 MR. THAR: To you unless they can  
11 answer.

12 MR. TOMBARI: They are going to have to  
13 answer because I'm only aware of our option.  
14 Would you like them to come up?

15 MR. THAR: Yeah.

16 MR. KLINEMAN: They seem a little  
17 reticent. Okay, and would you state your name,  
18 sir?

19 MR. ELIAS: My name is Johnny Elias.  
20 I'm an attorney for Central Railroad of Indiana,  
21 and I negotiated both agreements with Argosy and  
22 Lady Luck.

23 MR. THAR: So each option is contingent

1           upon who gets licensed; is that correct?

2                   MR. ELIAS: One's an option and one is a  
3           purchase contract. Both of them are contingent  
4           upon receipt of the certificate of suitability  
5           from the Indiana Gaming Commission.

6                   MR. SUNDWICK: They commented in their  
7           presentation that a period of time will be set  
8           aside during the day for use of that track for  
9           commercial use; is that correct?

10                   MR. ELIAS: For use by Central Railroad  
11           of Indiana?

12                   MR. SUNDWICK: Yes. Is that not  
13           correct? Somebody made some comment that there's  
14           a certain period of time during the day. The  
15           gentleman I think nodding his head down here made  
16           that comment.

17                   MR. TOMBARI: Yes. It actually relates  
18           to the dispatching of the Central Railroad. I  
19           think the terminology is that Central Railroad  
20           will control the dispatching for their freight  
21           traffic and/or trains. The note is that Central  
22           Railroad has, I believe it has one train going in  
23           per day and one train going out of Lawrenceburg.



1                   MR. SUNDWICK: It can't be too useful if  
2 they are willing to sell the other people the  
3 tracks. Your other option says they can buy the  
4 tracks and rip them up?

5                   MR. ELIAS: Well, there are some  
6 contingencies in the other contract which requires  
7 Central Railroad to ensure the City of  
8 Lawrenceburg trackage rights to CSX, et cetera.  
9 So there is, the contract provides that we won't  
10 lose the business.

11                   MR. SUNDWICK: I see.

12                   MR. VOWELS: I was just reading through  
13 this additional lease agreement on the letter of  
14 June 19th, 1995. It does state in here that  
15 Central Railroad can enter into agreements with  
16 other gaming companies. Has that been done?

17                   MR. ELIAS: There is an agreement with  
18 Argosy, yes.

19                   MR. VOWELS: All right. Contingent upon  
20 the receipt of the certificate of suitability so  
21 you can't throw a wrench into it if you don't get  
22 the licensing?

23                   MR. ELIAS: True.

1 MR. MILCAREK: I see that you have  
2 about, average about five cruises per day versus  
3 the average cruise that would be about seven  
4 cruises per day. Does this have anything to do  
5 with the fact that the track will be used for  
6 other purposes other than your trains going back  
7 and forth with passengers?

8 MR. TOMBARI: Actually not. Do you want  
9 to comment on that?

10 (Mr. Tombari conferring with  
11 associates.)

12 MR. TOMBARI: Actually, I think there  
13 are seven cruises per day, and it may have  
14 increased from the application from last year just  
15 because we are, we are able to have more cruises  
16 and be able to get the people down there by virtue  
17 of a double track.

18 MR. MILCAREK: We show that you average  
19 about five, 5.3 per day. That's changed now?

20 MR. TOMBARI: Yeah. The average number  
21 of cruises is actually, I believe it's seven per  
22 day during the week and nine per day on weekends.

23 MR. THAR: Can we go back to the

1 railroad concept for a second? What do you do  
2 when, what's your backup plan for when the train  
3 breaks down?

4 MR. TISCHLER: One of the reasons for  
5 having a locomotive on each end is to make sure  
6 that there's a redundant system there. Also, we  
7 have in the plan a complete redundant set of  
8 equipment whereby under normal conditions each,  
9 our three conches (phonetic) would be in steady  
10 service with a fourth one in reserve. The fourth  
11 one would also have ten coaches and two locomotive  
12 units.

13 MR. THAR: Where is your maintenance  
14 facility and where do you store that extra train?

15 MR. TISCHLER: We would plan to  
16 construct a maintenance facility on Central  
17 Railroad of Indiana where, within several thousand  
18 feet of the junction of Lawrenceburg junction and  
19 the main line.

20 MR. THAR: I appreciate your confidence  
21 in your system, but I grew up in the south suburbs  
22 of Chicago and used to ride the Illinois Central,  
23 and they have a redundant system that is fairly

1 simple and it broke down and the train didn't make  
2 it on time. So what are you going to do? What's  
3 your system when it doesn't work?

4 MR. TISCHLER: I have to refer back to  
5 the fact that the line is really not more than  
6 three miles long. The maintenance people are all  
7 within that three miles. We have the extra set of  
8 equipment. It should not be a problem.

9 MR. THAR: So there is no system other  
10 than the complete reliability of the train or  
11 shuttle system; is that right?

12 MR. TISCHLER: Well, again, each conches  
13 has a redundant locomotive unit and then we have  
14 the spare set and the mechanical people.

15 MR. THAR: Other than the locomotives  
16 and the train itself, there is nothing else; is  
17 that right?

18 MR. TISCHLER: Well, we have the double  
19 track. That was one reason for having the double  
20 track.

21 MR. THAR: You don't have a bus system,  
22 do you?

\*23 MR. TISCHLER: No.

1 MR. THAR: Okay. So it's a train  
2 system, regardless of how many tracks you have.

3 MR. TISCHLER: That is correct.

4 MR. THAR: What is it going to take to  
5 build the system? What is your start time for the  
6 temporary operations in view of the fact that you  
7 probably don't want to open your operations until  
8 you've got the train in place?

9 MR. TOMBARI: I'll have Howard comment  
10 in a minute, but Canadian National has looked at  
11 the improvement construction timing and the cost  
12 schedules. They are here to testify that they can  
13 complete all bridging and laying of the additional  
14 tracks in up to a period as fast as six months,  
15 which makes our temporary facility available in up  
16 to a period of six months. Of course, it's going  
17 to be subject to what the Corps does. We think  
18 the Corps will not have a too difficult time given  
19 that our boat is at a historical docking area.

20 Howard, do you want to make a comment or  
21 two about the costs and the timing and the  
22 availability of the various improvements?

23 MR. TISCHLER: The time table is a

1 rigorous one. The constraint from our engineering  
2 perception is the bridge construction. Our bridge  
3 engineers say that they can have the preliminary  
4 engineering done and the construction accomplished  
5 within a six-month time table. We happen to have  
6 at the present time in our Canadian National  
7 bridge inventory more than half of the spans that  
8 would be required to do the bridging that we are  
9 talking about.

10 MR. THAR: And what happens to the  
11 traffic at the intersection of 275, 50, and  
12 Highway 1 while you are building the overpass?

13 MR. TISCHLER: We feel that we can do  
14 the bridge construction with the Central of  
15 Indiana maintaining its operation on its grade  
16 level right of way. We will have to have piers  
17 installed on a scheduled basis and it should not,  
18 in our opinion, impede, to a great degree, the  
19 traffic flow at 275 and 50.

20 MR. THAR: So you are going to build a  
21 train bridge and it's not going to have any  
22 negative affect on automobile traffic flow at a  
23 intersection?

1 MR. TISCHLER: Well, I would say when  
2 the piers go in you are obviously going to have to  
3 protect the areas, like they do on freeways when  
4 there is bridge construction, but it's not going  
5 to interrupt the, the regular flow of traffic  
6 other than you will have a constraint during  
7 certain of the construction period.

8 MR. THAR: What is the cost of the  
9 railroad, including the bridge and the cars  
10 itself?

11 MR. TISCHLER: The construction for the  
12 track, the bridges, and the maintenance facility I  
13 think was pegged at thirteen million seven. The,  
14 the cost of the cars and the units I think are  
15 just roughly four million. And then the platforms  
16 for the stations, of course, are in addition to  
17 that.

18 MR. THAR: They are included in that?

19 MR. TISCHLER: They are in addition to  
20 the figures I just gave you.

21 MR. THAR: What do the platforms cost?

22 MR. TISCHLER: I believe the --

23 MR. TOMBARI: I think the total railroad

1 package is in the neighborhood of about \$25  
2 million. That's about an eight million dollar  
3 increase, I think, from that submitted as part of  
4 our original application. It primarily relates to  
5 having more information, the doubling, adding the  
6 additional trackage, and just knowing more about  
7 the platforms and such. So it's very significant,  
8 as I think it was pointed out by Mr. Hlavsa during  
9 the presentation, it's a very significant  
10 infrastructure package.

11 MR. THAR: I am unable to find where that  
12 \$25 million is in your preliminary cost estimate  
13 slide.

14 MR. TOMBARI: I think as part of our  
15 development plan you will see roughly fifteen  
16 million of infrastructure costs.

17 MR. THAR: I see 15.4 in improvements.

18 MR. TOMBARI: Okay.

19 MR. THAR: One million land  
20 improvements, 15.4 in improvements, 23.1 in off  
21 site.

22 MR. TOMBARI: And then is there a number  
23 there for trains and trolleys?



1 MR. THAR: No, not in the, not on that  
2 one.

3 MR. TOMBARI: Oh, that's because it  
4 doesn't include equipment. There's also a total  
5 trains and trolleys cost of about \$9 million. So  
6 what you have is roughly your fifteen of  
7 infrastructure cost and about nine million  
8 relating to, or nine million which includes some  
9 of the platforms and the trains and trolleys.  
10 About twenty-five million total costs to do this  
11 railroad system.

12 MR. SUNDWICK: Could you have captioned  
13 it "other"?

14 MR. TOMBARI: No, I'm sorry. That, that  
15 presentation was only infrastructure improvements  
16 and does not include all the above-ground  
17 improvements, such as the bridges and platforms,  
18 and does not include the trains and trolleys.

19 MR. VOWELS: How much is construction,  
20 then? I mean, I see here the 13.7 number that we  
21 were just told about construction and I see on  
22 this chart that you gave us railroad  
23 infrastructure, 13.7.

1 MR. TOMBARI: Yes.

2 MR. VOWELS: So is that correct, then?

3 MR. TOMBARI: Yes. I think that's what  
4 Mr. Tischler just testified to.

5 MR. VOWELS: And is that construction,  
6 the tracks? Because I want to know what it is for  
7 construction and I want to know what it is for the  
8 trains, so separate those out.

9 MR. TISCHLER: The answer is yes, the  
10 13.7 is the construction for the track, the  
11 bridges, the various raising of the elevation of  
12 the track, switches, and for the shuttle.

13 MR. VOWELS: Okay. And then how much is  
14 the train?

15 MR. TISCHLER: The preliminary cost  
16 estimates that I have in front of me on this  
17 printed sheet, which I understand you have, says  
18 9.2, nine million two hundred thousand.

19 MR. VOWELS: So that's where you get the  
20 twenty-five? 9.2 million, is that what you said?

21 MR. TISCHLER: (Nods head.)

22 MR. VOWELS: You had said earlier four  
23 million. Is that incorrect?

1 MR. TOMBARI: Yes, incorrect.

2 MR. VOWELS: And that's for the cars and  
3 the engine?

4 MR. TOMBARI: All trains and trolleys.  
5 I think it also includes the system whereby if  
6 there were 5,000 cars or 4,000, 4500 cars parked  
7 at the facility, it also has an off-site -- or  
8 not, a little shuttle that will run from the most  
9 distant parking places across U.S. 50 into where  
10 the valet area is at the land-based improvements.  
11 So it includes a few other things other than just  
12 the trains and the trolleys.

13 MR. VOWELS: When you say " trolleys"  
14 you mean --

15 MR. TOMBARI: All the trains and  
16 everything.

17 MR. VOWELS: The wheels that go on the  
18 ground?

19 MR. TOMBARI: Its moving -- rolling  
20 stock, I think is what they call it.

21 MR. VOWELS: All right. And I assume  
22 the trains will be air conditioned on the inside  
23 and all that stuff?

1 MR. TISCHLER: Of course.

2 MR. TOMBARI: We would like to think  
3 that when you arrive at the Lady Luck project  
4 that, if you're going downtown, that the  
5 entertainment part doesn't start when you get  
6 there. We have costuming and theming where people  
7 and the conductors and such will make it so  
8 actually the entertainment starts when you board  
9 that train. And, so, there's entertainment, of  
10 course, at the land-based portion, and this is not  
11 just a dead shuttle system that you have to do.  
12 What we are trying to do is create the  
13 entertainment from a system that is trying to  
14 solve a very complex development problem, as we  
15 previously discussed.

16 MR. SUNDWICK: Where are you going to put  
17 this golf course? What was your term for it,  
18 Adventure Golf or something?

19 MR. FEDORCHAK: If I might go over to  
20 the model?

21 MR. SUNDWICK: Sure.

22 MR. FEDORCHAK: Adventure Golf, as we  
23 term it, is a very sophisticated par three giant

1 miniature golf course, and that course is spread  
2 throughout and around the water park.

3 MR. SUNDWICK: Is it a miniature golf  
4 course or is it a par three? I mean, does it have  
5 windmills that you kick through?

6 MR. FEDORCHAK: No.

7 MR. SUNDWICK: Then it's a regular par  
8 three golf course?

9 MR. FEDORCHAK: Pretty much.

10 MS. BOCHNOWSKI: Wait, wait. But you're  
11 just using putters; you are not taking about  
12 irons?

13 MR. FEDORCHAK: Putters and a shifter.

14 MR. SUNDWICK: So it's green, it's  
15 grass?

16 MR. FEDORCHAK: Yes.

17 MR. MILCAREK: How many acres will that  
18 be?

19 MR. FEDORCHAK: About 4 acres.

20 MR. VOWELS: What are the red things  
21 here? Are these buses or something?

22 MR. FEDORCHAK: This is part of the  
23 recreational vehicle park.

1 MR. VOWELS: Okay. Those are RVs; all  
2 right.

3 MR. FEDORCHAK: Correct.

4 MR. SUNDWICK: Somebody commented that  
5 there would be rail service or a possibility of  
6 rail service from Cincinnati and from  
7 Indianapolis; is that true? I mean, did I hear  
8 that right?

9 MR. WATT: Bill Watt, Watt Information  
10 Services. First Cincinnati. The concept of  
11 having excursion or commuter service from  
12 Lawrenceburg to Cincinnati is feasible. Two  
13 things make that so: First, the Central Railroad  
14 owns the track into downtown Cincinnati, so you  
15 have a route. The second thing that contributes  
16 to feasibility is you need a magnet. It's just  
17 like the example I used with the South Shore.  
18 People have to have a destination that captures a  
19 number of people. By having the hotel terminal as  
20 the gathering point for people going to the  
21 riverboat, we create that magnet.

22 Meanwhile, Cincinnati and the State of  
23 Ohio have been actively looking at a number of

1 local commuter projects involving mass transit and  
2 rail. The State of Ohio and the freight railroad  
3 serving Cincinnati recently entered into an  
4 arrangement to make improvements to freight routes  
5 in Cincinnati for environmental reasons. So  
6 there's a considerable interest in the Cincinnati  
7 area. So I would think that the initial phase  
8 would be to look at the market, because markets  
9 are what drive these. Now that you have the  
10 route, start with excursion trains and build to  
11 commuter.

12 With respect to going north, the Central  
13 Railroad operates a line toward Indianapolis.  
14 When Union Station was being developed here a  
15 number of years ago, there were a number of  
16 studies and analyses done about how you would  
17 develop excursion trains around Indianapolis. The  
18 numbers didn't show the density, but, again, now  
19 you have a magnet because you have this eight  
20 thousand on average or more people a day. So we  
21 ask where is the logical point at the north end  
22 and is the customer demand there for it, and it's  
23 clearly the kind of thing that deserves a look.

1 I would expect the Cincinnati phase of  
2 it to be more aggressive and more rapid, and also,  
3 because as this process goes forward, people begin  
4 to see the potential value of commuting on a rail  
5 line in addition to the excursion, much as has  
6 happened on the South Shore many years ago.

7 MR. THAR: My memory of being in  
8 downtown Lawrenceburg, it didn't look like there  
9 was enough room among the railroad tracks to build  
10 platforms like are illustrated in that far model.

11 MR. KLINEMAN: And to add an addendum,  
12 it certainly looks like that would dominate  
13 downtown Lawrenceburg if the scale is any place  
14 close to correct.

15 MR. FEDORCHAK: We've had surveys and  
16 profiles of both the levees and the total right of  
17 way of the railroad, and there is, in fact, enough  
18 room to do what we are doing without interfering  
19 with the levees as they exist.

20 MR. THAR: How about with the other  
21 railroad tracks?

22 MR. FEDORCHAK: The other railroad  
23 track --



1 MR. THAR: If I remember, there's two or  
2 three sets, weren't there?

3 MR. FEDORCHAK: There's three sets of  
4 tracks. This outer track is what the freight line  
5 will use a couple of times a day. So there is a  
6 three track configuration.

7 MR. SUNDWICK: That's CSX?

8 MR. TOMBARI: No. The CSX tracks are  
9 actually up about a block and a half or two  
10 blocks. If I may step up. As they go through  
11 town, and, of course, this is, they are up here  
12 further and again what we are, what we believe is  
13 that to get access to downtown here, these tracks  
14 are all at grade. And as I described those trains  
15 backing up, I don't know if any of you have had to  
16 sit through them, but it's usually about a 10 or a  
17 15 minute wait trying to get into downtown  
18 Lawrenceburg from Walnut Street.

19 And to the extent that a developer would  
20 like to put a boat down here, a temporary boat or  
21 a permanent boat, they will have to figure out how  
22 to get by these trains. As I also told you, CSX  
23 indicated to us that between ten and sixteen

1 trains per day run through there and they do  
2 expect an increase in freight. They are servicing  
3 Seagrams.

4 MR. KLINEMAN: So, plus an addendum to  
5 that, when you get downtown what do you have  
6 there? You have the tracks where the people will  
7 get off the train and then I guess do you have  
8 anything in that area at all or do you then get  
9 onto this barge-type thing? Please explain that.

10 MR. FEDORCHAK: Yes. There are three  
11 platforms. Again, we exit on one side and depart  
12 on the other (sic). At the intersection of each  
13 of these platforms, there's a structure which  
14 houses escalators and elevators. This last tower  
15 is an elevator tower which permits visitors to get  
16 into town uninterrupted by rail traffic. As you  
17 come up to the escalator and/or elevator, you  
18 cross this bridge and you enter the entertainment  
19 barge. And, of course, this would be a flexible  
20 connection which would adjust to the height of  
21 the river. And then from there, from the lower  
22 level of the barge, you enter the boat.

23 MR. KLINEMAN: What is on the barge?

1 MR. FEDORCHAK: The barge is made up of  
2 services for the boat: water storage, drygood  
3 storage, offices, change areas for employees, two  
4 lounges, a small entertainment stage kind of  
5 activity, and a restaurant.

6 MS. BOCHNOWSKI: Having that barge, does  
7 that put you too far out into the river --

8 MR. FEDORCHAK: No.

9 MS. BOCHNOWSKI: -- and cause danger?

10 MR. FEDORCHAK: No, it does not.

11 MS. BOCHNOWSKI: How large is that barge  
12 also when, whoever comes to answer that?

13 MR. TOMBARI: The barge is roughly 500  
14 feet long and roughly 100 feet wide.

15 MS. BOCHNOWSKI: So it's about the same  
16 width as the boat would be?

17 MR. TOMBARI: About the same width as  
18 the boat, yes.

19 MR. JUDD: Bill Judd from Judd Marine  
20 Services, marine consultant.

21 The extension there is not anything  
22 that's really of a concern. And in the site risk  
23 analysis, which I think you have there I prepared,

1           it shows that the extension by the size of the  
2           facility, the floating facility, is not an  
3           extension that would be enough to cause any  
4           problem or any concern in my opinion.

5                     There was a fleeting area just above  
6           there of some size that's now an inactive permit  
7           that was almost the same distance out as would be  
8           the Lady Luck Lawrenceburg facility, and  
9           immediately below them is the Indiana-Michigan  
10          Tanner's Creek plant which has a real large  
11          extension of river work which actually sets the  
12          sailing line and the channel line in that area.

13                    MR. HAWKINS: I'm Dr. Darroll Hawkins  
14          with Commonwealth Technology. I guess for the  
15          record I am the immediate past chief of the north  
16          section for permitting for the Louisville board  
17          that handled Indiana.

18                    And one of the things that the Corps  
19          does, and I'm sure you will hear this from them,  
20          is that when they assign projects, they've got  
21          three basic types of project reviewers: engineer,  
22          biologist, and technician. When they are really  
23          concerned about structural modifications or

1           engineering things, it gets assigned to an  
2           engineer; when they are concerned with  
3           environmental or ecological, it goes to the  
4           biologist; if it's procedural, even as complicated  
5           as this but doesn't require any engineering or  
6           biological expertise, then they turn it over to a  
7           technician.

8                         And in this case, when this one came in,  
9           it was given preliminary review and assigned to a  
10          technician. So you can't really base a whole lot  
11          on that because you still have to go through the  
12          process, but the preliminary idea from the Corps  
13          is this was not a particularly burdensome site in  
14          terms of the location of the facility or the  
15          projection into the river.

16                        MR. KLINEMAN: Last time we saw you was  
17          in Evansville, wasn't it?

18                        MR. HAWKINS: No, sir. It was with  
19          Switzerland County and Ohio County.

20                        MS. BOCHNOWSKI: Okay. As long as we  
21          have you up here and you have some expertise in  
22          this area. I assume, then, that for the  
23          applicants who were looking at the conservancy

1 district, that they assign a biologist to those  
2 areas?

3 MR. HAWKINS: Yes, ma'am. I believe  
4 that's correct. The three facilities that are  
5 going in there.

6 MS. BOCHNOWSKI: In your opinion is  
7 that, are those a done deal? Is that going to be  
8 an easy permitting process in that conservancy  
9 district? I'm sure you will say no, but if you  
10 could kind of try to give me an honest opinion.

11 MR. HAWKINS: It really goes back to, as  
12 people have before, with time and money you can  
13 normally get to a situation where you can justify  
14 the project. There is some fairly onerous hurdles  
15 that you have to get over when you're involved  
16 with wetlands, but those things can go out over  
17 time by providing enough mitigation or showing  
18 enough need, and it goes back to the needs  
19 analysis of what the Corps does. And, basically,  
20 as long as you can resolve the objections from  
21 U.S. EPA and U.S. Fish & Wildlife, which is two of  
22 the major players with the Corps, if you provide  
23 enough mitigation, yes, you can get into those

1 areas, but they are not normally quick decisions  
2 and normally do take quite a bit of time.

3 MS. BOCHNOWSKI: Also, now, I realize  
4 that the river isn't quite like Lake Michigan, but  
5 a number of our applicants have shown areas where  
6 the boats will actually be cut into the shoreline  
7 for a little more protection. Do you feel that  
8 this is enough protection for that boat in bad  
9 weather, let's say?

10 MR. HAWKINS: Okay. What you're really  
11 dealing with is flood conditions, and you've got  
12 two primary concerns: One is the pool  
13 fluctuation. In this case our design that's gone  
14 into the Corps has the entertainment facility  
15 actually tied to two sails that are actually  
16 driven down and embedded in the river. In some  
17 pictures they look like lighthouses on either end  
18 of the entertainment facility. We call this a  
19 captive barge in that the barge is actually  
20 attached to a rail that allows it to float up and  
21 down, and then you have to actually design that  
22 sail so that it's able to carry the weight that  
23 may come from currents that are going to be

1 washing against the boat on either side.

2 The second thing that you have to be  
3 concerned with is drift building up and getting  
4 pressure behind the vessel that would push it out  
5 into the river. And, again, our application  
6 contains what's called a drift deflector. Lady  
7 Luck got in touch with us because we are the  
8 environmental consultant for ACL, American  
9 Commercial Lines, and we do most of their  
10 environmental work, and, of course, they are based  
11 here in Jeffersonville, Indiana, and that's  
12 typical of what we put on their facilities to  
13 maintain their transfer points at their terminals.  
14 You just put in a drift deflector which keeps the  
15 drift moving down the river.

16 The boat itself is going to be in  
17 operation. It can be moved. We can also, if we  
18 feel like it needs to stay in place, that drift  
19 deflector, they can have one to extend over that  
20 that will again allow the drift to slide past, and  
21 it's a fairly standard construction. When you dig  
22 back in, the biggest problem you run into is  
23 maintenance and keeping that cleaned out from the



1 pool rising up and down and bringing in silt. So  
2 we recommended against that because of that.

3 MR. MILCAREK: Is this in a location  
4 where barge traffic would, say a breakaway barge  
5 or something like that, would crash into this?

6 MR. HAWKINS: Captain Judd has really  
7 looked at that and did a risk assessment on that,  
8 and it would probably be best if he would answer  
9 that.

10 MR. JUDD: In the risk assessments part  
11 of the package, which you all have here, the  
12 cruise records and Corps records were looked at  
13 very carefully, and the incident there of marine  
14 incidents has been very, very slim, and I've  
15 detailed it in some quantity there for you.  
16 There's only been one breakaway in the study area,  
17 which included about a four or five mile stretch  
18 of river, there's been only one breakaway in the  
19 last ten years that was documented. Again CDI's  
20 drawings for the dock itself, the drift deflector  
21 and the sail, which has just been described to  
22 you, also act as a collision avoidance-type system  
23 in case a breakaway barge came down toward the

1 facility.

2 MR. MILCAREK: Would that have to be  
3 some huge structure?

4 MR. JUDD: It is a rather large  
5 structure that's designed here. The sail itself  
6 and the drift deflector are rather substantial  
7 pieces of equipment that are designed to take  
8 tremendous load and impact. I was very satisfied  
9 with CDI's design as far as both breakaway barge  
10 deflection, drift, and ice, which hasn't been  
11 mentioned, but even as an ice deflector.

12 MR. VOWELS: About the temporary boat,  
13 did you say you had one available now?

14 MR. SCHNEIDER: Dr. Tom Schneider,  
15 Riverboat Management.

16 We have been helping Lady Luck. I  
17 believe in your original package we had a design  
18 for a Jeff Boat-built boat and then for a  
19 temporary boat which is now being constructed for  
20 Lady Luck at Service Marine. It's a 254 by 78  
21 foot vessel. It carries 1650 passengers, 275  
22 crew. Gaming positions 1300, gaming square feet  
23 about 24,000. That would be the temporary boat.

1           We have a letter of intent with Jeff Boat to build  
2           a permanent vessel at Jeff Boat.

3                   MR. VOWELS:   Okay.  The letter of intent  
4           that I saw was dated March 18th of '94.  Is that  
5           the letter of intent you are referring to?

6                   MR. SCHNEIDER:  Yes.  That was the  
7           letter of intent for the size of the vessel that  
8           we contemplated at that particular time.

9                   MR. VOWELS:  What is the size of the  
10          vessel?

11                   MR. SCHNEIDER:  The new vessel?

12                   MR. VOWELS:  Uh-huh.

13                   MR. SCHNEIDER:  The new vessel that we  
14          contemplated, and this is based on our experience  
15          as the operator of the Elgin, which at this point  
16          in time, along with Lady Luck's Bettendorf boat,  
17          these are the two largest cruising vessels,  
18          riverboat gaming vessels in the United States.  
19          That boat will be 430 by 108.  108 is the maximum  
20          we can take through the locks at Madison to get up  
21          here.  It's a 110-foot lock and it will take a  
22          108-foot boat.  It's an overall 108-foot beam; not  
23          the water line width but it's the overall width.

1           That will carry 3,000 passengers, 500 crew, 60,000  
2           square feet of gaming, 2500 gaming positions. It  
3           gives us about 24 square feet per gaming area.  
4           And, again, with that letter of intent with Jeff  
5           Boat that's . . .

6                   MR. VOWELS: Is the letter of intent  
7           based upon another, an earlier boat of different  
8           specifications?

9                   MR. SCHNEIDER: That was based upon a  
10          Jeff Boat specification. When gaming first  
11          started, Jeff Boat came up with a design for the  
12          Robert E. Lee, which is basically --

13                   MR. VOWELS: My question is: Is it  
14          still binding?

15                   MR. SCHNEIDER: As far as we are  
16          concerned, yes, sir.

17                   MR. VOWELS: And is it your intention to  
18          use an Indiana boat builder?

19                   MR. SCHNEIDER: Certainly, yes. We  
20          used those numbers in our economic analysis.

21                   MR. VOWELS: Okay. And are you in  
22          negotiations with any other boat builders?

23                   MR. TOMBARI: No. We have the, one of

1 the temporary boats that would be contemplated is  
2 being built by Service Marine, as Mr. Hlavsa  
3 alluded to in the presentation.

4 MR. VOWELS: Where is that boat?

5 MR. TOMBARI: It's in Louisiana, Morgan  
6 City, Louisiana. But for the permanent riverboat,  
7 Mr. Schneider has done the discussions and  
8 specking with Jeff Boat. We've considered no  
9 other builder. We are not bidding it out. We  
10 hope that Jeff Boat and we are convinced that Jeff  
11 Boat and hope that Jeff Boat and us come to a  
12 reasonable price in terms of the boat and the  
13 specs and the like.

14 MR. VOWELS: Superior Boat Works. Are  
15 you familiar with that place? Superior Boat  
16 Works, I assume in Mississippi.

17 MR. TOMBARI: Yes.

18 MR. VOWELS: There's a bankruptcy that  
19 they are going through down there and they've sued  
20 Lady Luck Mississippi. Are you familiar with that  
21 lawsuit?

22 MR. TOMBARI: Yes.

23 MR. VOWELS: Okay. What, what does

1 Superior Boat Works do?

2 MR. UBOLDI: Superior Boat built the boat  
3 that we have in Natchez. At the time that they  
4 built the boat, we had a contract with them for a  
5 certain amount, six million four, and they went  
6 bankrupt after that, so they asked for more money,  
7 which we didn't want to pay.

8 MR. VOWELS: Did they finish building  
9 the boat? Did they deliver it to you?

10 MR. UBOLDI: Somewhat finished, yes.  
11 They finished building the boat. We had to do  
12 quite a lot of work afterwards, but they finished  
13 the boat.

14 MR. VOWELS: They show in the bankruptcy  
15 that you are partially responsible. Do you have  
16 some responsibility for their financial failure?  
17 And what is that based upon, their claim that you  
18 owe them money, additional money?

19 MR. UBOLDI: Yeah, they claim that we  
20 owe them additional money and we owe also a  
21 subcontractor additional money. Both of them sue  
22 us. We settle the suit with the subcontractors,  
23 and I would say that we are in the process of

1 settling the suit with them.

2 MR. VOWELS: All right. Do you recall  
3 what that boat, what the agreement was for the  
4 cost of that boat originally?

5 MR. UBOLDI: Originally it was cost  
6 plus, but after a while, probably a few months  
7 before, a couple of months before the boat was  
8 finished, we made a contract with them to pay six  
9 million four with the boat. It's a barge, yeah,  
10 it's not a boat.

11 MR. VOWELS: All right, okay, yeah.

12 MR. MILCAREK: Did you take delivery of  
13 that boat or that barge?

14 MR. UBOLDI: Yes, we did, yeah. That's  
15 the one you've seen in Natchez. It was the first  
16 boat we built.

17 MR. SUNDWICK: You show -- the financial  
18 officer might want to talk about this. You show a  
19 revenue drop over a five-year period in your  
20 presentation. Why?

21 MR. HLAVSA: Michael Hlavsa, Lady Luck  
22 Gaming Corporation. It's been our experience as  
23 markets mature that there is a slight revenue drop

1 over time.

2 MR. SUNDWICK: Did you take into  
3 consideration -- you didn't make the slides since  
4 Friday, I don't think. I'm sure you had this.  
5 Are you expecting probably, like everybody else,  
6 that there could be two boats in Dearborn County?

7 MR. TOMBARI: The projections which we  
8 actually completed I think last November, in fact  
9 they were done specifically after the various  
10 referendums, after November 8th, and of course  
11 subsequently submitted to SPEA when they started  
12 asking us additional questions, presumed two  
13 things: Number one, there's another boat located  
14 to the south of Dearborn County. We had never  
15 presumed there were going to be two boats in  
16 Dearborn County because in our opinion there is no  
17 other place for a boat in Dearborn County. We did  
18 anticipate and it does presume that there is  
19 another boat in Southeast Indiana and also it does  
20 presume that there is gaming in West Virginia  
21 which tends to corrupt a little bit of the market  
22 coming down from Columbus, Ohio.

23 MR. SUNDWICK: At the same time you also



1 show a operating margin drop, so your expenses are  
2 going up and your revenues are going down. What  
3 would cause that?

4 MR. TOMBARI: Basically --

5 MR. HLAVSA: Historically it's been our  
6 experience that operational costs do go up due to  
7 inflation, due to raises for employees, and your  
8 operational efficiencies can counteract that to a  
9 degree. However, reality is that your operating  
10 margins are going to decrease over time as you  
11 expend more marketing costs and your operating  
12 costs go up due to inflation.

13 MR. SUNDWICK: Is that normal in the  
14 gaming business that people lose operating --

15 MR. HLAVSA: Yes, they do, unless they  
16 add additional amenities or additional reasons to  
17 expand the margin.

18 MR. VOWELS: It shows here that on  
19 September 9th of 1993, that the initial public  
20 offerings of public shares were at \$16 a share and  
21 then during 1995 that it's been trading at less  
22 than \$3 a share. What's the book value of the  
23 stock now?

1 MR. HLAVSA: The book value of the stock  
2 is approximately 55- to \$60 million.

3 MR. KLINEMAN: Per share?

4 MR. HLAVSA: The stock has been trading  
5 at a little less than \$2, a dollar eighty eight, a  
6 dollar ninety-four.

7 MR. KLINEMAN: Book value per share?

8 MR. HLAVSA: Oh, the book value per  
9 share is approximately the same as the market  
10 value per share.

11 MR. VOWELS: A dollar ninety?

12 MS. BOCHNOWSKI: That's the book value?

13 MR. HLAVSA: Yes, yes.

14 MR. KLINEMAN: While we're into  
15 financing, we have no evidence that you have any  
16 financing in place, either equity or debt, and  
17 that is of great concern. We also, of course,  
18 have a copy of your independent audit from  
19 December of '94 which has a qualified opinion, I  
20 think, based upon the fact that some of these  
21 notes that you have outstanding, there is a call  
22 to the holders -- well, I always get those mixed  
23 up. The holders can say "pay me". Do you want to

1 tell us where you are today, what's happening with  
2 the company, what means do you have to finance  
3 this project?

4 MR. HLAVSA: I would be happy to. Let  
5 me first refer to our December 10K that does have  
6 a qualified opinion from our independent auditors.  
7 That opinion is specifically related to the  
8 technical defaults of those notes. We missed a  
9 network covenant, and consequently the bond  
10 holders have a right to ask us for approximately  
11 60 and a half million dollars. We do not intend  
12 to pay that. We are currently in negotiation with  
13 our bond holders, specifically tomorrow morning  
14 there is a meeting with our bond holders in New  
15 York, and we expect that that situation will be  
16 resolved fairly quickly. Our bond holders  
17 understand the importance of the continued growth  
18 and development of our company. They have been  
19 extremely cooperative with us to date.

20 MR. VOWELS: But you say you do not  
21 intend to pay that?

22 MR. HLAVSA: That's correct.

23 MR. VOWELS: That means if they want you

1 to pay it, you won't pay it?

2 MR. HLAVSA: We are obligated to make an  
3 offer, which we have not done; therefore, we are  
4 technically in violation of that covenant. And we  
5 are asking the bond holders for a consent to waive  
6 that portion of the covenant, which means we would  
7 not have to offer them or pay them the 60 and a  
8 half million dollars.

9 MR. VOWELS: So technically you are in  
10 default. Do they have to give you written notice  
11 that they are demanding or calling that in?

12 MR. HLAVSA: Yeah, I'm not sure. There  
13 are obviously notices on both sides; correct.

14 MR. VOWELS: My understanding is they  
15 would, for it to be in default, they would have to  
16 give you written notice they are calling it in and  
17 give you an opportunity to straighten it out, and  
18 my question is: Has there been any written notice  
19 from them?

20 MR. HLAVSA: No, there has not.

21 MR. KLINEMAN: That's important, but  
22 tell me how you ever expect to raise additional  
23 moneys for a project like this if you are in

1           default? Even if you renegotiated some  
2           combination with your present bond holders, it  
3           certainly isn't going to look good on the credit  
4           standing of the company.

5                   MR. HLAVSA: The credit for the existing  
6           bond holders is the existing operations and  
7           physical assets of the Lady Luck properties that  
8           now operate. That is substantial enough credit  
9           for the bond holders. The bond holders have not  
10          asked us for additional credit in negotiations  
11          with them. This project --

12                   MR. KLINEMAN: But it was the other side  
13          of the coin. I mean, you are in default on a  
14          group; and even if you negotiated with them, how  
15          could you go to the markets and get any equity or  
16          debt commitments?

17                   MR. HLAVSA: It's easy. This project  
18          will be a stand-alone project and credit for the  
19          debt on this project will be specifically rated to  
20          this project and not to the other Lady Luck Gaming  
21          Corporation assets.

22                   MR. KLINEMAN: Well, you know, we're  
23          back to if we give somebody a certificate, they

1 can raise the money. That is not something that  
2 this commission has thought to be a good policy.

3 MR. HLAVSA: Okay. I understand that,  
4 and I cannot stand before you today and say I have  
5 commitment letters from investment bankers that  
6 say they can raise it. Obviously we've had  
7 discussions, and I don't think you need another  
8 expert opinion from an investment banker. You've  
9 already had a few through these days here.

10 I can tell you that there has been a  
11 tremendous amount of interest in these projects.  
12 We have had preliminary agreements with fairly,  
13 fairly substantial individuals who have no problem  
14 raising this. And I can stand before you today  
15 and tell you less than 72 hours ago there was a  
16 nationally recognized gaming company that offered  
17 to provide a letter to you saying, and this gaming  
18 company has over \$170 million in cash today, that  
19 they would fund the equity portion of \$50 million  
20 in this project.

21 But in the event of time, I could not do  
22 a definitive agreement and stand before you and  
23 tell you the that the integrity of this project

1 will remain intact by a proposal letter from a  
2 company. I don't believe finances will be a issue  
3 in this project. I've tried to demonstrate that  
4 Lady Luck on its own, without third parties, could  
5 provide equity for the initial phase of this  
6 project, and years to come no one will remember  
7 whether bank of America of America or Conseco or  
8 who financed the project. What they will remember  
9 is how the infrastructure affected Lawrenceburg  
10 and how the environment was affected by this  
11 project.

12 MR. KLINEMAN: Or they will remember it  
13 didn't get done. That's my problem.

14 (Laughter.)

15 MR. HLAVSA: I don't think anyone that's  
16 been before you will tell that projects will not  
17 get done.

18 MR. VOWELS: All of your subsidiaries,  
19 except Bettendorf, are operating under restricted  
20 subsidiaries that are subject to the covenants of  
21 this, aren't they?

22 MR. HLAVSA: That's correct.

23 MR. VOWELS: Why would we think this

1 would be any different?

2 MR.HLAVSA: This has always been  
3 designated as an unrestricted subsidiary.

4 MR. VOWELS: The lineup in Mississippi  
5 hasn't been too hot, has it, as far as what's been  
6 going on down there?

7 MR. HLAVSA: Actually, the market in  
8 Mississippi has stabilized dramatically. We  
9 operate at one of the most profitable casinos in  
10 Mississippi in terms of win per unit and also  
11 return on investment. That's our Lady Luck Rhythm  
12 & Blues Casino. Out Natchez Casino has paid  
13 itself back in cash flow over three times.

14 The only property that we've had  
15 currently in Mississippi that is struggling is  
16 Biloxi, Mississippi, and that market has also  
17 rebounded. That market, very quickly, is a day  
18 trip market presently. They are currently  
19 handling a number of hotel rooms. Four hundred of  
20 them, I think five hundred of them opened up at  
21 the end of April and another four hundred will  
22 open up in July, and the market has reacted very  
23 positively to the room availability.



1 MR. VOWELS: Weren't operations ceased  
2 at Lady Luck in Tunica on April 24th, '94, due to  
3 poor financial performance?

4 MR. HLAVSA: Yes, they were. And let me  
5 explain that. Lady Luck Tunica was the second  
6 boat opened in the county. This project, when it  
7 opened, was also tremendously successful. In the  
8 first three and a half months of operations, it  
9 generated cash of approximately \$8 million on a  
10 twenty-four million dollar investment. However,  
11 as other developments became constructed closer to  
12 the destination market, which is Memphis, the  
13 operating results of that property did go down  
14 substantially, and that's when we moved the assets  
15 down to Coahoma County, and now those assets are  
16 once again producing tremendous amount of  
17 benefits.

18 MR. VOWELS: My understanding is that  
19 the Lady Luck Biloxi has become unprofitable  
20 during the second half of '94, and if you have  
21 sufficient capital available you might relocate  
22 that to a better location; is that correct.

23 MR. HLAVSA: That was Biloxi? Yes, yes.

1           In the second half of 1994, the operation results  
2           for Biloxi were cash flow negative. We had talked  
3           to some people about relocating that vessel to a  
4           more advantageous market. At that time we had  
5           three opportunities for that vessel: One was an  
6           additional site in Coahoma County, where we  
7           thought we needed the capacity; another one was  
8           Missouri with dock side approval; or a site that  
9           we have in Vicksburg, Mississippi. Since that  
10          time and since the turn of the, turn of the new  
11          year, that property has responded successfully to  
12          some marketing programs and is operating cash flow  
13          positive.

14                   MR. VOWELS: So you don't intend to  
15                   relocate it?

16                   MR. HLAVSA: That's correct.

17                   MR. VOWELS: During the period of time  
18                   when you intended to relocate it, was one of the  
19                   reasons that you didn't was because you didn't  
20                   have sufficient capital to relocate it?

21                   MR. HLAVSA: That was a consideration,  
22                   that we needed sufficient capital at the time  
23                   through the sale of those assets in Biloxi to

1 relocate those facilities.

2 MR. VOWELS: Are we to believe that you  
3 could finance this project even though you had  
4 insufficient capital to relocate that when it was  
5 necessary?

6 MR. HLAVSA: That was at the end of  
7 1994. A lot of positive things have happened to  
8 the company in 1995. They are currently  
9 generating cash in excess of one and a half to two  
10 times our interest expense, and we are cash flow  
11 positive and have excess cash.

12 MR. VOWELS: What's going to happen with  
13 Lady Luck Gulfport?

14 MR. HLAVSA: Lady Luck Gulfport, the  
15 project has been stopped. We do have leases for  
16 property down there and we are attempting to have  
17 someone take over the operating responsibilities  
18 for those leases. I doubt whether that project  
19 will ever get built under Lady Luck.

20 MR. VOWELS: What's going to happen with  
21 Lady Luck Vicksburg?

22 MR. HLAVSA: Lady Luck Vicksburg, right  
23 now there is -- we have not marketed that

1 property. We are trying to market that property  
2 for a joint venture for a potential sale of that  
3 property. We have about \$15 million in that  
4 property where we own land, and we have partially  
5 completed construction on barges. We have  
6 recently received the Army Corps of Engineers at  
7 that property, and we could actually begin  
8 construction on that at any time; however, we are  
9 not going to unless we have a joint venture party  
10 who will fund the rest of that project. That  
11 project is in a great location in Vicksburg.  
12 Vicksburg is still a great market, but we realize  
13 that we do not have the resources or intent to  
14 complete that project.

15 MR. VOWELS: My understanding is you, to  
16 date, spent approximately \$13.9 million to develop  
17 that project; is that correct.

18 MR. HLAVSA: That's correct.

19 MR. VOWELS: And the figures we have  
20 here show that an additional \$46.1 million would  
21 be necessary to complete the construction and  
22 commence operation; is that correct?

23 MR. HLAVSA: That's correct. It's

1 approximately a sixty million dollar project, and  
2 that includes a 250 room hotel.

3 MR. VOWELS: Now, in reference to the  
4 earlier locations we were talking about, and you  
5 had told me that due to increased competition that  
6 that was the primary cause of the financial  
7 problems, did you not anticipate that future  
8 competition would come about in the State of  
9 Mississippi?

10 MR. HLAVSA: We underestimated how  
11 quickly the growth could happen in the State of  
12 Mississippi, which is operating in a relatively  
13 unregulated -- not unregulated, an environment  
14 that there is not any limitation as to the number  
15 of facilities.

16 MR. VOWELS: I don't have any other  
17 questions at this time.

18 MR. THAR: Central City operated with a,  
19 in the negative last year, 1994?

20 MR. HLAVSA: No, it didn't. It was cash  
21 flow positive last year in 1994.

22 MR. THAR: Central City was?

23 MR. HLAVSA: (Nods head.)

1                   MR. VOWELS:  If you receive a license  
2 here, what guarantee do we have that if it is  
3 profitable here that you wouldn't use those  
4 profits, drain them from here to prop up these  
5 faltering operations in other jurisdictions?

6                   MR. HLAVSA:  Currently there are no  
7 faltering operations in other jurisdictions.

8                   MR. VOWELS:  Okay.  Whatever you want to  
9 call them.  Let me just start over so we don't  
10 jump around with that.

11                   The operations in Mississippi that we  
12 just spoke about.  They need help; okay?  The  
13 point is:  If you make money here, will you take  
14 that money and put it down and prop up those  
15 operations?  And, if the answer is no, what  
16 assurances do we have that that won't happen?

17                   MR. HLAVSA:  The answer is no.  Those  
18 properties do stand on their own presently, and  
19 this property has a development plan that a  
20 significant portion of the cash flow of operations  
21 will be reinstated back into this development  
22 plan until it reaches its full maturity, which I  
23 believe is in year five.

1 MS. BOCHNOWSKI: You can imagine how  
2 troubling it is to hear that you started a  
3 project, put a certain amount in, and have not  
4 been able to complete it and need more money and  
5 are now looking for a partner and so on, and we  
6 would hate to have something here in Lawrenceburg  
7 or in Lawrenceburg get started and then start to  
8 flounder and you have to go out and look for a  
9 partner. This is very disconcerting to hear, to  
10 see those kind of things going on and to see  
11 movement, operation closing down. That's very  
12 troubling.

13 MR. HLAVSA: Let me comment on a couple  
14 of different things. One is the company, in 1993  
15 and the first part of 1994, was one of the most  
16 aggressive riverboat companies in the United  
17 States. What we did is we started a number of  
18 projects simultaneously believing that we could  
19 finish them out. Now we've learned a very  
20 valuable lesson, which we said in August of '94 we  
21 are concentrating on one project at a time.  
22 That's exactly what we did with Bettendorf, Iowa.

23 In August of 1994, we suspended any cash

1 requirements for any of the other properties that  
2 we have, including Tunica where we joint ventured  
3 that project with Bally's, and have concentrated  
4 our resources on one project at a time. There are  
5 no cash requirements necessary for any of the  
6 other projects. In Missouri, we have a project in  
7 Missouri that we are waiting for licensure on. We  
8 have letters of intent with partners that requires  
9 us not to put any more additional funds into this  
10 project.

11 So there are no other projects that this  
12 company is committed to and, therefore, the  
13 resources of this company can be put totally  
14 behind this project. With respect to closing of  
15 Tunica, we knew when we went into Tunica that  
16 other casinos were going to be developed closer to  
17 Memphis. In reaching our lease agreement with our  
18 landlord, we had a 30-day notification, and we,  
19 with full intent, put two facilities there that  
20 floated. We had a restaurant barge and a casino  
21 barge. Both of them floated and were able to be  
22 taken out of that site. So the only thing we  
23 underestimated was how quickly the other



1           developments could be built in that market.

2                   MR. TOMBARI:  Also a little, a story we  
3           can share with our partners with Bally's.  When  
4           most of the financing was done for the project,  
5           the initial Tunica project at Moon Landing, there  
6           were various assurances given that in Tunica  
7           County the Moon Landing project, which was going  
8           to have about six or seven gaming facilities,  
9           would be the closest one to Memphis, that the  
10          commission would not allow licenses being closer  
11          to Memphis.  Various members changed around after  
12          that, and that's what happened to Tunica.  And now  
13          I believe there's no boats operating in Moon  
14          Landing.  I think, I don't know if Splash is still  
15          open or not, and you have everyone else moving  
16          closer to the north.  So the market dynamics  
17          changed so quickly by virtue of the political  
18          process.

19                   MS. BOCHNOWSKI:  We have heard that  
20          before.

21                   MR. HLAVSA:  And understand there were  
22          some significant operators in that market, not  
23          only us but Bally's and Jack Pot operating in that

1 area, and all of whom have closed due to  
2 occurrences.

3 MR. THAR: Is this Lady Luck's second  
4 time in Bettendorf?

5 MR. HLAVSA: No, it's not.

6 MR. THAR: You were not there earlier?

7 MR. HLAVSA: We were not. Our joint  
8 venture partners who own the land that's leased in  
9 connection with this project is the Goldstein  
10 family. The Goldstein family is associated with  
11 Casino America who did have the Diamond Lady in  
12 Bettendorf. And, actually, when Iowa -- when  
13 Illinois opened up gaming, Iowa became a very  
14 difficult place to operate, and they did move  
15 those facilities down to Mississippi.

16 MR. THAR: You were not involved at that  
17 time, though, when they left?

18 MR. HLAVSA: No, not at all.

19 MR. SUNDWICK: You alluded to earlier  
20 that there was, and correct me if I'm wrong, that  
21 sometime during the past weeks that you had a  
22 letter from somebody about or a partner that  
23 would --

1 MR. HLAVSA: That's correct.

2 MR. SUNDWICK: Do you have a plan to  
3 take your 84 percent ownership and partner that  
4 with somebody in the future? Is that part of this  
5 financing that you are talking about?

6 MR. HLAVSA: It depends on the type of  
7 arrangement, and I can't stand here before you  
8 today and tell you exactly what is going to  
9 happen. A lot of it depends specifically on the  
10 type of financing arrangement it is and whether or  
11 not our ownership in this property would decrease  
12 through the addition of additional equity  
13 partners. If that were to occur, it would not  
14 occur, obviously, without the proper approval of  
15 the Indiana Gaming Commission and with all the  
16 regulatory approvals and understanding of all of  
17 you.

18 MR. KLINEMAN: Now, what bothers us is  
19 you've had an awful lot of time to make some kind  
20 of an arrangement with somebody to give us some  
21 feeling that the financial requirements would be  
22 met. And as of this moment, as of 11:30 on the  
23 21st of June, we still have no assurances.

1           MR. TOMBARI: A significant portion of  
2           the time, a portion of the time we were planning  
3           on not obtaining additional partners for this  
4           project. Another substantial portion of time Lady  
5           Luck's projects and Lady Luck was, had kind of  
6           offed the market, if you will, because of other  
7           larger transactions that were being contemplated  
8           by others where we couldn't do anything.

9           So actually we've only sought partners  
10          and talked with various people and, of course,  
11          since the, when the dates were announced  
12          approaching today, which has been in the last,  
13          what, you know, three to four months, that is  
14          about the time when the one time period ended and  
15          we have talked with various individuals, various  
16          groups, other gaming companies about the project.

17          MR. SUNDWICK: You have ownership of 84  
18          percent and Dearborn Riverboat Express has 9  
19          percent. Am I right?

20          MR. TOMBARI: Yes, you are correct.

21          MR. SUNDWICK: Is that what we are going  
22          to call a, are we referring to as sweat equity?

23          MR. TOMBARI: Mr. Ewbank, do you want to

1 see how you sweated on this one?

2 MR. SUNDWICK: Now, that's a nifty term  
3 so I've been trying to use it.

4 MR. TOMBARI: He's not sweating.

5 MR. EWBANK: Robert Ewbank, Lawrenceburg,  
6 Indiana. Yes, that is sweat equity. In fact, we  
7 had discussions prior to your question of the  
8 different companies. Our position is we started  
9 this, this was our plan, we contacted the  
10 railroad. We were contacted by other companies.  
11 Essentially the offer was that we liked the local  
12 group, but we don't like this plan because we are  
13 going to drive our cars to the railroad. We said,  
14 this is our plan and we stand by it. As we stand  
15 before you today we say this: If there's any  
16 question about the work that we have done to this  
17 day, we will put it to binding arbitration.

18 MR. SUNDWICK: Everybody seems to be very  
19 defensive about these questions. I just ask a  
20 question and everybody's hair stands up on end,  
21 and we just want to get on the record who's who  
22 and how you got there. I don't care how many  
23 people invest in boats, but you can see the

1 reaction when we ask the question. People nearly  
2 come unglued around here.

3 MR. EWBANK: Let me introduce some of the  
4 folks we have.

5 MR. SUNDWICK: You don't even have to. I  
6 asked the question how did you get involved and  
7 you answered it, sweat equity, and I don't think  
8 you have to defend that to me. It's on the record  
9 now and that's how you got your involvement.

10 MR. TOMBARI: As Bob described in the  
11 opening or his opening remarks of our  
12 presentation, the local group here, which is  
13 twelve leading citizens of Dearborn County, is  
14 pretty passionate about this project. And in  
15 terms of putting together all the local things,  
16 initially contacting the railroad, helping us in  
17 terms of legal counsel and such, securing all our  
18 land options, all the titles. I mean, when I  
19 speak that there is inadequate ownership from some  
20 of the other applicants from having the land for  
21 the ramp-over, it's because they run the title  
22 business in Lawrenceburg and they've done a lot of  
23 these things for us because, again, this is not

1           your standard project, it is very complex, and  
2           they are very passionate about this project.

3                   MR. SUNDWICK: I understand that, I just  
4           wanted to say a couple of things. When I ask this  
5           question it's for public record. The people of  
6           Indiana want to certainly understand who owns  
7           these projects, who invested in these projects,  
8           how they got involved. And I don't care if it's  
9           somebody's brother-in-law. All they have to say  
10          is that's my brother-in-law and I gave it to them.  
11          That's fine.

12                   Next question is: I think you have 1.75  
13          percent interest in this, and why I'm interested  
14          in this is because they are all ladies. I mean,  
15          that's kind of a prejudice issue. I mean, there  
16          could be a couple of guys in that 1.75.

17                   (Laughter.)

18                   MR. TOMBARI: The one problem, we think  
19          the world of Dearborn Riverboat Express, but they  
20          are all men.

21                   MR. SUNDWICK: So you lined up four  
22          ladies?

23                   MR. TOMBARI: More than that. When we

1 first discussed the ladies group, we were actually  
2 discussing a project with them, and this is way  
3 before we initially decided to go forward with  
4 this project. It was December of '93. We were  
5 actually discussing projects with them in Chicago  
6 and Michigan City, Indiana. As you know, one of  
7 them has a residence over in Michigan City,  
8 Indiana. The women's group, which at the time  
9 they were also developing some minority and women  
10 business programs for Missouri which is required  
11 for our application, so we thought that they would  
12 be helpful in that regard. The group also  
13 provided the, some of our consultants, our legal  
14 counsel, they also did analyses related to some of  
15 our competitors.

16 The fact of the matter is, yes, they are  
17 all four women and the fact is all the people in  
18 Dearborn Riverboat Express are males.

19 MR. SUNDWICK: And these are not local  
20 ladies? These are from Chicago or someplace else?

21 MR. TOMBARI: Chicago or Michigan City,  
22 yes.

23 MR. SUNDWICK: I don't want to call it



1 anything but disequity.

2 (Laughter.)

3 MR. TOMBARI: Initially the, initially  
4 the women's group were hoping that we would join  
5 them in a project both in Chicago and Michigan  
6 City. When we looked at -- and we looked at, of  
7 course, all the venues around, Indiana, both up in  
8 the north and down along the Ohio River, and we  
9 had said that we plan on doing this project and  
10 pursuing the license in Lawrenceburg, will you  
11 join us for the same reasons, and the same things  
12 that you could bring forth in Illinois or in  
13 Michigan City you can also bring with us down here  
14 in Lawrenceburg.

15 MR. SUNDWICK: I appreciate your candor.  
16 Thank you.

17 MS. BOCHNOWSKI: Now, you know, Bob,  
18 with all the white men we've seen here, I don't  
19 know why you're so upset about four women, but  
20 that's okay.

21 (Laughter.)

22 MS. BOCHNOWSKI: Anyway, this group,  
23 this local group from Lawrenceburg, let's get back

1 to them. You say that they are prominent people  
2 in Lawrenceburg and so on, but yet I got the  
3 distinct impression as we were taking our tour of  
4 Lawrenceburg that the City, the City did not, I  
5 mean, the officials of the city, did not really  
6 think much of this location and your idea of  
7 shuttling people on trains. I mean, I really got  
8 that clear impression.

9 So why is it that you haven't been able  
10 to, to come to some kind of agreement or convince  
11 them that this is best or why haven't they been  
12 able to convince you that this is not the best?  
13 Why aren't you working together, if you are  
14 prominent citizens?

15 MR. EWBANK: One of the things is that we  
16 were here when riverboat gaming came to town and  
17 we will be there afterwards. Most of the city  
18 council has been defeated in the primary. We  
19 believe that we received the endorsements of the  
20 past director of the chamber of commerce, the  
21 Sierra Club. Most of the people that we talked to  
22 like our plan the best because it leaves them  
23 alone.

1           I can only speculate, and I will not  
2 speculate, as to why we didn't get the city's  
3 endorsement. But I, quite frankly, I get along  
4 fine with all the councilmen and the mayor and I  
5 will get along with their successors also.

6           MR. KLINEMAN: I'm not too sure the  
7 mayor thinks he's going to have a successor right  
8 now.

9           (Laughter.)

10          MS. BOCHNOWSKI: Have you had  
11 conversations with them about this location and  
12 what's going on here?

13          MR. EWBANK: Yes, we have.

14          MR. KLINEMAN: I mean there seems to be  
15 a completely different point of view.

16          MR. EWBANK: I think there's a lot of  
17 petulant grousing between the different  
18 jurisdictions, Greendale, Lawrenceburg, Aurora,  
19 and Dearborn County. Historically why haven't  
20 they got along? It goes back to rivalries between  
21 football teams. Now we have a situation where we  
22 are talking about money.

23          MR. TOMBARI: I will speculate in terms

1 of the endorsement. Remember that we, we made a  
2 conscientious decision to not opt to lease the  
3 land that the City was proffering, and maybe where  
4 the rubber meets the road is how much revenues or  
5 how much money can go into various governmental  
6 entities.

7 Another reason about the endorsement, of  
8 course, well, as you may know, is that virtually  
9 all of the land-based improvements are not located  
10 in the City of Lawrenceburg. They are located out  
11 near the town of Greendale. So all occupancy  
12 taxes and ad valorem taxes, they wouldn't be  
13 benefiting from them.

14 We were virtually guaranteed to not get  
15 the endorsement, because if you are not going to  
16 ground lease, they are not going to get a lot of  
17 the money. So we had virtually a lock on not  
18 getting endorsed, in my humble opinion as an  
19 outsider. However, we did go through with the  
20 City, and they can, I'm certain, testify tomorrow  
21 in terms of the relationship that we had and in  
22 terms of the development agreement. It was done  
23 in a fairly expeditious fashion with our

1 attorneys, their attorneys. I was the one who  
2 represented us out in Lawrenceburg and up here in  
3 Indianapolis when we finally signed the deal, and  
4 I hope that the City understands why we go, we  
5 went out to our particular location; and, to be  
6 honest, I understand why they didn't endorse us.

7 MS. BOCHNOWSKI: But you do feel that  
8 you would be able to work with them should you get  
9 the license?

10 MR. TOMBARI: We are obligated by our  
11 agreement. Moreso, we are obligated because I'm  
12 on outsider coming in, but we have twelve people  
13 that live there. And so we are Lawrenceburg.  
14 And, so, we don't anticipate having any problems  
15 both because you have an agreement that forces  
16 both parties to work along and because we are part  
17 of Lawrenceburg. This team is Lawrenceburg.

18 MR. VOWELS: What happened to the city  
19 council? Did they lose in the primary?

20 MR. EWBANK: All but two. I think Pat  
21 Crider ran for mayor against Mayor Combs and  
22 (inaudible) was reelected.

23 MR. VOWELS: Was everybody back up for

1 reelection?

2 MR. EWBANK: Yes, sir.

3 MR. VOWELS: How many people?

4 MR. EWBANK: Five.

5 MR. VOWELS: And tell me again, out of  
6 the five --

7 MR. EWBANK: One is still in the running  
8 for the general election.

9 MR. VOWELS: Has Lady Luck as an entity  
10 contributed anything to the local campaigns?

11 MR. EWBANK: No. We have tried to --  
12 no. Absolutely not. Absolutely not.

13 MR. VOWELS: If you received a license,  
14 have you made any guarantees to any present city  
15 official elected or unelected or to any of the  
16 candidates for future employment?

17 MR. TOMBARI: The answer is no.

18 MR. EWBANK: Absolutely not.

19 MR. VOWELS: Any of their spouses or  
20 children?

21 MR. EWBANK: Absolutely not. Sir, one of  
22 the things we did when we committed ourselves to  
23 this project is to maintain our dignity throughout

1           this process, and we are not going to give up our  
2           dignity over money period.

3                   MR. VOWELS: Even if it's a whole bunch  
4           of money?

5                   MR. TOMBARI: No.

6                   (Laughter.)

7                   MR. VOWELS: Is it going to be the  
8           practice of Lady Luck and its substantial owners  
9           to ensure that all employees are properly licensed  
10          before they do any work?

11                   MR. TOMBARI: Of course, as we do in all  
12          our gaming facilities both in the south and in  
13          Nevada.

14                   MR. KLINEMAN: Anything further from the  
15          commissioners or Mr. Thar?

16                   (No response from the commission.)

17                   MR. KLINEMAN: Well, I want to thank you  
18          gentlemen for the presentation. It's a very  
19          interesting project, and we'll move on to 1:00  
20          o'clock and we'll hear the next one. Thank you  
21          all.

22

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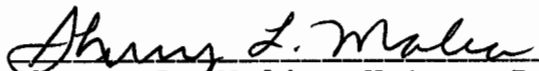
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(WHEREUPON, the proceedings were  
concluded.)



1 STATE OF INDIANA )  
2 ) SS:  
3 COUNTY OF MARION )

4 I, Sherry L. Malia, Stenographic  
5 Reporter within and for the County of Marion,  
6 State of Indiana, do hereby certify that on the  
7 21st day of June, 1995, I reported the foregoing  
8 Public Meeting; and that the transcript is a full,  
9 true, and correct transcript made from my  
10 stenograph notes.

11  
12  
13  
14  
15   
16 Sherry L. Malia, Notary Public  
17 Residing in Marion County  
18 Indiana

18 My Commission Expires:

19 November 14, 1998  
20  
21  
22  
23

ORIGINAL

BEFORE THE INDIANA GAMING COMMISSION

PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

DATE: June 21, 1995

PLACE: Indiana Government Center Auditorium  
302 West Washington Street  
Indianapolis, Indiana

REGARDING: SES/Boomtown Belle II/Hilton

REPORTED BY: Sherry L. Malia, RPR, Notary Public

MEMBERS OF THE COMMISSION

Alan I. Klineman, Chairman  
Thomas F. Milcarek  
Dr. David E. Ross, Jr.  
Donald R. Vowels  
Ann Marie Bochnowski

ALSO PRESENT

John J. Thar, Executive Director,  
and Members of the Staff

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1                   MR. KLINEMAN: Good afternoon, everyone.  
2                   We are ready to start. We have all the  
3                   commissioners present except Dr. Ross, and it's  
4                   about almost five minutes after 1:00, so we will  
5                   recognize the SES/Boomtown parties for their  
6                   presentation.

7                   MR. VOTAW: Good afternoon, Mr. Chairman  
8                   and members of the commission. I am Joe Votaw.  
9                   I'm an attorney in Lawrenceburg and local  
10                  representative of SES/Boomtown for the last year  
11                  and a half.

12                  I would like to introduce Robert F.  
13                  List, who will begin our presentation. But,  
14                  first, let me tell you a little bit about Bob and  
15                  some of his accomplishments. Bob is an attorney  
16                  and comes from a pioneer ranching family in the  
17                  State of Nevada. In 1966 he was elected attorney,  
18                  district attorney, of Carson City, Nevada. He was  
19                  elected attorney general in 1970. In 1978 he was  
20                  elected governor of the State of Nevada and served  
21                  until 1983.

22                  It was Governor List's responsibility in  
23                  all the public offices he held to regulate the

1 gaming industry in Nevada. In fact, it was during  
2 his tenure as attorney general and governor that  
3 the gaming industry in that state became a tightly  
4 regulated business. Governor List joined Boomtown  
5 in 1992 as an outside director. The following  
6 year he joined the company's executive ranks as  
7 senior vice president and corporate counsel and  
8 continues to serve on the board of directors. Bob  
9 List.

10 MR. LIST: Thank you, very much, Joe.  
11 Good afternoon Mr. Chairman, Members of the  
12 Commission, Executive Director Thar, and staff and  
13 guests. It's a real honor and a great privilege  
14 for us to be here to present a project to you  
15 unlike any this commission has seen. We've truly  
16 saved the best for last.

17 This project fully addresses all the  
18 criteria set forth by the legislature and it  
19 incorporates the objectives which this commission  
20 has set forth and sought as well. Today we'll  
21 demonstrate that we have successfully created an  
22 exciting and unique family destination resort  
23 which will have the greatest economic impact

1           benefiting the state of Indiana, Lawrenceburg, and  
2           the balance of Dearborn County as well. That  
3           project is Boomtown Landing.

4                        Boomtown Landing was conceived and  
5           developed through the combined talent of SES,  
6           Boomtown, and Hilton. Our team boasts an  
7           extraordinary depth and breadth of resources.  
8           With SES's vast experience in property  
9           development, Boomtown's expertise in gaming and  
10          the entertainment industry, and anchored by  
11          Hilton, a company renowned for its world-class  
12          hospitality services and unmatched financial  
13          power.

14                      With us today are the top leaders of our  
15          team. Gene Stunkel, chairman and chief executive  
16          officer of SES Properties and SES Gaming. Gene is  
17          a native of Greensburg, Indiana, and brings years  
18          of successful property development experience at  
19          the national level to our team. In addition, he  
20          holds an unrestricted gaming license in Nevada.

21                      Tim Parrott, chairman and chief  
22          executive officer of Boomtown. Tim is a member of  
23          a California ranching and farming family which

1 traces its roots back to territorial days. A  
2 self-made businessman with strong banking and  
3 financial credentials, he took Boomtown public in  
4 1992. Tim exemplifies the new breed of gaming  
5 executives running many of the public companies in  
6 this new and exciting industry. Smith Barney  
7 rates Boomtown's management as one of the best in  
8 the industry.

9 And, finally, to round out the team, we  
10 have a powerful financial partner who assures our  
11 success. I'm speaking of course of the world's  
12 most recognizable name in the hospitality and  
13 gaming industry, Mr. Barron Hilton, chairman and  
14 chief executive officer of Hilton Hotels  
15 Corporation. Seated next to him is Mr. Skip  
16 Avansino, who I will introduce in just a moment.  
17 Mr. Hilton's father is the legendary Conrad Hilton  
18 who founded the company. Under Mr. Barron  
19 Hilton's dynamic leadership over the last 30  
20 years, Hilton has grown and flourished  
21 exponentially around the world.

22 Mr. Raymond C. "Skip" Avansino, Jr., is  
23 the president and chief operating officer of





1 from governmental entities which collectively  
2 represent all of the citizens of Dearborn. These  
3 endorsements are not based simply upon revenue  
4 considerations but upon the strong partnership  
5 spirit that we've cultivated throughout the  
6 county, and we are prepared to hit the ground  
7 running.

8 Included in our application is a  
9 temporary operation at an existing permitted  
10 marina which will allow Boomtown Landing to begin  
11 operating and generating revenue for the state  
12 within 90 to 120 days or less from the date of the  
13 issuance of our certificate of suitability. This  
14 gives us at least a six-month advantage and more  
15 realistically a twelve-month advantage over the  
16 competition, and it means Boomtown Landing will  
17 fast track job creation and very quickly begin to  
18 generate millions of tax dollars for the state,  
19 region, county, and the City of Lawrenceburg.

20 Now I would like to present our team:  
21 SES, Boomtown Landing's development partner;  
22 Boomtown, Boomtown Landing's gaming management  
23 partner; and Hilton Hotels Corporation, Boomtown

1           Landing's financial partner.

2                   (Videotape presentation.)

3                   MR. PARROTT: That's my one second of  
4 fame, I think, in Indiana. Thank you, Bob.

5                   Members of the commission, this is our  
6 project of choice. We are prepared to focus all  
7 our resources, financial and human, on this  
8 fabulous project. Before I go into it, first I  
9 would like to introduce two of our directors.  
10 Richard Gigline is one of our outside directors,  
11 formerly president of Holiday Inn and Heroes.  
12 Next to him is Dick Scott, also a member of the  
13 board and present chief operating officer of  
14 Boomtown. Thanks.

15                   As you see the drawings and soon the  
16 video, I think you'll see that this is more than  
17 just a casino project. If it starts to look a  
18 little bit like Disney, we will be explaining why.  
19 Our architects have done a lot of work for Disney.  
20 Boomtown Landing is far more than just a riverboat  
21 casino. We have taken the best features and  
22 amenities from our four existing Boomtowns and  
23 brought that concept to a new level on a much

1 grander scale. Not only have we taken the very  
2 best from our properties, we have taken everything  
3 we have learned from over a quarter century in the  
4 entertainment business and included what we've  
5 learned opening three properties just last year,  
6 hiring three thousand Boomtown family members. We  
7 are totally committed to building and operating a  
8 first-class operation.

9 Within four months of opening our Las  
10 Vegas property, we were awarded the most friendly  
11 casino award by the Las Vegas Chamber of Commerce  
12 against all other casinos in Las Vegas. That's  
13 the level of service we would like to bring to  
14 Lawrenceburg.

15 We also know that people are the life  
16 blood of any organization. We know how to hire,  
17 train, and motivate the women and men who will  
18 join the Boomtown family here in Indiana. We were  
19 pleased to see over thirty thousand people apply  
20 to our three thousand new jobs in the three states  
21 last year. Why did they do this? We think it's  
22 because they recognize we are a quality company  
23 who cares about people and their quality of life.

1 We also think that they saw we like to have fun  
2 when we work and that's important.

3 We have a mission statement or a vision  
4 statement. Many companies do. Ours is called The  
5 Code of the West and its really quite simple. It  
6 goes like this: Write it in your heart, stand by  
7 the code, and it will stand by you. Ask no more  
8 and give no less than honestly, courage, loyalty,  
9 generosity, and fairness. And that's it.

10 On fairness, as an example, in New  
11 Orleans half our employees are women, 33 percent  
12 minority. Boomtown has always exceeded the  
13 minimum for the hiring of minorities and women  
14 everywhere we operate. We will do the same in  
15 Indiana. I have a small correction for our  
16 friends at Boyd. The Nevada State Bureau of  
17 Alcohol and Drug Abuse would say that Boomtown was  
18 the first casino in the United States to offer an  
19 employee assistance program. Taking care of our  
20 employees has always been our company's highest  
21 priority, long before it was in vogue. That's the  
22 people; now let we talk a bit about the project.

23 As I mentioned, we are taking a page

1 from Disney in our development approach and have  
2 created a story line to guide the development  
3 concept of Boomtown Landing. The genesis of our  
4 theme revolves around several mythical frontier  
5 characters who founded Boomtown Landing back in  
6 1820. To give you a feel for our project and  
7 story line, we would now like to show you a brief  
8 video.

9 (Video presentation.)

10 MR. PARROTT: That gives a taste of what  
11 we might offer in Lawrenceburg.

12 Boomtown Landing will feature a 19th  
13 Century replica riverboat that is over 430 feet  
14 long, with 65,000 square feet of gaming space and  
15 2500 player positions. We believe that a  
16 riverboat of this size allows us to begin to  
17 address the huge market demand for this area.

18 A critical customer requirement we have  
19 seen in over twenty-eight years in this business  
20 is an insistence for close-in, on-site parking,  
21 walking distance to a casino. We have it. You  
22 saw the many amenities and features we will offer  
23 in the video, and I don't think I convey the

1           passion and feeling we have for how important what  
2           you are seeing in the video and what you are  
3           seeing on the walls really brings to a project  
4           like this.

5                   A trademark of Boomtown for years, and a  
6           strong passion of mine, has been family  
7           entertainment. Our properties in Reno, Biloxi,  
8           and New Orleans, all have family entertainment  
9           centers. We plan on taking this concept to new  
10          heights with a family entertainment center complex  
11          at Boomtown Landing. In addition to the games,  
12          rides, and simulators, there will also be a  
13          day-care center.

14                   I could and would love to talk to you at  
15          length about the features of family entertainment  
16          because it's great fun, but I would like to make  
17          four key points on why this will be a year-round,  
18          must-see attraction for the area. First, being  
19          enclosed it is unaffected by weather. Second,  
20          there is no charge to enter, like a theme park.  
21          Third, it has a very dynamic and exciting mix of  
22          entertainment components. And, finally, it will  
23          draw from significant distances for its market.

1 For example, our Reno Fun Center draws from  
2 Sacramento, California, well over 150 miles away.

3 In addition to our gaming and  
4 entertainment expertise, we will benefit immensely  
5 from the skills, expertise, resources, and other  
6 strengths our financial partner, Hilton, brings to  
7 this project. All these components have been  
8 integrated into the theme and story of Boomtown  
9 Landing. The direct costs for our permanent  
10 facility is \$126 million. Two-thirds of the  
11 project dollars are going directly into land-based  
12 investments. We have a fabulous project. Now  
13 Gene Stunkel will share with you why we have a  
14 site to match. Thank you.

15 MR. STUNKEL: Someone asked me this  
16 morning if I was nervous, and I said, why  
17 shouldn't I be? This is a day that is probably  
18 the longest day I've waited for for sometime. And  
19 then he commences to tell me this is the longest  
20 day of the year, and then yesterday I found out  
21 the commission has decided that next week is going  
22 to be my longest week in the year.

23 (Laughter.)

1                   Thank you, Tim. When I first started  
2 looking at Dearborn County and various sites along  
3 the Ohio River, I knew that the riverboat had to  
4 be located in Lawrenceburg, Indiana, the largest  
5 city in Dearborn County. The sites were very  
6 limited. There were many potential locations  
7 where we could dock a riverboat, but sites  
8 available for the type of land-based facility I  
9 envisioned were limited to two areas. From my  
10 experience in developing retail projects, I knew  
11 it was extremely important to find easy access  
12 from I-275 to the site. My first choice was a  
13 site east of Lawrenceburg. The second potential  
14 site was on the western side of the city adjacent  
15 to the INM power plant. My primary focus was to  
16 find a site that would pass muster with regulatory  
17 agencies.

18                   As you have all heard the last few days,  
19 there have been exhaustive reports on the pros and  
20 cons of the city site. I was then and I am still  
21 convinced that a Corps of Engineers permit on the  
22 east side of the city could take years and not  
23 months. This was unacceptable. And here are the



1 factors that led me to the selection of the INM  
2 power plant site for Boomtown Landing.

3 Let's talk about high and dry for a  
4 minute. The first key factor was the ability to  
5 find a facility and dock a boat. The site had to  
6 be high and dry. All the sites on the east side  
7 are underwater, as you can see in this photo.  
8 This slide reflects high water but not even in the  
9 flood stage. And let me remind you that this  
10 picture was taken about four weeks ago, May 25th,  
11 1995. Now here is our site taken on the same day.  
12 Being high and dry allows us to develop this site  
13 easier than any other because we avoid the  
14 complications associated with the development in a  
15 low lying area.

16 From the many years of my experience in  
17 the development business, I knew we had to address  
18 the issues of wetlands, archeological sites, fish  
19 and wildlife concerns, and a host of other  
20 regulatory issues, and shortly Bob List will  
21 explain in detail the great lengths and expense we  
22 have gone to in addressing and resolving each of  
23 the necessary regulatory issues.

1           In my opinion and evaluation of the  
2           site, I knew the location was buildable. We knew  
3           the regulatory issues could be solved. We then  
4           set out to address access, transportation, and  
5           traffic issues. Our 150 acre site is located just  
6           south of U.S. 50. As you will see, we have  
7           provided easy access to U.S. 50. INM electric was  
8           only able to provide us a 30-foot access road  
9           connecting the property with U.S. 50, which was  
10          not adequate for the anticipated traffic flow.  
11          Therefore, we obtained an exclusive option on the  
12          1 acre parcel that is located in the triangle on  
13          this map. Now we have an entrance that will allow  
14          for maximum access to the site and safe  
15          intersection with U.S. 50.

16                 We knew traffic volumes from our project  
17                 would present a challenge to the already congested  
18                 U.S. 50. Therefore, working with the Dearborn  
19                 County Commissioners, we set about the task of  
20                 determining the needed improvements. In January  
21                 of 1994, we retained the services of the Corradino  
22                 Group, a nationally-known transportation planning  
23                 and engineering company with offices in Indiana,

1 Kentucky, and Florida, to conduct a traffic study.  
2 Rather than go into the details of the study, let  
3 me summarize the results for you.

4 The conclusion of the study was that  
5 while U.S. 50 has a capacity to handle the  
6 increased traffic resulting from the proposed  
7 entertainment complex we are building, adding left  
8 turn lanes and intersection improvements will  
9 alleviate existing traffic safety problems as well  
10 as provide a significant increase in its capacity.  
11 Let me make this simple. This slide shows Highway  
12 50 as it now exists, a four-lane highway that is  
13 essentially a two-lane highway because of the  
14 stacking of cars for left hand turns. Now let me  
15 show you this slide. It shows the improvements.  
16 Adding a new center lane, which would be the left  
17 hand turn lane in both directions, effectively  
18 doubling the capacity of Highway 50. Now, let me  
19 give you an example of our philosophy of  
20 partnership with the local community.

21 For the last fifteen years the citizens  
22 of Dearborn County have asked the Indiana  
23 Department of Transportation to make necessary

1 safety improvements to the U.S. 50 highway through  
2 petitions and post card drives sent to INDOT and  
3 the governor. In addition, the Indiana General  
4 Assembly passed a nonbinding resolution urging  
5 INDOT to make improvements to the highway.  
6 Together with the Dearborn County Commissioners,  
7 we came up with a plan to fund the design for the  
8 construction of the improvements. This plan was  
9 simple. If the improvement project was designed,  
10 INDOT might expedite construction.

11 The county commission presented this  
12 plan to INDOT with the support of the local  
13 community. Needless to say, we didn't have any  
14 trouble finding support for the project. I'm  
15 pleased to say that the final design plans were  
16 submitted to the Indiana Department of  
17 Transportation on June 16th, 1995. INDOT has  
18 scheduled a July letting date and construction  
19 should begin in August. By working together, the  
20 citizens of Dearborn County are going to see this  
21 fifteen-year effort become a reality.

22 To build Boomtown Landing, we wanted the  
23 best builder available. We turned to Geupel

1 DeMars, an Indianapolis company. I built my first  
2 enclosed mall with Geupel DeMars over twenty-three  
3 years ago in Danville, Illinois. They have  
4 recently completed the construction of the  
5 Dearborn County Jail and Corrections Facility and  
6 they know the work force in Southeastern Indiana.  
7 This Indiana company is another premier component  
8 of our project, and we are excited to have them as  
9 a part of our team.

10 Here is our construction schedule:

11 Without getting into specifics, I can tell the  
12 commission that we will be in operation at our  
13 permanent site and open for business within twelve  
14 minutes -- twelve months from the time our license  
15 is issued. I'm always trying to get ahead.

16 Earlier I told you my first concern was  
17 to find a site acceptable to the various  
18 regulatory agencies. Mr. Chairman, Commissioners,  
19 Mr. Thar, we've done our homework. There's no  
20 ifs, ands, or buts. There's no promises we're  
21 going to do new studies; they are done. We're  
22 ready for the Corps of Engineers hearing, and I  
23 can make this statement to you today: We'll sail

1           our boat faster than any application that's been  
2           before you, period. Now here is Bob List to tell  
3           you why.

4                   MR. LIST: Gene's right, and here is our  
5           advantage. We can obtain the necessary permits  
6           for both of Boomtown Landing's sites long before  
7           any of our competitors, in just three to four  
8           months. At that point we can immediately start  
9           operating at our temporary facility. I spent  
10          sixteen years in public office enforcing and  
11          defending environmental regulations, and, so, a  
12          respect for and a careful attention to both the  
13          environmental values and the process that the  
14          agencies go through was important to us.

15                   Our philosophy was simple: First,  
16          identify every single environmental issue and  
17          concern and, second, understand and then  
18          thoroughly and responsibly address every single  
19          component of the wide breadth of the environmental  
20          spectrum. Here is what it means to you: First we  
21          can obtain the necessary state and federal permits  
22          quicker and begin operations faster than any other  
23          applicant. Second, we have the ability to safely

1 and legally cruise in Indiana waters.

2 With us today is Steve Smith, who's  
3 managed the regulatory portion of this project on  
4 a day-to-day basis for about a year and a half  
5 now. Before joining the law firm of Goldberg &  
6 Simpson, Steve served as district counsel to the  
7 Louisville District Office of the U.S. Army Corps  
8 of Engineers where he was responsible for  
9 providing legal advice to the regulatory divisions  
10 of the district. He knows his business. Included  
11 in his fifteen years of Corps service, Steve has  
12 more than twenty-one years of state and regulatory  
13 experience. He's here to answer any specific  
14 questions you may have concerning the regulatory  
15 process.

16 Let me summarize our hard work and  
17 preparation this way: Phase I, environmental  
18 reconnaissance of the project site. This was  
19 completed over a year ago as part of our selection  
20 process. June 1994, done.

21 Wetlands evaluation. Anyone desiring to  
22 develop a project adjacent to a river must address  
23 the wetlands issue. As you saw on the flooding

1 slides, the presence of wetlands would surely  
2 present a challenging scenario for permitting of a  
3 land-based facility within that area. The near  
4 total lack of wetlands on our site is the major  
5 difference between Boomtown Landing and the  
6 upstream location. Because there's less than 1  
7 acre of wetlands on our entire 150 acre site, our  
8 location is in a very special category. No action  
9 required. June 1994, done.

10 The Corps has reviewed our applications  
11 which we submitted over a year ago and determined  
12 that they are complete for the issuance of public  
13 notice. September 1994, done.

14 We submitted all required permit  
15 applications to the required state agencies as  
16 well. Our Indiana Department of Natural Resources  
17 construction and flood way permit application has  
18 been filed and is awaiting final action pending  
19 receipt of the Indiana Gaming Commission's  
20 certificate of suitability. All concerns raised  
21 by the IDNR staff, such as fish and wildlife  
22 issues, cultural resources, and navigation safety  
23 have been fully addressed. No substantive issues



1 remain. December 1994, done.

2 I do want to call your attention to one  
3 point. IDNR policy prohibits the construction of  
4 a building such as a hotel in a flood plain. Most  
5 other projects in Dearborn County include  
6 proposals for construction of a hotel in a flood  
7 plain. There are only two ways that the  
8 construction can actually occur: One can either  
9 obtain a waiver from the Indiana Natural Resource  
10 Commission or conduct detailed hydraulic modeling  
11 to demonstrate that the hotel will not be located  
12 in a flood plain. We have done both. No other  
13 applicant can say the same.

14 Corps sampling of ash pits. The  
15 constitution of the existing fill material on our  
16 site was important. Our design has been expressly  
17 tailored to avoid any intrusion into the ash pits.  
18 June 1994, done.

19 Phase I and II archeological  
20 investigations. Due to the six- to nine-month  
21 lead time involved in detailed archeological  
22 investigations, we made a very significant  
23 investment to fully analyze the presence of such

1 resources on the property. The Glen Black  
2 laboratory of Indiana University was engaged to  
3 plan our work and to coordinate the studies with  
4 the various agencies. 138 trenches were dug,  
5 analyses made, project reports prepared, filed,  
6 and accepted by the state. We are the only  
7 applicant on the INM site to have done any of  
8 those things. There were areas encountered which  
9 contained such resources, and a mitigation plan  
10 was submitted to the state for its approval. No  
11 delay in permitting or construction is expected.  
12 Done, May 1995.

13 We also responded to an issue raised by  
14 the Indiana Department of Fish & Wildlife. To  
15 offset the minor loss of resources from the  
16 clearing of trees along the river bank, we  
17 developed a wildlife habitat mitigation plan.  
18 This plan also mitigates the loss of a small  
19 amount of wetlands, less than an acre out of the  
20 150 total acres on our property. It's been  
21 submitted to the Corps of Engineers and has been  
22 approved by the State Department of Natural  
23 Resources. Incidentally, we have no endangered

1 species on our site. July 1994, done.

2 The discovery of endangered mussels can  
3 have a serious impact on the ability to excavate  
4 on the Ohio River. We have no such issue at our  
5 site. September 1994, done.

6 Extensive hydraulic modeling is required  
7 to determine the effect of a proposed development  
8 upon the flood plain. Our studies have  
9 demonstrated that our project totally complies  
10 with all state guidelines. January 1995, done.

11 Navigation risk analysis as mandated by  
12 the Coast Guard under the Corps of Engineers'  
13 process. Our analysis was conducted by Captain  
14 Buck Lay, a master with over 30 years experience  
15 on the Ohio River and a member of the Ohio River  
16 Ice Committee. It's been completed and filed with  
17 the Corps of Engineers in the State of Indiana.  
18 May 1995, done.

19 The ability to cruise has always been  
20 one of the State's requirements. I'm pleased to  
21 tell you that due to our site design we have a  
22 750-foot wide cruising lane of Indiana water. In  
23 short, we can safely cruise in Indiana waters and

1 have submitted the plans to do so. You'll hear  
2 from the Corps of Engineers and the Department of  
3 Natural Resources tomorrow who can confirm to you  
4 what I've just reported. Our goal is to be in  
5 operation in the shortest period of time. To that  
6 end, we made every conceivable effort to  
7 thoughtfully investigate, evaluate, and resolve  
8 all the issues.

9 Let me summarize with these three key  
10 points: First, certain sites along the river  
11 indeed pose significant challenges to federal and  
12 state regulatory approval. Ours does not. And  
13 second, Boomtown Landing has completed more  
14 advance study than any other applicant to ensure  
15 the fastest possible processing time. And  
16 finally, our intensive permitting process has  
17 taken us a full twelve months. It gives us a  
18 massive head start. While no one can predict  
19 exactly how long it would take the Corps to reach  
20 a decision on any of the applications, it's clear  
21 that our exhaustive work has given the Corps and  
22 other agencies the thorough and complete  
23 information they need to make a decision on our

1 project faster than any other applicant.

2 I'm going to turn now to the subject of  
3 economic impact and regional revenue sharing. As  
4 Gene said earlier, the market is enormous. We've  
5 heard over the last three days that it exceeds  
6 \$700 million. Economic research associates who  
7 did our study, Smith Barney, Oppenheimer, and  
8 Hilton in their independent study, all agree that  
9 the annual market is at least seven hundred  
10 million. The SES/Boomtown/Hilton proposal without  
11 a doubt maximizes revenue. We'll capitalize on  
12 this huge market to create the greatest economic  
13 impact and will establish Dearborn County and  
14 Lawrenceburg as a gaming destination in this  
15 national competitive gaming marketplace.

16 Here are the facts which clearly  
17 demonstrate that the Boomtown Landing project  
18 creates the greatest economic impact over the  
19 largest geographic area. The project investment  
20 of Boomtown Landing will total \$158 million.  
21 Grants to local governments over the next five  
22 years total \$33 million. First year revenue will  
23 total two hundred eighty-eight million. Still far

1 short of the market potential of seven hundred,  
2 and that's our conservative estimate. Our revenue  
3 advantage is due to the project's ability to  
4 better satisfy the market demand.

5 Now the unique involvement -- with the  
6 unique involvement of Hilton, we are even more  
7 confident of our projection. This revenue  
8 advantage translates directly to \$45 million in  
9 state gaming tax revenue. Thirty-four million for  
10 the State to keep, eleven million to the City of  
11 Lawrenceburg, and our first year admission taxes  
12 in addition total 10.4 million. You can see from  
13 this slide the property taxes, employment, state,  
14 and local income taxes, and sales tax. This  
15 totals an impressive \$7 million annually for  
16 schools, roads, bridges, and care for the  
17 disadvantaged. Our significant project investment  
18 creates thousands of direct and indirect good-  
19 paying jobs. The annual payroll will total  
20 twenty-five million, employing 1200 full-time  
21 employees. However, these figures represent only  
22 a fraction of the impact our facility will have on  
23 the region and state.

1           Our construction phase will support 3800  
2 direct and indirect jobs with a combined payroll  
3 of eighty-eight million. The indirect impact of  
4 our construction vessel totals two hundred and  
5 thirty-four million, of which \$97 million will be  
6 spent locally. Our operational phase supports  
7 4400 direct and indirect jobs with total impacts,  
8 including wages, of almost two hundred million.

9           Our proposal accomplishes one other  
10 important goal, it benefits all the citizens of  
11 Dearborn County, all of whom are responsible for  
12 the passage of the riverboat gaming referendum,  
13 and that explains why Boomtown Landing was  
14 endorsed by the Dearborn County Council, the  
15 Dearborn County Commission, nine townships, and  
16 five cities and towns throughout Dearborn County.

17           Some interesting facts. Of the 6,209  
18 yes votes in the riverboat gaming referendum, 793  
19 came from the City of Lawrenceburg, or 13 percent.  
20 The whopping remaining balance of 5,416 yes votes,  
21 or 87 percent, came from the balance of Dearborn  
22 County. The entire county made gaming possible  
23 there, yet much of the county would receive very

1 little direct benefit without Boomtown Landing's  
2 revenue sharing proposal. The county will receive  
3 \$2 for each of our guests, one dollar for the  
4 statutory admission tax and one dollar from  
5 Boomtown Landing's revenue sharing grant directly  
6 to the county. The total is \$6.9 million in our  
7 first year and \$40 million over five years.

8 What does this mean to the Dearborn  
9 residents responsible for riverboat gaming? This  
10 slide shows the allocation throughout the county  
11 to all the townships and communities based on  
12 population, and now Lawrenceburg has also adopted  
13 a revenue sharing plan to distribute 50 percent of  
14 their revenue to certain entities. While there is  
15 some overlap between the two groups of recipients,  
16 that is, their recipients and ours, the Boomtown  
17 Landing recipients include the areas of the county  
18 which don't benefit under the City plan, the  
19 unincorporated area where over half the population  
20 of the county resides. These citizens will  
21 benefit only if Boomtown Landing is chosen. With  
22 the combination of the two plans, everybody wins.  
23 And, understandably, our proposal has generated



1 the support of elected officials representing the  
2 entire county, and we are very proud of those  
3 endorsements.

4 Let me talk for a moment about the City  
5 of Lawrenceburg. It's important for any operator  
6 to have a good working relationship with the City.  
7 While we did not participate in the City  
8 endorsement process, we have met with the mayor  
9 and City officials on many occasions and we look  
10 forward to working with them as we build and  
11 operate Boomtown Landing. Just as we worked with  
12 the County, as Gene told you, on solving the  
13 Highway 50 improvements issue, we committed to  
14 City officials that we will be responsible  
15 corporate citizens, good neighbors, and friends of  
16 the community. Excluding the cost of improving  
17 U.S. 50, the City has estimated that the  
18 additional infrastructure improvements will  
19 require \$12.5 million. Our estimates are less.  
20 However, we are prepared to spend up to 12.5  
21 million if, in fact, we are licensed.

22 If selected by the commission for  
23 licensure, we'll work with the City in addressing

1 the infrastructure needs of the community. We  
2 commit to properly conclude a development  
3 agreement with the City following issuance of our  
4 certificate of suitability.

5 Riverboat gaming presents many  
6 challenges to all the citizens of the county and  
7 the region and they are all entitled to share.  
8 The SES/Boomtown/Hilton proposal addresses those  
9 challenges and provides a means by which  
10 Lawrenceburg, the county, the region, and the  
11 state will all receive maximum benefit from  
12 gaming. After viewing this next video, I think  
13 you will agree that we have demonstrated that  
14 here, as in every other community in which SES,  
15 Boomtown, and Hilton do business, we will meet the  
16 demands of both the City of Lawrenceburg and all  
17 of Dearborn County.

18 (Video presentation.)

19 MR. PARROTT: We're very pleased to have  
20 those endorsements. Our unique advantage for  
21 Indiana, in addition to a great project, is our  
22 ability to open a temporary facility immediately.  
23 We will be operating months before anyone else.

1 This means millions of dollars in new-found tax  
2 revenues, good-paying jobs, and millions of  
3 dollars in economic benefit for the local economy.  
4 We will operate a full-service riverboat gaming  
5 operation at the Lighthouse Point Marina, three  
6 miles south of our permanent site on Road 56 west  
7 of Aurora. It's fully authorized and in  
8 compliance with state and federal regulatory  
9 agencies. This is the twenty million dollar  
10 difference, our use of an existing marina. We can  
11 be open and operating immediately upon receipt of  
12 the Corps of Engineers approval for gaming use.

13 The marina is ready to use. No  
14 construction, which requires additional Corps of  
15 Engineers approval, is necessary. There are no  
16 regulatory impediments to this site. If you had a  
17 250- or 300-foot boat right now, this is the only  
18 spot in the county where you could bring it today  
19 safe from river traffic and could operate.

20 Here is what's been done: Archeological  
21 investigations, Corps permit modifications has  
22 been applied for as has the risk analysis been  
23 completed. What about bringing customers to the

1 site? Our traffic plan has been coordinated with  
2 the mayor of Aurora, Leon Kelly, and INDOT. We  
3 will pay for paving, signalization, and repairs to  
4 Highway 56. So when we move to our permanent site  
5 the City of Aurora will benefit from major road  
6 improvements.

7 Our financial partner, Hilton, has a  
8 riverboat available immediately for this project.  
9 This fine boat you are looking at is almost new.  
10 It's never been raced and it's very low mileage  
11 and Barron says we can have it. Seriously, I've  
12 been on it, and you might have if you've been to  
13 New Orleans. It's a great boat. It's very well  
14 done. It's in excellent condition, and it can be  
15 here in weeks. The temporary facility will be  
16 40,000 square feet with food, beverage, and  
17 entertainment services in a temperature controlled  
18 structure, much like the one we used when we  
19 opened in New Orleans and it worked very well.  
20 Our planned investment in the boat and facilities  
21 for the temporary operation is over \$32 million.  
22 This investment, plus our permanent facility  
23 investment of \$126 million, represents our total

1 project costs of a hundred and fifty-eight  
2 million.

3 In addition to our proposed revenue  
4 sharing plan described earlier by Bob, we have a  
5 unique plan for our temporary site as well.  
6 Aurora will receive a grant of one dollar per  
7 guest during the operation of our temporary  
8 facility. That is \$2.5 million for one year of  
9 operation. The City leaders have overwhelmingly  
10 supported this project. The Boomtown advantage is  
11 our ability to be open and operating within this  
12 90 to 120 days from receipt of certificate of  
13 suitability. It's a boat that's ready to go.  
14 This means extra dollars for Indiana.

15 Looking at the revenues, you will see  
16 what one full year of operation would do at the  
17 temporary site. The twenty million dollar  
18 advantage represents just six months of that. The  
19 twenty million dollar advantage, accelerated tax  
20 revenues unmatched by any other applicant. Now it  
21 gives me great pleasure to ask my good friend,  
22 Barron Hilton, to come to the podium and share  
23 with you why Hilton is a part of this project and

1           what they bring to you with this proposal.

2                   MR. HILTON: Thank you, Commissioners,  
3           for the chance to speak before you today. I am  
4           delighted to be here and wanted to personally  
5           express my enthusiasm for this great project and  
6           to also let you know that Hilton is firmly  
7           committed to its success. When we review new  
8           projects, we look at three very important factors.  
9           I can tell you this one passes the test with  
10          flying colors.

11                   First, we look at projects of a major  
12          scale, projects that will be financially  
13          successful, that will have a major impact in the  
14          area, and that we can be proud to have join the  
15          Hilton family. I am very high on the potential of  
16          the Dearborn County market. As you have seen from  
17          our plans, this is a Hilton-sized project.

18                   Second, we target ventures that will  
19          create happenings in an area and bring positive  
20          economic impact. Our proposed project is not just  
21          a casino or a hotel. It will create a new and  
22          exciting entertainment destination for the region.  
23          At Hilton, we have made a specialty of bringing

1 visitors to destinations for seventy-five years.  
2 I would offer to you that no one does it better.  
3 In the process, this project will accomplish the  
4 important goals of generating thousands of new  
5 jobs and millions of dollars in new tax revenues  
6 for the City, the County, and the State.

7 Last, but not least, we look for solid,  
8 well-respected partners, and we have two of the  
9 best. We are proud to be associated with the fine  
10 people at SES and Boomtown. In a cross state  
11 gaming market that could become very competitive  
12 in the near future, as with Indiana and Ohio, the  
13 strength of a partnership can make a huge  
14 difference. The partnership of Hilton, Boomtown,  
15 and SES brings that kind of strength. In short,  
16 we have all of the ingredients for a first-class  
17 facility.

18 My father, Conrad Hilton, used to say:  
19 Think big, act big, dream big. Well, let me say  
20 that we have big plans that will mean big things  
21 for Dearborn County and the State of Indiana.  
22 Thank you, again, for your time and consideration.  
23 Now I would like to introduce our president and

1 chief operating officer Skip Avansino.

2 MR. KLINEMAN: Excuse me, approximately  
3 how much longer do you have? You're running over  
4 time.

5 MR. THAR: They have an hour and a half.

6 MR. KLINEMAN: Oh, I'm sorry. Okay.

7 MR. AVANSINO: Thank you, Barron. Thank  
8 you, Chairman Klineman, Members of the Commission.  
9 Hilton is proud of its association with SES and  
10 Boomtown, as Barron noted. We are truly excited  
11 about this extraordinary project. It is with a  
12 genuine sense of enthusiasm and commitment that  
13 Barron and I stand before you today to discuss  
14 Hilton's role in this venture and project.

15 If the Boomtown Landing application is  
16 approved, our company shall immediately seek this  
17 commission's finding of suitability, approval to  
18 acquire a 25 percent interest in the project, and  
19 to manage the facility with Boomtown. At this  
20 time our role is that of a financing agent and  
21 lender. If the venture is granted a license,  
22 Hilton has arranged the necessary financing to  
23 construct and develop the temporary and permanent



1 facilities. One of Hilton's new river casinos  
2 will be sold to the venture, as Tim discussed.  
3 The total costs for this project is \$158 million.  
4 At this time the total project funding, the total  
5 project funding, is in place and unequivocally  
6 committed.

7 For the temporary operation, Hilton will  
8 sell the venture a new Mississippi paddle wheel  
9 river casino for the price of \$24 million. It is  
10 fully operational with gaming equipment and can be  
11 here within 30 days. To complete the temporary  
12 phase of the project, Hilton will provide \$12.75  
13 million and Boomtown will provide four and a  
14 quarter million.

15 For the permanent operation, Hilton has  
16 arranged a senior credit facility for \$95 million  
17 through First Interstate Bank of California. This  
18 loan will be amortized over a five-year period  
19 after completion. If the loan was drawn today,  
20 the rate would be approximately seven to seven and  
21 a quarter percent. Mr. Charles Reed, senior vice  
22 president of syndications for First Interstate  
23 Bank of California, is here in the audience to

1 answer any questions the commissioners may have  
2 regarding their unconditional commitment. To  
3 complete the permanent operation, up to thirty-  
4 seven and a half million dollars will be provided  
5 by Hilton and Boomtown at \$18.75 million each. As  
6 you can see, Commissioners, committed funding  
7 comfortably exceeds the estimated cost of the  
8 temporary and permanent projects.

9 Our second role is that of a consultant.  
10 We will bring our extensive resources to bear on  
11 this project, utilizing our company's twenty-five  
12 years of experience in casino gaming plus our  
13 seventy-five year history of providing quality  
14 hospitality and entertainment to millions of  
15 guests throughout the world.

16 And, lastly, we will license the Hilton  
17 trademarks and brand name, the twelfth most  
18 powerful brand in the world and the most highly  
19 esteemed in the hospitality industry.

20 Mr. Chairman and Members of the  
21 Commission, as president of Hilton Hotels  
22 Corporation, I have expressed our tangible  
23 commitment to this project. As a former gaming

1 commissioner for the State of Nevada, I fully  
2 understand your responsibility to the State of  
3 Indiana. As you consider the presentations you  
4 have heard in the last few days, I respectfully  
5 offer for your consideration a list of criteria.  
6 These should be met by any operator wishing to be  
7 granted a license by this commission. First,  
8 unquestioned integrity and unshakable corporate  
9 reputation; second, financial strength; third,  
10 extensive multi-jurisdictional gaming experience;  
11 fourth, a track record of job creation and  
12 economic development; and fifth, leadership.

13 In our role as financing agent, lender,  
14 consultant, and licensor to the Boomtown Landing  
15 venture, we believe we have achieved a hundred  
16 percent score card on these important criteria.  
17 When joined with the significant attributes of SES  
18 and Boomtown, it makes for a powerful combination  
19 and one that we believe any other group would be  
20 hard pressed to match.

21 On integrity and reputation, Hilton was  
22 the first New York Stock Exchange company to enter  
23 the gaming business. We hold licenses in gaming

1           jurisdictions throughout the United States and the  
2           world. We are proud of the trust and confidence  
3           gaming regulators have placed in Hilton and its  
4           officers. Financial strength has long been a  
5           hallmark of Hilton Hotels Corporation. Our  
6           balance sheet is the envy of the industry, and we  
7           are currently the only company, the only company  
8           in the hotel and gaming industry, with an A credit  
9           rating.

10                   Our gaming experience actually goes back  
11           to 1949 when Mr. Hilton's father, Conrad Hilton,  
12           opened a casino at the Caribe Hilton in Puerto  
13           Rico. Today we operate ten hotel casinos or  
14           riverboat casinos around the world with several  
15           more in development, which you have heard today.

16                   On job creation and economic  
17           development, we are proud of our 44,000 employees  
18           around the world and that many of our projects,  
19           such as those in Windsor Canada and the Gold Coast  
20           Australia, have helped sparked new development and  
21           increased tourism and have created thousands of  
22           new jobs and have contributed to the re-energizing  
23           of the tourism areas. At the end of the day,

1           these are the reasons casino gaming has come to  
2           Indiana, and they provide the ultimate measurement  
3           of success.

4                     And leadership. Leaders determine the  
5           future, set the trends, pioneer new efforts, and  
6           have the wherewithal to do it. Leaders, through  
7           their actions, over time earn the respect of their  
8           customers, legislative and regulatory bodies,  
9           employees, shareholders, and community leaders.  
10          Hilton has been a leader in its business for  
11          seventy-five years.

12                    There is one more attribute that Hilton  
13          is proud to bring to this process, and that's  
14          global presence. Hilton is truly a world-wide  
15          enterprise. Our system includes 235 hotels in the  
16          United States, including the famous Waldorf  
17          Astoria in New York and the fabulous Hilton  
18          Hawaiian Village. Additionally, Conrad  
19          International operates hotels in London, Hong  
20          Kong, Dublin, and Brussels. Hilton Reservations  
21          Worldwide is the industry's most comprehensive  
22          reservation system, booking nearly five million  
23          reservations a year. H-Honors, our highly

1           successful frequent state program, has three  
2           million members, and our team of over one hundred  
3           sales representatives have offices world wide to  
4           ensure that we remain the preferred choice for  
5           travelers around the globe.

6                         Now, what does this mean to you and the  
7           to State of Indiana? Simply that Hilton brings to  
8           this project the resources of a global system,  
9           and, as Mr. Hilton noted, the experience of  
10          attracting visitors to exciting destinations, such  
11          as the one we have planned here in Dearborn County  
12          along with Boomtown and SES. We are proud, we are  
13          very proud to bring all of these qualities to the  
14          SES/Boomtown venture and hopefully to the State of  
15          Indiana.

16                        Thank you, Mr. Chairman, for your time,  
17          and Commissioners. Let me now turn it back to Bob  
18          list.

19                        MR. LIST: Thank you, Skip. And there  
20          you have it, Boomtown Landing. You heard Tom  
21          Carnegie in the opening video talk about the  
22          winning combination. It's a combination which  
23          includes team strength, impeccable credentials,







1 including myself or I wasn't focusing on it. The  
2 original application that was filed by SES and  
3 Boomtown was an application for two licenses.  
4 They, in fact, did pay the requisite sums of  
5 filing fees and additional fees which were  
6 required for two full applications and they were  
7 subject to the investigations on that basis and we  
8 went forward.

9 As you all know, the legislature, in its  
10 wisdom -- I think that's what you are supposed to  
11 always say after you say the word "legislature" --  
12 decided to limit the number of licenses that could  
13 be given in any one county to one, so that made it  
14 not possible for the two boats that these  
15 gentlemen had envisioned. So they have gone  
16 forward with an application basically for one  
17 license, but when the schedule was made up, since  
18 they had paid their full fare for two full  
19 licenses, they were given an hour and a half of  
20 presentation time, and that's the reason that I  
21 mistakenly tried to cut them off.

22 And I apologize for rising, but we had  
23 tried to keep everyone to a requisite hour, but

1           you were certainly entitled to an hour and a half,  
2           probably two hours, but I'm glad we didn't give  
3           you a full two hours because it's been rather long  
4           for this commission. And I suppose the mention  
5           was made that we saved the best for last, and, of  
6           course, we've always done this by alphabetical  
7           order. You would have been pretty high up if we  
8           had done the Boomtown first, but we decided to use  
9           the "S" instead of the "B", but anyway, that's the  
10          explanation of what happened on time wise. Are  
11          you going to have a moderator, somebody to direct  
12          traffic here? Governor, are you chosen for that?

13                   MR. LIST: I'll do the best I can. I  
14          have a good team behind me.

15                   MR. KLINEMAN: That's great. And for  
16          the purpose of our reporting, those people who are  
17          going to answer the question, if they would please  
18          state their name. They don't have to give their  
19          full title or anything unless they wish, but at  
20          least we want their name so that the reporter can  
21          make a record, and you really have to say your  
22          name every time you are going to say something.  
23          So with that, let me kick off the questioning a

1 little bit.

2 The addition of Hilton to your team of  
3 course has come about rather late, and we view  
4 Hilton, as we have in previous instances with  
5 other people, as actually the financing agent for  
6 this project. We are still looking to SES and  
7 Boomtown as the applicants. And we understand  
8 that Hilton would, if you obtained a license, it  
9 could be the finding of this commission to change  
10 their position from a financing agent to an  
11 ownership position of some amount.

12 The main thrust of my question is: We  
13 have received a letter of intent, which I think  
14 you prepared, Governor, and was signed by the  
15 other people to be bound, I guess, and could  
16 you -- I really haven't had time nor have the  
17 other commissioners to really review this. If you  
18 could just briefly tell us the nature of the  
19 financing aspect of this transaction so that we  
20 get a good feel for on day one, license granted,  
21 Hilton, not in an ownership position but the  
22 operations ready to commence, tell me how much you  
23 have in equity and how much you have in debt and

1           what's the nature of the debt, the terms of the  
2           debt, and so forth, so that we can get a feel  
3           about what kind of commitment we have from Hilton  
4           to finance this project and what kind of equity we  
5           expect from the other participants.

6                       MR. LIST: Bob List with Boomtown. The  
7           financing that has been arranged is as follows:  
8           First, there's a, with respect to the temporary  
9           operation, think of that as a separate component  
10          from the permanent site and its financing. As to  
11          the temporary operation, it's all financed by  
12          Boomtown and Hilton in its entirety. The vessel  
13          is a subordinated component of financing that's  
14          being sold to the venture by Hilton for \$24  
15          million.

16                      In addition, Hilton will put in \$13  
17          million and Boomtown will put in four million, for  
18          a total of \$41 million. Now, all of that money,  
19          then, is subordinated to and becomes an investment  
20          with respect to the senior note, which is in the  
21          amount of \$95 million, and that is the outside  
22          third-party financing to be provided under a  
23          syndicate assembled by First Interstate Bank of

1 California.

2 In addition to the ninety-five million  
3 to finance the permanent facility, each of Hilton  
4 and Boomtown put in an additional nineteen million  
5 which cannot be ever taken out as any repayment of  
6 debt to either of those companies until the senior  
7 note is paid off. So both of those investments  
8 become, in effect, equity. So the permanent  
9 facility costs approximately a hundred and  
10 thirty-three million. There's a total of a  
11 hundred and fifty-eight in project costs, although  
12 we have a margin contingency on top of that. The  
13 total financing actually adds up to \$174 million.  
14 The outside financing is simply ninety-five  
15 million, which, if my rough arithmetic serves me  
16 well, is almost a one-to-one debt to equity.

17 MR. KLINEMAN: We don't have any real  
18 equity? We have just kind of subordinated? Is  
19 that what we are going to end up with,  
20 subordinated to subordinated?

21 MR. SUNDWICK: The banks view it as  
22 equity because it is totally subordinated to them  
23 and, in effect, it's the investment that makes it

1 possible and, of course, it could not be taken out  
2 ahead of the bank's.

3 MR. PARROTT: Mr. Chairman, I'm Tim  
4 Parrott. We set up this structure with  
5 subordinated loans, which we view as equity.  
6 These are loans from both Boomtown and Hilton,  
7 really loans from our parent companies to this  
8 project. Many projects, the others we have, are  
9 also set up for accounting purposes to have those  
10 treated as subordinated loans. We certainly don't  
11 expect, and we would be happy to have Hilton  
12 answer on their behalf, that we are going to call  
13 our own loan. As a matter of fact, the covenants  
14 that we have set up with the bank call for the  
15 bank to be paid back in its entirety for its loan  
16 prior to us pulling any of our money out. The way  
17 we really view this is that we have a project with  
18 slightly over 50 percent third-party bank  
19 financing, and the balance is contributed by the  
20 individual parties involved or the entities.

21 MR. KLINEMAN: I understood the  
22 explanation the first time it was made and it's  
23 the same explanation. You have no, what,

1 something we could call equity, pure equity,  
2 subordinated because its equity to every debt  
3 within the company no matter what. There is none  
4 of that in this deal; right?

5 MR. PARROTT: Not in the past years,  
6 right. No, sir.

7 MR. KLINEMAN: Well, isn't that usually  
8 what people really called equity?

9 MR. PARROTT: Well, I wish things stayed  
10 that simple. We've seen over the years that we  
11 can call this, we would look at this as equity  
12 with a deferred return but certainly I don't mean  
13 to --

14 MR. KLINEMAN: That's all right. I just  
15 wanted to understand. And the commitment that's  
16 been made by Hilton is not contingent upon them  
17 getting any kind of ownership position; is that  
18 correct?

19 MR. PARROTT: That's correct. I don't  
20 know if maybe Mr. Avansino should stand up and  
21 confirm that, but that is the agreement.

22 MR. KLINEMAN: And since we are dealing  
23 with debt, I guess we should know the terms of

1           your debt too. I think there was some indication  
2           that the senior bank debt is a five-year note.

3                       MR. AVANSINO: Yes, Mr. Chairman. I'm  
4           Skip Avansino from Hilton. Yes, our credit  
5           facility, the senior credit facility which we have  
6           arranged through First Interstate Bank of  
7           California and Charlie Reed and their senior vice  
8           president is here today, is an unconditional  
9           commitment for \$95 million. If we drew that down  
10          today the rate would be seven to seven and a  
11          quarter percent. It's a five-year term commencing  
12          after completion of the permanent project, and our  
13          commitment to the project is unconditional and is  
14          not contingent upon our licensing.

15                      MR. KLINEMAN: And when you say you have  
16          arranged, you have lent your credit to this  
17          undertaking with the bank?

18                      MR. AVANSINO: Yes, sir, we have. We  
19          are at substantial risk, yes, sir.

20                      MR. KLINEMAN: And it is an amortizing,  
21          fully amortizing five-year loan?

22                      MR. AVANSINO: Yes, it is. It's  
23          amortized over five years, and we will be required



1 by the bank facility to make certain payments in  
2 the first few years as well, and Hilton has an  
3 obligation to make well any potential defaults in  
4 that --

5 MR. KLINEMAN: See, we really don't have  
6 those figures. We haven't pro formaed those out  
7 with payments wholly amortizing over five years  
8 commencing after the operation. We have no idea  
9 what the effect financially is on the project.

10 MR. AVANSINO: No payments, sir, are due  
11 on this facility until after completion of the  
12 permanent project.

13 MR. KLINEMAN: Oh, I thought you  
14 said there was some --

15 MR. AVANSINO: No. During the first two  
16 years of operation after commencement of the  
17 permanent facility, the permanent Boomtown Landing  
18 project, we will pre-pay, in addition to the  
19 regularly scheduled payments, additional payments  
20 on principal during the first two years after  
21 completion of the permanent project.

22 MR. KLINEMAN: In other words, you're  
23 front end loaning.

1 MR. AVANSINO: We are. We are happy to  
2 do that from our own capital.

3 MR. LIST: Mr. Chairman, if I may, Bob  
4 List again from Boomtown. The application that we  
5 submitted has a pro forma straight line  
6 amortization schedule over a five-year period of  
7 essentially the same amount of money at a 13  
8 percent rate. So at this improved rate, it  
9 actually hinges out much better.

10 MR. KLINEMAN: Good. And the  
11 subordinated, I'll start with the equity debt  
12 concept. I understand that the payments are  
13 subordinated to the senior debt. Is there any  
14 leeway in the sense that payments could be made on  
15 this subordinated equity before the senior debt is  
16 paid?

17 MR. AVANSINO: Absolutely not, sir.  
18 Everything in this project is subordinated to  
19 First Interstate Bank.

20 MR. KLINEMAN: To the last penny to  
21 First Interstate?

22 MR. AVANSINO: That's correct. And Mr.  
23 Hilton and I do, in fact, consider it as equity

1 with a preferential return during this period of  
2 time, but we are pleased to say that we do that  
3 with many of our projects and we are, in fact,  
4 subordinate with First Interstate's loan.

5 MR. KLINEMAN: I guess I am just not  
6 sophisticated enough.

7 MR. AVANSINO: Oh, I wouldn't say that  
8 at all, sir. I'm still trying to understand it  
9 myself.

10 MR. THAR: On that same line, with  
11 regard to the financing, there was a statement  
12 during the presentation concerning Hilton being a  
13 consultant as well as lending their name to the  
14 hotel and the project. What type of fees, if any,  
15 is Hilton to get for that?

16 MR. AVANSINO: The arrangement that we  
17 have made with our partners, SES and Boomtown, is  
18 that as the, for the licensing of our trademark  
19 and brand name, we will receive \$375,000 per  
20 month. For the consulting arrangement that we  
21 have made with our experience in gaming and  
22 hotels, which brings with it our experience with  
23 hotel reservation system and our H-Honors as well,

1 with both the licensing and consulting, we will  
2 receive \$325,000 per month. If we are licensed by  
3 this commission at a subsequent date, then those  
4 payments would cease.

5 MR. KLINEMAN: Okay. And has that been  
6 pro formaed to us?

7 MR. AVANSINO: No, it has not, sir. We  
8 can provide whatever information you would think  
9 appropriate in that regard, however

10 MR. SUNDWICK: If, in fact, in the  
11 future this commission sees fit to allow Hilton a  
12 25 percent or to have 25 percent ownership, how  
13 does that, somebody, anybody, maybe somebody else  
14 can answer it, what does that do to the current  
15 ownership? How is that going to be structured?

16 MR. AVANSINO: We would structure the  
17 ownership after that fact, would be SES would own  
18 50 percent of the equity, Boomtown would own 25  
19 percent of the equity, and Hilton would own 25  
20 percent of the equity. That's if the commission  
21 considers it appropriate to license Hilton

22 MR. LIST: Thank you.

23 MR. AVANSINO: Thank you, sir.

1                   MR. KLINEMAN: The Hilton management  
2 arrangement is in place in whatever Boomtown is  
3 going to do in regards to management operation?

4                   MR. LIST: The intention is to create a  
5 management company if and when Hilton receives a  
6 license. In the interim, until that time,  
7 Boomtown has the full responsibility for  
8 management. Following the creation of a Hilton  
9 license, if that's issued, they become co-managers  
10 with Boomtown and we jointly manage the project.

11                   MR. THAR: What's the fee?

12                   MR. LIST: The fee stays the same as it  
13 is in the application, which is 10 percent of the  
14 EBITDA goes to the management company, so  
15 initially that goes straight to Boomtown. Should  
16 Hilton become licensed, then it's split 50/50  
17 between Boomtown and Hilton.

18                   MR. PARROTT: Tim Parrott again. One  
19 other comment. We have already in place before  
20 the commission an agreement for a management  
21 company that was to manage the property on behalf  
22 of the partnership and Boomtown and SES. So that  
23 management agreement really is what we start out

1 with, and it becomes superseded by a joint  
2 management program with the same fees if Hilton is  
3 subsequently licensed. We're sorry this book is a  
4 little big, but we wanted to give you the whole  
5 view.

6 MR. VOWELS: As I suggested earlier, I  
7 may make a hat and a belt out of it.

8 (Laughter.)

9 MR. PARROTT: I think you could make a  
10 suit out of it too.

11 MR. LIST: Mr. Chairman, I think you  
12 also asked if, or perhaps Mr. Sundwick, asked if  
13 the fees, if the consulting fees and the licensing  
14 fees has been pro formaed. They have not, but  
15 actually Boomtown, the arrangement is that  
16 Boomtown will pay those fees out of our 10 percent  
17 management fee, so that it really does not impact  
18 the viability or strength of the project at all.  
19 It strictly comes out of our management side of it

20 MR. SUNDWICK: And some information that  
21 we have, and I just want to clarify this kind of  
22 for the record so everybody knows. It says that  
23 you are committed to a financial arrangement and a

1           commitment to --

2                   MR. LIST: We are committed to hire  
3 first in Dearborn County and --

4                   MR. LIST: No. I'm talking about a  
5 commitment to Ohio and Switzerland County of a  
6 dollar to Switzerland County and Ohio County if  
7 they don't have boats.

8                   MR. LIST: That was a part of our two  
9 boat proposal.

10                   MR. SUNDWICK: I get confused so I  
11 figured I better ask. So then is it 50 cents for  
12 one boat?

13                   MR. LIST: I appreciate the chance to  
14 clear it up. If there's one boat, there is no  
15 revenue sharing in Ohio and Switzerland counties.  
16 The project we felt simply could not afford to  
17 make that kind of a commitment and we never have  
18 as a one boat scenario. As a two boat scenario we  
19 would have shared money with those downstream  
20 counties. As a one boat scenario, we share it  
21 strictly with Dearborn County and with Aurora  
22 during the first year, the City of Aurora. One  
23 dollar per passenger to Aurora and one dollar on a

1 continuing basis forever and over goes to Dearborn  
2 County. Those are the two revenue grants.

3 MS. BOCHNOWSKI: Okay. Now, that, that  
4 one dollar that goes to Dearborn County forever  
5 and ever, that's on top of what they would  
6 normally get?

7 MR. LIST: Yes. They normally would,  
8 under state law would get one dollar, and we've  
9 supplemented that, essentially doubled it.

10 MS. BOCHNOWSKI: So it would be \$2.

11 MR. LIST: That's correct. So in the  
12 first year, for example, for the first year of the  
13 full operation of the permanent facility where we  
14 are projecting at least three and a half million  
15 visitors, our dollar and the other dollar add up  
16 to some \$7 million.

17 MS. BOCHNOWSKI: Yeah. This is, this is  
18 real interesting. You're the first company, I  
19 guess, that's really talked about the County.  
20 Well, we've had a little bit of that but really in  
21 this kind of way talked about the County. My  
22 concern now is, though, how do you work with the  
23 City? You didn't apply through the City. You



1           seemed to have made a great deal of effort to  
2           curry the favor of the County. And I understand  
3           I'm not from that area. I'm getting a real sense  
4           of conflict between these different communities,  
5           and we would like to see you work with the City as  
6           well.

7                       MR. LIST: We do recognize, of course,  
8           that the City is the host political subdivision  
9           and they, of course, will first and foremost  
10          receive their state taxes, and that's estimated to  
11          be about \$11 million a year.

12                      And I might take this moment to comment  
13          on why it is we didn't go through that City  
14          endorsement process. We talked of our other  
15          endorsements but let me take just a moment to  
16          mention that. At the time that the City commenced  
17          their RFP process, the time for amending state  
18          applications had not yet expired. We had in our  
19          application at that time this two boat scenario,  
20          which we considered to be a confidential and a  
21          proprietary advantage over all of our competing  
22          applicants. We knew that if we filed with the  
23          City we would have to disclose that and we would

1           then be subjected to a possible copycat amendment  
2           by one of the other applicants for two boats of  
3           their own. That was the first reason that we just  
4           simply didn't feel we could tip our hand just yet.

5                        Secondly, in Dearborn County there was  
6           no other city that invented a process like  
7           Lawrenceburg did. The County didn't have an RFP  
8           process and neither did Aurora, and we felt it was  
9           unfair to them to go through a process in  
10          Lawrenceburg which might somehow, if the  
11          recommendation went against us, detrimentally  
12          effect the other half of the project, which was  
13          outside Lawrenceburg.

14                      Thirdly, I should mention that the City  
15          had previously gone through an RFP process, or  
16          rather a contracting process, not an RFP, a  
17          contracting process, and it selected Argosy as  
18          their sole and exclusive endorsee. So, frankly,  
19          we were concerned about whether we were going to  
20          have a level playing field in that city RFP  
21          process once it opened up.

22                      As to the City itself, they, of course,  
23          have the Lawrenceburg conservancy district sites

1           that most of the applicants proposed to locate on,  
2           and we were concerned very candidly about a  
3           conflict of interest. The City as a potential  
4           landlord has a vested interest in seeing a  
5           candidate endorsed at that location on the other  
6           side of town, so we were a little concerned about  
7           that.

8                         We, we decided, then, that we would go  
9           and talk with the City and tell them candidly we  
10          weren't going to participate in the process. And  
11          without telling them that we had the two boat  
12          scenario, we gave them our reasons and explained  
13          that if we were ultimately successful, we would  
14          cooperate with them. And we will. We understand  
15          the need to work with the local community.

16                        MS. BOCHNOWSKI: Well, they have quite a  
17          few projects that they consider very important and  
18          you are promising money to these other  
19          communities. Are you going to be able to do all  
20          of this? There is, it sounds like there's quite a  
21          bit of money involved in working with the City.

22                        MR. LIST: The City, when you take out  
23          the U.S. 50 component of it, as we penciled it out

1           it's still about twelve and a half million  
2           dollars, which includes roads for sewer, waste  
3           water treatment facility, and other incremental  
4           improvements, which add up to about twelve and a  
5           half million. We're not, we haven't yet seen all  
6           the engineering proposals for the sewer plant. It  
7           doesn't surprise us that there are going to be  
8           some improvements necessary. We'll sit down with  
9           and we'll have our engineers work on it and we, as  
10          I said today, we're committed to a twelve and a  
11          half million dollar contribution toward that  
12          infrastructure.

13                   MS. BOCHNOWSKI: That would be the  
14                   twelve and a half million dollars to the  
15                   infrastructure; that's not including these other  
16                   contributions to the other communities?

17                   MR. LIST: Yes, ma'am. That's correct.

18                   MR. THAR: On that one point though,  
19                   before, you were talking about the sewer treatment  
20                   plant that Lawrenceburg is big on. Isn't  
21                   Lawrenceburg's proposal to put it on your site?

22                   MR. LIST: The City has a piece of  
23                   property under option adjacent to our site and

1           they at one time did have a plan to put a plant  
2           there. The current plant is operated actually not  
3           by the City but by a district, of which  
4           Lawrenceburg is one of the members, the other  
5           members are Greendale, Aurora, and Seagrams and  
6           the County, I believe. Not the County, I'm  
7           informed. Aurora is a member. So we have, we are  
8           prepared to work with them to find a location, if  
9           necessary, and to assist them if the decision is  
10          made for the City itself to construct a plant.

11           MR. THAR: May I follow up on that one?  
12          This was not in our original proposal. When did  
13          you come up with this?

14           MR. LIST: The original proposal, we  
15          have in our budget a self-contained package plant  
16          that we would put on our own property at a cost of  
17          \$2 million. So actually a part of our own budget  
18          can be diverted toward a plant in the event it  
19          becomes necessary.

20           MS. BOCHNOWSKI: How much would the  
21          plant they are talking about cost now? Do we have  
22          that information?

23           MR. LIST: It's probably something the

1 City can better address. Gene may have a --

2 MS. BOCHNOWSKI: Well, we'll talk to  
3 them tomorrow.

4 MR. STUNKEL: The sewer plant as  
5 proposed is approximately ten and a half million  
6 dollars, I believe. The, as you recall, the  
7 church property, which was the Methodist church  
8 property, is adjacent on the entrance as you went  
9 back to our site, it is on the left hand side, and  
10 part of that property over there has been  
11 optioned, or maybe all of that property, has been  
12 optioned by the City to make room for this sewer  
13 plant. There's still ample room over there to put  
14 a sewer plant there and not interfere with our  
15 project whatsoever.

16 Getting back to the other issue. I've  
17 been in the development business for twenty-five  
18 years, as I've stated before, and I've worked with  
19 many cities, many mayors, and I don't consider  
20 Mayor Combs a bad person. Every time I put my  
21 hand out to him he's shaking my hand. We've had  
22 many conversation, Bob and I have sat down with he  
23 and the council members, and have had some good



1 live up to the same kind of agreement as the other  
2 companies?

3 MR. STUNKEL: Yes. Yes in that we have  
4 committed the twelve and a half million dollars  
5 for the improvements. We think that there's some  
6 economics in that and that as we negotiate with  
7 the City we want to find the best deal for the  
8 City and for ourselves, of course

9 MR. SUNDWICK: Lawrenceburg is certainly  
10 going to, as far as traffic, you know, and I  
11 really commend you on this county program. I  
12 mean, I think it's great. I'm sure my  
13 counterparts do too.

14 MR. STUNKEL: Thank you, very much

15 MR. SUNDWICK: I really believe that  
16 Lawrenceburg is going to be impacted more than  
17 anybody else. I mean, I drive through that  
18 community on the way to the airport and everything  
19 is going to go through their community and they  
20 are going to get more, more of a problem for  
21 Lawrenceburg than anybody, you know. And I'm  
22 certainly interested that they get their fair  
23 share of, you know, they are going to get more



1 than their fair share or they ought to get at  
2 least that much out of the revenues. So keep in  
3 mind when we talk about Lawrenceburg it sometimes  
4 sounds sometimes like it's Lawrenceburg against  
5 the County, and I think they did come up with a  
6 plan, I haven't seen or heard it yet, but I think  
7 it's important that everybody recognize the fact  
8 that they are going to be really impacted by the  
9 traffic, and if there's another boat that happens  
10 to go down river from there they will also be  
11 doubly impacted. Not, maybe, to the extent that  
12 Aurora would be, but certainly impacted.

13 MR. STUNKEL: Well, we share your same  
14 concerns.

15 MR. KLINEMAN: Before we go much  
16 further, I think I am going to take you up on your  
17 offer to give us new pro formas based upon the  
18 financing which is now supposed to be put in place  
19 with the management fees that are supposed to be  
20 put in place. I assume that would be pushing a  
21 few numbers into a computer and give us a  
22 five-year projection with the new numbers.

23 MR. LIST: We'll be happy to do that.

1 The numbers actually get better. We can have  
2 those to you by Friday of this week.

3 MR. KLINEMAN: Friday of this week.  
4 That's great.

5 MR. THAR: Sticking with the financing  
6 aspect, if you don't mind. Hilton and Boomtown  
7 are going to get 25 percent ownership interest if  
8 Hilton is allowed to, and they are putting in all  
9 the money. SES has a 50 percent ownership  
10 interest, and I haven't heard what SES is doing  
11 for that.

12 MR. STUNKEL: I thought you would ask  
13 that question. I'm in the real estate business,  
14 Mr. Thar, and as a real estate developer, I set  
15 this project up as a real estate project in my own  
16 mind, I guess. And over the last few years, when  
17 money has been tight and it's been difficult to  
18 raise funds on some of the projects, we have found  
19 partners as financial partners.

20 In this particular case, I had sought  
21 out the site, I had done a lot of due diligence in  
22 this area, and I went to Bob List at Boomtown, who  
23 was representing me, who had represented me as an

1 attorney for a law firm out of Reno and Las Vegas  
2 in some of our ventures there, and I talked to him  
3 about being interested in the project. We made a  
4 deal between the two of us which allowed me to  
5 develop the project and be paid a fee, and they  
6 would manage the project and be paid a fee, and  
7 the two of us would own it 50/50, and the  
8 financing and the management responsibilities were  
9 theirs and the development process was mine.

10 MR. THAR: So when you found a new  
11 financial partner that had to come out of the  
12 other 50, Boomtown's 50 percent?

13 MR. STUNKEL: That's correct.

14 MR. LIST: I might add, Mr. Thar, that  
15 when Boomtown first looked at it, we saw it  
16 similar to many real estate deals that are done  
17 around the country and we, of course, ran an  
18 extensive modeling and pro formas on it and it  
19 penciled out very well for us. We also came back  
20 and did an extensive due diligence on the various  
21 sites in town, and we frankly felt that this site  
22 would give us such an advantage, that there was a  
23 much greater chance of winning. And, candidly,

1 had we come back and done this on our own without  
2 the eyes of a qualified developer like Gene  
3 Stunkel, we might very well have wound up  
4 competing for a City site which, from the more  
5 we've learned, the more we are convinced would  
6 have been a serious mistake. So it's been a very,  
7 very good partnership and we are very happy with  
8 the split

9 MR. SUNDWICK: There's a couple of  
10 issues, one I had asked earlier and we discussed  
11 it a few minutes ago and you were going to call an  
12 architect up or whoever. I had asked the  
13 question, you know, as I look at the aesthetics of  
14 the materials I see in front of me, certainly some  
15 of the things that Walt Disney has done, and you  
16 referred to Disney, your video didn't really, the  
17 presentation of the project in the video was  
18 certainly not representative of Disney caliber  
19 that I saw. I mean, I saw some buildings with  
20 different fronts on them, but I didn't see the  
21 aesthetics here that I've seen at Disney or in Las  
22 Vegas for that matter.

23 And I guess my question is:

1           Aesthetically is this going to look like Disney,  
2           like the Mirage war fare that they put down in --  
3           if anybody has been to Las Vegas they've watched,  
4           I'm sure, the big boats shooting at each other and  
5           sinking. So I guess that's my question. Is this  
6           going to look like Disney or is it going to look  
7           like what was portrayed in the film?

8                   MR. PARROTT: I think it will certainly  
9           look like what you are seeing in front of you. If  
10          you had been to our casino in Las Vegas, it was  
11          also designed by the same firm, JKA. It is very  
12          real. Much of what you see at Disney and what  
13          you've seen at Mirage and Treasure Island really  
14          is using a bit of artistic licensing facade and  
15          there's not a full building behind every facade  
16          you see. But the quality in the field, which is  
17          really what you are looking for, of being brought  
18          into the scene of the time or circa 1820 is not  
19          just something for renderings you see and would  
20          really be what you would see at the time.

21                   We have done this extensively. We would  
22          be happy to invite someone from JKA to come up and  
23          talk to you also. Gene has dealt with this

1 before. We have done it. We know what it costs.  
2 This is not a first time out for the theme. And  
3 much of what I mentioned about Disney is not only  
4 the look but really following the story line to  
5 create a building and not just having a  
6 hodge-podge. And what that does for you is like a  
7 movie, having a centerpiece of how everything  
8 evolves so that there's continuity as you wander  
9 from one part of town to another. Clearly to make  
10 that work, a whole feeling of looking at the  
11 buildings, et cetera, has to work all the way  
12 through, even to the designs of the tables and the  
13 napkins and everything. That is all part of the  
14 story line so, yes, that is a commitment for the  
15 project.

16 MR. THAR: Following up on his  
17 statement, Mr. Sundwick's statement. As the movie  
18 went on it presented various activities that would  
19 occur. Are those potential activities or are  
20 those commitments that they are going to be built  
21 into the facility?

22 MR. PARROTT: The, basically what you  
23 saw is what is planned for the project, from the

1 roller coaster to the store, types of stores, to  
2 some of the themes. The key points that you saw  
3 in the movie are really not just story lines but  
4 are themes that are planned to be integrated and  
5 have been into both the project and the budget.

6 MR. THAR: So, in other words, the  
7 things that were described in the presentation are  
8 things that if you get the certificate we can  
9 expect to be incorporated into this project?

10 MR. PARROTT: Yes, it is. What we've  
11 asked ourselves and made sure of before we came to  
12 stand before you is that if we were to receive a  
13 license, when you first walked into the building  
14 you would expect and see and be thrilled with  
15 seeing what you expected to see from the movie,  
16 the renderings, and our discussion. So the answer  
17 is yes.

18 MR. MILCAREK: Will there be no  
19 admission charge for any of this?

20 MR. PARROTT: No, there is no admission  
21 charge to go into the family entertainment center  
22 or for the activities. You pay specifically to go  
23 on the motion theater or to ride the carousel or

1 play miniature golf, but one of the benefits of  
2 these type of things, and really there's a merging  
3 of theme park and family entertainment center  
4 concepts, but there's no charge to be there so  
5 people can wander around. And typically what  
6 happens is there is an all day card or an all day  
7 band that people can buy and use on a number of  
8 the rides, but no charge just to be there or walk  
9 through.

10 MR. MILCAREK: How would you control the  
11 local children, youths, from just, you know,  
12 making that their headquarters from now on?

13 MR. PARROTT: We've had that problem,  
14 which we view as an opportunity, in all the  
15 locations we operate. The real question that many  
16 have had is to control the gang element or some  
17 issues like that. We have tremendous security.  
18 There are many family entertainment centers, some  
19 in Reno, that actually have to have metal  
20 detectors at the entrances for all people to go  
21 through. What really happens is between the very  
22 high presence of security and really insistence on  
23 not allowing gangs to show their colors, to wear



1           their caps in a certain way, to pick certain areas  
2           that are their area. I can say with the abundance  
3           of people we have, and Reno was our first and  
4           biggest, we have never had a gang problem. Kids  
5           are allowed to be there all the time. And if we  
6           see children that are lost or left alone, it  
7           really is like any other operation, like a mall,  
8           they are cared for and in the case of a day-care  
9           center brought back there. But that is not a  
10          problem, and many do spend a lot of time there.

11                   MR. MILCAREK: The day-care center, will  
12          that be manned and patrons will be on the boat  
13          gambling and the children will be in a day-care  
14          center?

15                   MR. PARROTT: I would say that one of  
16          the things that we have seen from probably doing  
17          as much and having historical retrospect on family  
18          entertainment as anyone is that that isn't really  
19          what happens many of the times. The families stay  
20          together and the parents stay with the children.  
21          And I would say in our Reno operation that we're  
22          very happy with it and economically it is a great  
23          success on its own. It has not brought the

1 incremental gaming revenue that initially we  
2 thought. Families stay together, it's their time  
3 together, and the parents are with the children  
4 and they are not really in the casino. I would  
5 expect there would be some of that, but I would  
6 think that it would be much like it has been for  
7 us elsewhere in that there are different trips.  
8 That's a family trip and they are together, and  
9 then another time maybe they come and gamble  
10 separately. So that's not the majority of the  
11 time.

12 MS. BOCHNOWSKI: Do you see that as  
13 something that the employees can then use, the  
14 day-care center?

15 MR. PARROTT: We've left it open as far  
16 the day-care center being there for the employees.  
17 To give the type of approach that we want, it is  
18 expensive and, frankly, it's something that we  
19 haven't put in yet. We've had a keen interest for  
20 that in the four properties we have. I would say  
21 personally it's something that I would like to be  
22 able to add, but I couldn't say.

23 MS. BOCHNOWSKI: I can tell you if I

1           went with my children I wouldn't leave my children  
2           while I went off on a boat.

3                   MR. PARROTT: Well, and that's normal  
4           and frankly refreshing. Nobody spends enough time  
5           with their kids, and we thought they would  
6           separate but they stay together. And I will tell  
7           you also, since you've been to some of these with  
8           your children, they will spend just as much money  
9           playing arcade games, and you can put more money  
10          in a Terminator II game than you can put in a slot  
11          machine, I think, for us adults.

12                   MS. BOCHNOWSKI: I can relate to that.

13                   MR. LIST: Bob List. Let me add one  
14          other component of it. As to the strict day care  
15          portion, whether it's for employees or children of  
16          employees or guests, it, of course, would be  
17          licensed and run by professionals.

18                   MR. SUNDWICK: How many, and I may have  
19          missed this, in the hotel facilities, how many  
20          rooms are you going to have?

21                   MR. PARROTT: The plan we have before  
22          you is for a 150 room hotel. Mr. Hilton's comment  
23          was that that wasn't big enough, but that, that is

1 the plan.

2 MR. SUNDWICK: We've been through that a  
3 couple of times.

4 MR. PARROTT: We understand. I think  
5 that one of the important things that we've looked  
6 at in the beginning, and the property does allow  
7 to do more, but this really is a destination and  
8 we have seen, as I mentioned, we only have 120  
9 rooms at our facility in Reno, but we draw from,  
10 we draw from Sacramento and we draw from distances  
11 where people are really making long day trips to  
12 have the entertainment experience. And so we view  
13 this as a destination, and when you look at the  
14 volume of people we would expect a project like  
15 this would bring in, a 150 rooms or 300 rooms,  
16 when you look at total rooms per year, you can see  
17 as a percentage the total volume of traffic  
18 through the complex is a small percentage. It's  
19 one more complimentary feature, but it is not the  
20 total magnet. We believe the total magnet is the  
21 whole concept and approach.

22 MR. SUNDWICK: And I don't disagree. I  
23 think I would probably have to, and you would too

1 to some extent, defer to Mr. Hilton when he says  
2 you don't have enough room. I mean he runs  
3 casinos, he runs major hotels. With eleven  
4 million people, a 150 rooms doesn't seem like  
5 enough.

6 MR. PARROTT: That was his first comment  
7 at the site. Isn't that correct, Barron?

8 MR. HILTON: This 150 room hotel we're  
9 talking about is going to be designed in such a  
10 manner that we can add as we see the demand occur,  
11 and that's the most sensible way to approach this.  
12 And, so, when we build this first 150 rooms, the  
13 facility will be designed in such a manner that we  
14 can add increments at a later date and eventually  
15 take it up to maybe 600 or 750 rooms, but that  
16 would be the plan.

17 MR. VOWELS: Did this original design  
18 have to be altered to take into consideration  
19 what's proposed?

20 MR. HILTON: No. Do I understand, Tim,  
21 that it's designed in this fashion right now?

22 MR. PARROTT: That's correct.

23 MR. SUNDWICK: In the experience of your

1           company, and maybe there's somebody, maybe this  
2           other gentlemen, it would seem to me that with  
3           that many people, I guess one of the people from  
4           Lawrenceburg said to me: "If there's three hundred  
5           extra rooms in Dearborn County, I don't know where  
6           they are", and I happen to subscribe to that. I  
7           don't know where anybody would stay in Dearborn  
8           County that I know of. So, you know, you will be  
9           the only game in town with 150 rooms. It seems to  
10          me, you know, just with the amount of people that  
11          would show up, it wouldn't be enough.

12                   MR. KLINEMAN: I would think with your  
13                   name on it and being the closest riverboat from  
14                   Evansville you would probably draw a lot of  
15                   people.

16                   MR. HILTON: I was very disappointed  
17                   when I heard that that's all that was planned,  
18                   because I think considering the number of people  
19                   who are going to be in this area, and the fact  
20                   that we intend to make it a resort destination  
21                   area, we are thinking in terms of golf courses and  
22                   I happen to like to shoot trap and skeet and  
23                   sporting clays, and we are thinking about creating

1 a lot of exciting types of activities for people  
2 to come there, and if that takes off, then we  
3 could be talking about 1500 rooms in the future,  
4 and I hope that we get to that kind of a  
5 situation.

6 When I first went into Las Vegas back in  
7 1970, I acquired the International Leader  
8 Corporation, which operated two hotels, one was  
9 the International and the other was the Flamingo.  
10 At that time the Flamingo hotel had 750 rooms. As  
11 of this moments it's got 4,020. The Las Vegas  
12 Hilton was 1500 rooms and at this moment we're  
13 3,120 rooms with that property. And that was done  
14 in various stages over a period of those years  
15 between 1969 and now.

16 So we try to design these properties  
17 today where we can enlarge them. And given the  
18 excitement of this project, I'm thoroughly  
19 convinced that we are going to have a major  
20 destination resort-type facility and certainly 150  
21 rooms is not going to come anywhere near  
22 accomplishing that.

23 MR. SUNDWICK: Well, I'm one of our

1 Honor Club members, and I just want to make sure  
2 there's a room down there when I show up.

3 (Laughter.)

4 MR. KLINEMAN: He wants some extra  
5 points for having said that.

6 MR. PARROTT: One comment. We recognize  
7 and appreciate that there is no opportunity to  
8 amend an application, which is why everything has  
9 been set at 150 rooms. We will point out that  
10 there is approximately \$20 million of additional  
11 funding we put in our financing over and above the  
12 project costs of what we have to look at other  
13 things that we might want to go with.

14 MR. VOWELS: There was an article in the  
15 "Indianapolis Star" on February 24th, 1995, that  
16 stated that the hotel would be built in a flood  
17 plain. Can you respond to that?

18 MR. LIST: I'm not familiar with that  
19 particular article, but as I had indicated during  
20 the presentation, we've done two things relative  
21 to the permitting concern that lies in the fact  
22 that under state law no abode or, such as a hotel,  
23 can be built in a flood plain. This particular



1 location, as I'm sure you are aware, is raised  
2 above the original ground level in that area  
3 substantially, and that's why it sort of stands  
4 out above the water when the water comes up.  
5 Nevertheless, it doesn't mean it couldn't be in a  
6 flood plain.

7 So we went in and examined it. We did,  
8 we did the necessary modeling and the studies, and  
9 we sought both a waiver from the requirement and a  
10 finding that it was not in a flood plain. And we  
11 have done both of those, and we understand that  
12 we've now qualified. It's no longer considered to  
13 be in a flood plain. And if I've incorrectly  
14 stated that in any way, I would ask Gene or Steve  
15 Smith, our permitting expert, to correct me. So  
16 we can build it there under present existing law.

17 MR. THAR: That's not my understanding.  
18 It's my understanding the Department of Natural  
19 Resources has tabled that issue pending whether or  
20 not you or somebody else who may have an  
21 application in that area was to get the  
22 certificate of suitability and it was found, then  
23 they would take the issue up with a certain amount

1 of expedited --

2 MR. SMITH: That's correct. The request  
3 for a waiver has been tabled pending the outcome  
4 of the hearings. During the period of time  
5 following that, we had questions whether it was  
6 truly in a flood plain. When the state record  
7 computations were done, and they are based on the  
8 Corps of Engineering's information, we have gone  
9 back since then and done the calculations and the  
10 modeling necessary; and once we are granted the  
11 license, we will immediately go to the Corps of  
12 Engineers first and then the State of Indiana to  
13 get it removed from the flood plain maps. And  
14 that's a very short process because all of the  
15 computer modeling has been done according to the  
16 Corps standards. So the work has been done; the  
17 walking in with a letter requesting the fact that  
18 it not be considered a flood plain any more is a  
19 matter of just a day to go do that.

20 MR. THAR: Well, what does that mean?  
21 Does that mean that you've now done another study  
22 and you found out that land you thought was in the  
23 flood plain was not in the flood plain?



1 to the Natural Resources Commission and seek a  
2 waiver. Just about every applicant that I'm aware  
3 of has the exact same problem, that is, a problem  
4 in this area. So everybody is going to have to do  
5 that. We are the ones furthest along in that  
6 process.

7 MR. THAR: They could disagree with your  
8 assessment that your property is not in a flood  
9 plain?

10 MR. SMITH: On the modeling, yes they  
11 could. Too many years with the Corps am I ever  
12 going to stay what they are going to do. The  
13 experts in the business are the Corps of  
14 Engineers. We have discussed it with them. We've  
15 used their computer model to do their work. So to  
16 say could they disagree? Sure they could. Do we  
17 think they are going to disagree? Not at all.  
18 It's a matter of doing the work in the proper way  
19 using their models and we have done that.

20 MR. VOWELS: Do you do anything  
21 physically?

22 MR. SMITH: Excuse me?

23 MR. VOWELS: Do you do anything

1 physically to change this or is this just a matter  
2 of convincing them that it's not fact?

3 MR. SMITH: We don't need to  
4 technically. It is above the hundred year flood.  
5 When we build this hotel, it will be above the  
6 hundred year flood with 17 feet of fill. That's  
7 what everybody will be doing anyway.

8 MR. VOWELS: So you will be doing some  
9 filling?

10 MR. SMITH: Oh, this site gets extensive  
11 fill. That doesn't affect the policy. The policy  
12 is there regardless, that's why we have to go  
13 through this exercise. The policy says we don't  
14 care how much fill you place, it's still in a  
15 flood plain. That's the Department of Natural  
16 Resources policy.

17 MR. VOWELS: And then you have to show  
18 them that it's either not in a flood plain or  
19 you're going to rectify the situation?

20 MR. SMITH: It's either not in the flood  
21 plain or you get a waiver. There is no  
22 rectifications. It's a tough standard. So  
23 everybody has to do that.

1                   MR. VOWELS: Okay. In the "Indianapolis  
2                   Star" article, which I don't know if you read it  
3                   or not, some of the environmentalists claim that  
4                   Mississippi flooding was caused by what they term  
5                   environmental tampering, including shore line  
6                   development and dam and levee construction. What  
7                   would be your response to that?

8                   MR. SMITH: On our project that's not,  
9                   I've been in the business a long time, and, yes,  
10                  there's a lot to be said about all the development  
11                  and the levees and everything along the rivers.  
12                  In this project, our study shows that with the  
13                  project in place we raise the flood levels .14  
14                  feet, that's all, a little over a tenth of a foot.  
15                  One big plus we have is the marina. But we've  
16                  already done all that work and we have sent that  
17                  to the Department of Natural Resources and we've  
18                  solved that issue. We have already proved that we  
19                  satisfy all state requirements. As to the overall  
20                  question of what happens, you know, I can't answer  
21                  that. In terms of what we've done, the amount of  
22                  fill we are placing on the property is well within  
23                  the state guidelines and the federal guidelines.

1 MR. VOWELS: Okay.

2 MS. BOCHNOWSKI: To follow up on that a  
3 little bit. Now, you indicated that you had a  
4 minimal amount of wetlands on your property.

5 MR. SMITH: Yes, ma'am; yes, ma'am.  
6 Less than 1 acre.

7 MS. BOCHNOWSKI: Okay. Even though  
8 those are, technically you have less than 1 acre  
9 of wetlands, I notice that you've got, in your  
10 plan you've got the, the parking is all spread  
11 out. And have you ever considered doing a high  
12 rise-type structure, some kind of structure rather  
13 than having, paving all that area along the river  
14 there?

15 MR. SMITH: What we were concerned with  
16 and what the Department of Natural Resources was  
17 concerned with, this is, there's no trees. This  
18 is a farm field.

19 MS. BOCHNOWSKI: I've been there.

20 MR. SMITH: Okay. With the amount of  
21 trees and habitat we are using along the banks,  
22 they suggested a mitigation plan. We worked with  
23 them to develop the plan. It has been accepted.

1           You see some trees on the picture on the left,  
2           that area as to whether it's that area or the area  
3           surrounding the marina, these are things that we  
4           discussed with them. We will have a 5 acre, a  
5           minimum of 5 acre plan that have been fully  
6           accepted by the State of Indiana.

7           MS. BOCHNOWSKI: So the mitigation in  
8           this case is not like the mitigation in the  
9           (inaudible). The mitigation here is mainly  
10          planting trees and creating habitat, wetlands  
11          habitat, so you will have to be digging wetlands?

12          MR. SMITH: No, no. It's not wetlands  
13          habitat; it's wildlife habitat.

14          MS. BOCHNOWSKI: Oh, okay. I didn't  
15          hear that. So this is mainly planting trees?

16          MR. SMITH: Yes. It's less than an  
17          acre. It's really far less than an acre. It's  
18          about a quarter of an acre or a half an acre.

19          MS. BOCHNOWSKI: Okay. Go ahead.

20          MR. STUNKEL: Let me say as, Steve said,  
21          we are elevating this property by putting in fill.  
22          The water will be over U.S. 50 before it reaches  
23          the floor of our project, so that can give you



1           some idea of how far we are elevating this piece  
2           of property. We have a number of options as far  
3           as parking. We have 150 acres. We have acreage  
4           on the north side of the tracks adjoining the  
5           Methodist church property, so we have a number of  
6           areas where we can change the parking.

7                     It's like building a shopping center,  
8           everybody wants to be as close to the front door  
9           as they can get. So that's our first choice, but  
10          there are other alternatives. We may park some  
11          across in there, we may put some RVs and the  
12          larger vehicles over across on the other side of  
13          the tracks and shuttle them back and forth if we  
14          have to. But I wanted to make sure that you  
15          understood that this was going to be elevated to  
16          such a degree that that's really not going to be a  
17          problem for us.

18                    MS. BOCHNOWSKI: Okay. Another concern  
19          that we've heard are the archeological,  
20          significant archeological findings that you might  
21          have to deal with. Have you done anything about  
22          that?

23                    MR. STUNKEL: We've spent a lot of

1 money. We've got a hundred and thirty-four holes  
2 dug already, and I can let Steve tell you the rest  
3 of it.

4 MR. SMITH: One of the things about  
5 working with Boomtown, a commitment was made very  
6 early on to get it done. And as you've heard from  
7 other people, they've done a lot of what's called  
8 Phase I and Phase II, one applicant has more to  
9 do, some haven't really done that although they  
10 have done preliminary reviews. We have worked  
11 with the State, the Department of Natural  
12 Resources, we have totally done the entire site,  
13 both this site and the temporary site just to make  
14 sure. We have filed those reports with the State.  
15 The reports have been accepted, accepted and  
16 approved, the findings were approved. Those  
17 locations where we do have some findings, we are  
18 modifying the project, and it's a matter of just  
19 moving features a few feet and that type of thing.  
20 We have a total plan for mitigation --

21 MS. BOCHNOWSKI: Would you explain to me  
22 how you mitigate for archeology?

23 MR. SMITH: The doctor the other day

1           said it much better than a lawyer is going to say  
2           it. You actually go into a hole, if you've seen  
3           TV it's like a dig, you photograph the piece of  
4           material in place, you take it out and photograph  
5           it some more, examine it, write a paper on it.  
6           These reports are huge. They take a long time to  
7           do. When people say they can get it done very  
8           quickly, it's taken us nine to twelve months to  
9           get it done. The actual work to finish what we  
10          started will take 30 days in the field. That plan  
11          has been reviewed by the State. I know the letter  
12          is on my desk. I don't know what it says exactly,  
13          but I think the plan has been approved.

14                   MS. BOCHNOWSKI: Now, did you say, then,  
15                   that you take it out and then you put it somewhere  
16                   else?

17                   MR. SMITH: The Glen Black Laboratory  
18                   has a very large facility and that's what they do.  
19                   That's why we selected them. They maintain the  
20                   material. I'm not sure they keep everything they  
21                   catalog, but they take care of that process.

22                   MS. BOCHNOWSKI: I see.

23                   MR. SMITH: But we are done with all of

1           that. We are ready to go to the mitigation plan.  
2           The minute we get clear and receive your approval,  
3           we start work on the mitigation aspect of the  
4           project.

5                   MS. BOCHNOWSKI: Okay. So mitigation in  
6           that aspect is making sure that it's properly  
7           cataloged and stored?

8                   MR. SMITH: Yes, ma'am.

9                   MR. MILCAREK: Getting back to fill.  
10          How many acres do you intend to raise 17 feet out  
11          of the hundred and fifty?

12                   MR. STUNKEL: Actually, it's just the  
13          building site. We will slope the parking lot  
14          approximately 5 feet, if I'm not mistaken, to the  
15          center, slope it both ways, to facility drainage  
16          as well. But the elevation that we are primarily  
17          concerned with is the building. It's pretty hard  
18          to find financing anywhere if you are going to  
19          build in a hundred year flood plain. So,  
20          therefore, we wanted to make sure that we were out  
21          of that flood plain. And, incidentally, as I  
22          said, U.S. 50 is not. It lacks it by, I think, a  
23          foot and a half or 2 feet at our entrance.

1                   MR. MILCAREK: So the whole 150 acres  
2 wouldn't be -- would the parking lots be raised at  
3 all?

4                   MR. STUNKEL: The parking lots will.  
5 There has not been any water at that level since  
6 1967, and it's going to be probably about 4- to 5  
7 feet below the hundred year flood plain, the  
8 parking lot.

9                   MR. THAR: Is it going to be raised at  
10 all?

11                  MR. STUNKEL: It will be raised.

12                  MR. THAR: How much.

13                  MR. STUNKEL: Approximately 4- to 5  
14 feet.

15                  MR. MILCAREK: Would the golf course  
16 have to be raised if you put a golf course on  
17 there?

18                  MR. STUNKEL: Well, I just found out  
19 about that a few minutes ago. Mr. Hilton is  
20 spending his money, I guess. We have talked about  
21 an option on 160 acre tract that would be across  
22 the street that would allow us to put that  
23 facility across the street on the north side of

1 50.

2 MR. VOWELS: Have you done other real  
3 estate development for Southern Indiana?

4 MR. STUNKEL: I've built, as Mr.  
5 Klineman and I were talking earlier, I built an  
6 Airway store in Louisville, Kentucky, in 1974. I  
7 built an Airway store in --

8 MR. VOWELS: Have you done any around  
9 Evansville?

10 MR. STUNKEL: I have not. Danville,  
11 Illinois; New Castle, Indiana.

12 MR. VOWELS: That's fine. I just wanted  
13 to have an idea if you built something there what  
14 it looked like now, so that answers that question.

15 MR. SUNDWICK: When, you know, one of  
16 the few other plans, you know, you look at the  
17 City of Lawrenceburg, there's an opportunity for  
18 the business people in Lawrenceburg to participate  
19 in this in the fact that people would go downtown  
20 and that businesses would be supported by this.  
21 Do you have any plans or are there plans and I  
22 just didn't hear them that people could get to  
23 downtown Lawrenceburg?

1                   MR. LIST: I think our first and  
2                   foremost consideration has been not to interfere  
3                   and detrimentally affect the character, the  
4                   quality, the culture, and history and historic  
5                   area of downtown Lawrenceburg. We, through the  
6                   providing of the infrastructure funds, hope that  
7                   they can get the kind of road and street  
8                   improvements that they need. And we, we have not  
9                   intended at this point, although we are open for  
10                  discussions with them, to provide a transportation  
11                  system. I think that, from what we've been able  
12                  to gather, most of the citizens do not want heavy  
13                  traffic down through that historic district. To  
14                  the extent that the community would like to have  
15                  that, we are open for discussion.

16                 MR. SUNDWICK: It's certainly a  
17                 destination scheme, and I think you could use that  
18                 for the people interested. It would be certainly  
19                 worthwhile to your customers and the City.

20                 MR. LIST: And that's correct, and we do  
21                 have a policy that requires that we buy locally to  
22                 the fullest extent locally. We are going to be  
23                 doing a lot of business with Lawrenceburg

1 ourselves.

2 MR. SUNDWICK: Going to your temporary  
3 just for one second, temporary boat. You are  
4 going to put, I think -- What did you say? How  
5 many millions of dollars in that temporary  
6 facility?

7 MR. LIST: It's a total cost, I believe,  
8 of \$32 million, including the cost of the vessel.  
9 Mr. Parrott had described that in his  
10 presentation. We intend to put a structure there  
11 similar to what we had in Louisiana, which is  
12 called a sprung structure. It's a fully air  
13 conditioned and heated facility that actually is a  
14 temporary facility and then goes away following  
15 the move off of the location. We have adequate  
16 parking on site for all of the parking there as  
17 well, and, of course, the offices will be located  
18 there as well.

19 MR. SUNDWICK: Do you have to build  
20 parking lots and put this structure in place, and  
21 docks, et cetera?

22 MR. LIST: Yes, we do.

23 MR. SUNDWICK: When you leave what



1 happens? They end up with a parking lot, no  
2 building, and a dock?

3 MR. LIST: They end up with a dock and  
4 they end up with parking. To the extent that they  
5 want us to leave it, the parcel immediately east  
6 or upstream from the marina property is actually  
7 optioned from a different owner. It's currently a  
8 field, and in that instance we've agreed to  
9 restore it to its former condition also if he  
10 wishes to have that done. We also would build and  
11 leave for the owners of the marina as part of our  
12 arrangement a butler-type building that will serve  
13 the marina and their public users there in the  
14 future.

15 MR. SUNDWICK: There was some  
16 conversation about some improvements on Highway  
17 56.

18 MR. LIST: That's correct.

19 MR. SUNDWICK: To what extent, what kind  
20 of improvements are we talking about?

21 MR. STUNKEL: We have a traffic proposal  
22 that we've set down with the City of Aurora, and  
23 it was designed by the Corradino Group, and

1 effectively what we are doing is coming off of  
2 U.S. 50, and at the intersection there using Third  
3 or Fourth Street as a one way to the site and then  
4 coming back on the river road and coming across  
5 the bridge back to 50 so that we don't have the  
6 two traffics facing each other until they get down  
7 to 56 south of Aurora. I know you are familiar  
8 with that area.

9 But we are making some improvements in  
10 that we will have to do some resignalization in  
11 Aurora. You know where the large slide is there?  
12 That one area we are going to try to do a little  
13 work on that. We are going to widen the road at  
14 our intersection at the facility. We will put a  
15 stoplight in there and we will probably have  
16 manual controls of that light 24 hours a day.

17 MR. THAR: Do you intend to pay for all  
18 of those improvements through Aurora and to the  
19 temporary site?

20 MR. STUNKEL: We are going to pay for  
21 those improvements ourselves, and that does not  
22 come out of the money that we are giving to Aurora  
23 at the dollar per passenger.

1                   MR. THAR: The commissioners had an  
2 opportunity to drive through Aurora, and that  
3 might even be tougher to get through than  
4 Lawrenceburg. What's the City's, Aurora's,  
5 position in regard to having this traffic go  
6 through it from the east side to the west side?

7                   MR. STUNKEL: They would like to have  
8 some revenue sharing. They would like to have  
9 some money to pay for some of the discomfort that  
10 they, by going through the City. They know that  
11 for a short period of time this will exist as it  
12 relates to our project. Now, I know you have  
13 other options here, and I'm not sure how that all  
14 relates to any boats further down the Highway 56.  
15 But I can tell you that we've had a very good  
16 relationship with Mayor Kelly and his commission  
17 or council and they have worked with Corradino in  
18 selecting the right aspects of this plan, and we  
19 know that they will -- they have accepted what we  
20 proposed for the traffic plan in that area.

21                   MR. THAR: While we're talking about  
22 other boats downstream, based upon our analysis,  
23 your proposal shows no admission revenue. Does

1           that mean that you are not going to charge people  
2           to get on the boat?

3                   MR. STUNKEL: You said based on the  
4           temporary?

5                   MR. THAR: No. Based upon the analysis  
6           that has been done on your projections, you show  
7           no admissions revenue. Does that mean you are not  
8           going to charge people to get on the boat?

9                   MR. STUNKEL: We have to charge them \$3,  
10          sir, for the State.

11                   MR. THAR: So you are just going to  
12          collect the tax, sir? Is that it?

13                   MR. PARROTT: No. We would believe, we  
14          have not set a price, but we would believe, as in  
15          other markets, there would be a fee to go on the  
16          boat. Typically the way that this has been  
17          handled before and the way we would see it is a  
18          charge that is set initially and really is  
19          adjusted for people that are regular players,  
20          members of the clubs, et cetera, but it is a way  
21          to control traffic. And we have not set a fee  
22          but, yes, there would be one.

23                   MR. THAR: So even though you did not

1 put one forth in the projections that were given  
2 to us for analysis, your intention is somewhere  
3 down the road, your intention is to charge an  
4 admissions fee?

5 MR. PARROTT: Yeah. I believe we would.  
6 It has not been in any of our internal projections  
7 either.

8 MR. THAR: One of our concerns might  
9 well have been if you do not what affect would  
10 that have on a competing boat down the river, but  
11 you are going to charge?

12 MR. PARROTT: That's correct.

13 MR. SUNDWICK: (Inaudible.)

14 (Laughter.)

15 MR. PARROTT: Well, as many things in  
16 this wonderful free enterprise system, it really  
17 becomes market driven. Fees have been charged in  
18 a lot of areas; and in others, like New Orleans  
19 and other areas of Louisiana, there is no boarding  
20 fee.

21 MR. MILCAREK: Of this thirty-two  
22 million to start up the temporary site, that's not  
23 disposable? You're going to have to buy a boat

1 for twenty-four million or whatever?

2 MR. PARROTT: Yes. Mr. Hilton is a  
3 smooth salesman and he's talked us into buying a  
4 boat.

5 MR. MILCAREK: But that's not  
6 disposable? You'll get that money back?

7 MR. PARROTT: That's a boat that really  
8 becomes excess to the needs. It could be moved to  
9 the permanent site as soon as the docking was  
10 ready, but it ultimately becomes, we have made no  
11 provision for selling it; but it would be  
12 something owned by the partnership and either sold  
13 or retained for a back up vessel.

14 MR. MILCAREK: So really it's not  
15 costing thirty-two million. Initially it would  
16 be, but a lot of that would be recoverable.

17 MR. PARROTT: Correct. I don't know if  
18 you call it a portable investment, but that's like  
19 a huge airplane or anything else. The market  
20 value of used boats is probably not determined  
21 yet, and depending on other jurisdictions in other  
22 states and when there might be a need, it really  
23 is difficult to ascertain the value of these boats

1 two, three, five, ten years from now.

2 MR. MILCAREK: Either at your temporary  
3 or your permanent site, how would you handle a  
4 major disaster such as a fire or something else?

5 MR. PARROTT: A disaster on the boat?

6 MR. MILCAREK: Anything. A fire in your  
7 facility or anything. What type of plan do you  
8 have?

9 MR. PARROTT: I'm sure we have far  
10 better experts, but I'll tell you my opinion as  
11 chairman of the company. In the temporary  
12 facility, obviously it's all on one level. We  
13 have access and it's a fire proof structure. It's  
14 one of the economic benefits of Desert Storm,  
15 these structures that came out, clear span metal  
16 frame. So getting a fire or some type of a  
17 disaster in this structure itself, starting with  
18 the temporary, really becomes a non-issue because  
19 there's so many exits, plus fire protection and  
20 fire marshals.

21 On the boat, as we are in other  
22 jurisdictions, we comply with the full regulatory  
23 requirements of the Coast Guard, and those issues

1 are really the same as anywhere. I can't give you  
2 the specifics. We could probably call on someone  
3 else if you would like as far as the times. We  
4 have to do fire drills and getting people to exit  
5 the boat with the times.

6 In the building it's much like a mall.  
7 The zoning and the requirements call for a certain  
8 number of fire exits and square footage of fire  
9 egress for the square footage of the facility  
10 itself. Looking at the fire lanes, one of the  
11 issues that we knew we would have getting to the  
12 permanent site was really having a lane, in our  
13 case we are showing 120 feet, that would allow for  
14 a four-lane road to allow fire equipment in and  
15 out or emergency vehicles. They are really code  
16 driven, but they are more than amply met by the  
17 designs that you see before you.

18 MS. BOCHNOWSKI: Tom brings up a good  
19 point, though. Because these are small  
20 communities that aren't used to having such big  
21 facilities, do you plan to supplement their fire  
22 capabilities and so on?

23 MR. AVANSINO: I simply wanted to state



1           that Hilton has established a state of the art in  
2           standards for life safety as a result of a  
3           disastrous fire in Las Vegas in 1971. We have  
4           established not only those standards on this boat,  
5           but where this hotel is involved and the Hilton  
6           name is involved, we will have the life safety  
7           standards that we're so proud of. They far exceed  
8           the codes in every state, and we think that awards  
9           our guests, frequent travelers and others, a sense  
10          of safety that they may not have elsewhere, so I  
11          just wanted you to be aware of that.

12                   MR. KLINEMAN: I thought maybe we could  
13          take a short break, unless you had something  
14          further.

15                   MR. PARROTT: One closing comment on  
16          that subject. I think another good example is our  
17          operation in Reno, which is our flag ship and has  
18          been there twenty-seven years. We are totally  
19          self-contained from a sewer standpoint, water  
20          standpoint, our own wells. But more important as  
21          pertains to this, we created a volunteer fire  
22          department, donated the equipment, built it, and  
23          we've operated with that as our primary fire and



1 into the shore line?

2 MR. STUNKEL: Yes. And our secondary  
3 area is that my contractor, a guy from DeMars, has  
4 informed us that there is an enormous amount of  
5 fill being taken away for the Wal-Mart just about  
6 a half a mile down the road from our site which we  
7 have access to as well.

8 MS. BOCHNOWSKI: So if we do this real  
9 quick and you can get in touch of Wal-Mart, they  
10 can dump it on your property?

11 (Laughter.)

12 MR. STUNKEL: Yes.

13 MS. BOCHNOWSKI: Thank you.

14 MR. MILCAREK: Are you handling the  
15 Wal-Mart building too?

16 MR. STUNKEL: No, I'm not.

17 MR. SUNDWICK: How many slips will be in  
18 that marina?

19 MR. STUNKEL: In our application it  
20 calls for fifty, I believe. We have some  
21 flexibility there. We could build more. We'll  
22 have the area to, that's for sure.

23 MR. SUNDWICK: Now, what size are the

1 slips?

2 MR. STUNKEL: They will be able to hold  
3 a 40- to 50-foot vessel, some of them will be,  
4 we'll have some docks for some larger vessels.  
5 But we are not looking for the year-round  
6 customer. We are looking for the transient  
7 customer, of course, for the operation. I'm  
8 sorry, I'm told it was 150 in the Corps  
9 application, so we do have some flexibility  
10 between the two numbers.

11 MR. KLINEMAN: Mr. Stunkel, your time  
12 line looks a little slow to me. You have got the  
13 hotel completed in April of '97. That's almost  
14 two years from now. And the building doesn't get  
15 completed until June of '97. Is that really the  
16 schedule you would expect to be on?

17 MR. STUNKEL: Our total construction, I  
18 believe, finishes in the spring of '97. We will  
19 have our main facility and all of the contents  
20 ready and will be open on December 1st, 1996.  
21 There's, I think, a blue star on there if you can  
22 find it on the schedule. The hotel is going to be  
23 completed about six months later. It's being

1 built at the same time. It's just the location of  
2 the fill, some of the things that we have to do on  
3 site, that's precluding us from starting the hotel  
4 the same day we start the main facility.

5 MR. KLINEMAN: I just had a feeling,  
6 because you will have this temporary site, and you  
7 would really have an awful lot of flexibility  
8 getting these things in the ground and built  
9 without much interference, and it looked like you  
10 were almost phasing this in, and I just thought --

11 MR. STUNKEL: There's no phasing, sir.

12 MR. KLINEMAN: Okay. Well, I personally  
13 would like to see this stuff up as fast as we can.  
14 I think it will improve the revenue and not leave  
15 the impression that it's just a gaming location.

16 MR. STUNKEL: The majority of our money,  
17 the parking lot, everything will be there for an  
18 opening on December 1st of 1996. We may even have  
19 half of the rooms done by that time.

20 MR. KLINEMAN: The problem, I mean, you  
21 have a schedule. I'm just suggesting --

22 MR. STUNKEL: We would like to get it  
23 done as quickly as we can, and I think we do have

1 a rather aggressive schedule.

2 MR. KLINEMAN: And your site is an  
3 irregular looking piece of ground. It's got  
4 corners like that. (Indicating.) Is that  
5 correct?

6 MR. STUNKEL: That's correct.

7 MR. KLINEMAN: And do you have site  
8 control options? What is your standing with the  
9 site?

10 MR. STUNKEL: Yes, we do have site  
11 control at this point. On our site, on our 150  
12 acre site?

13 MR. KLINEMAN: Right.

14 MR. STUNKEL: Yes, we do have site  
15 control. We have a lease with the Indiana-  
16 Michigan Power Company. Option to lease, I'm  
17 sorry.

18 MR. KLINEMAN: Okay. And how long a  
19 lease are you contemplating? When does your  
20 option expire?

21 MR. LIST: We have a non-exclusive  
22 option with INM, the other party that has the  
23 option of course is Boyd. And whoever, if one of

1 us is awarded a license, that's a precondition to  
2 exercising the option. The option is for an  
3 initial ten-year term with eight five-year options  
4 to follow, so there's a total of fifty years under  
5 option at this time. And the small 10 acre  
6 entrance area that Gene described as a triangle is  
7 also optioned. The option on that is to purchase,  
8 and it is a, we paid an option price there of  
9 \$2500. That option has been extended and it's an  
10 option to purchase for \$80,000. We have an option  
11 through January of 1996 to purchase that property,  
12 and that is an exclusive option.

13 MR. KLINEMAN: The nature of the lease  
14 with INM, if something would happen and you have  
15 these facilities in place, and this has happened  
16 in some states and would never happen here, the  
17 boat sails away, then that property would revert  
18 to INM, I guess?

19 MR. PARROTT: As we mentioned earlier,  
20 two-thirds of our investment is in land-based  
21 facility. So from our position, it's hard to  
22 imagine how we would walk away from the investment  
23 and the long-term lease, which is effective

1 ownership.

2 A comment, Mr. Chairman, I would like to  
3 bring back too on our feeling of urgency to move  
4 into a permanent facility should we have the  
5 opportunity. The best answer is it's in our best  
6 economic interest to be in the permanent facility  
7 and out of a temporary facility as quickly as  
8 possible. We have no doubt that the additional  
9 distance to get through Aurora and the facility  
10 itself is a handicap for the market and we would  
11 be depriving ourselves and the area at large to  
12 stay there one day longer than was absolutely  
13 necessary. So although we have some comfort at  
14 being open, it really is no comfort at all in not  
15 doing a fast track project, which is our plan.

16 MR. STUNKEL: Let me also address the 10  
17 acre parcel again for a moment. As Bob said, this  
18 is an exclusive option that we have. We will  
19 purchase that 10 acres. That's really the only  
20 access entrance to this property as we see it at  
21 this point. We have the ability to put three  
22 lanes in and three lanes out of this, at this  
23 location. We can run it all the way back to the



1 site. We can stack traffic, or stack cars, on our  
2 property as opposed to putting it out on U.S. 50.  
3 And, so, that gives us a real advantage, I think,  
4 as it relates to this site.

5 MR. VOWELS: About your temporary boat  
6 you talked about during the presentation, where's  
7 that coming from?

8 MR. PARROTT: The temporary boat we  
9 discussed is the boat that is the Queen of New  
10 Orleans, formerly the boat that Hilton used in New  
11 Orleans before they bought a larger boat.

12 MR. VOWELS: Is it down in Louisiana  
13 now?

14 MR. PARROTT: Where is the boat  
15 positioned right now? The boat salesman is coming  
16 up.

17 MR. AVANSINO: I'm Skip Avansino with a  
18 new hat. But the fact of the matter is, the boat  
19 is located in New Orleans at the Trinity boat  
20 yard, fully equipped.

21 MR. VOWELS: What's the size of it  
22 again? How many gaming positions?

23 MR. AVANSINO: It's approximately 1200

1 gaming positions, 325 feet -- Forgive me. It's  
2 the other one that's 325. 245 by 80.

3 MR. VOWELS: And how many passengers?  
4 How many patrons would that hold?

5 MR. AVANSINO: Over 1400 passengers.  
6 Excuse me. You can see my hat isn't fitting well.

7 (Laughter.)

8 MR. VOWELS: Then that would come  
9 through Hilton as would the permanent boat; is  
10 that right?

11 MR. AVANSINO: This boat is being sold  
12 to the venture and would be immediately available.  
13 The other boat for the permanent site will be  
14 constructed.

15 MR. VOWELS: Okay. It would be  
16 constructed, and has there been any contracts let  
17 on that?

18 MR. AVANSINO: Yes. I would like Mr.  
19 Parrott to address that.

20 MR. PARROTT: We have sent seven bid  
21 packages out to seven ship builders, including  
22 Jeff Boat, with the specs for the permanent boat.  
23 So far six have responded. Jeff Boat has declined

1 it.

2 MR. VOWELS: They've declined to respond  
3 in they don't want to be involved or what?

4 MR. PARROTT: The boat that they have  
5 designed for the permanent facility is 108-foot  
6 beam, and Jeff Boat has advised us that they are  
7 not able to build that hull structure in Indiana  
8 and would have to have it built by another yard in  
9 Louisiana or some other state; and we would still  
10 hope to be able to talk to them if selected, but  
11 at the present time they have declined the bid  
12 that was sent out to the others.

13 MR. VOWELS: All right. What was the  
14 spec on the boat again, length and width? A  
15 hundred and eight by what?

16 MR. PARROTT: 108 by 434.

17 MR. VOWELS: The 108 width, there was  
18 some discussion that we had the other day about  
19 going through locks. Is that the maximum allowed?

20 MR. PARROTT: Yes, it is. It allows  
21 literally just a foot or two to get through the  
22 locks.

23 MR. VOWELS: Okay. So Jeff Boat is out,

1            basically?

2            MR. PARROTT: I wouldn't say they are  
3            formally out. I would say they did decline and  
4            they do have the challenge of being able to build  
5            the hull on site. So if anything is done with  
6            them or I suspect somebody else, it would  
7            basically have to be a split job.

8            MR. VOWELS: How long do you anticipate  
9            it would be before that permanent boat would be --  
10           say next Friday we give you a certificate of  
11           suitability and however long it takes from this.  
12           After we give you the license, how long do you  
13           think it will be?

14           MR. PARROTT: We've been working on the  
15           design and would be prepared to have a yard  
16           actually cut steel early to mid July and have a  
17           boat on site by September 1st.

18           MR. VOWELS: Of what year?

19           MR. PARROTT: Of '96. I wish they built  
20           them this quickly. I would say two or three years  
21           ago we casino people might have believed they  
22           could have, but we know better now.

23           MR. VOWELS: Okay. Now, this question

1           may have been answered but I don't know that I  
2           heard it and, of course, I went to the restroom  
3           because I drank a lot of coffee to stay awake.

4                   MR. KLINEMAN: Can we strike that from  
5           the record?

6                           (Laughter.)

7                   MR. VOWELS: My point is it may have  
8           been answered and I wasn't here. Forgive me.

9                           The local economic development plans,  
10          and I've got the figures from when Boomtown and  
11          SES were on a two boat proposals, so I'm not  
12          really clear on what the economic developments  
13          would be. Can you give me a number?

14                   MR. LIST: The revenue sharing grant to  
15          the county commences immediately upon the opening  
16          of the temporary vessel and continues as a  
17          permanent commitment. It amounts to one dollar  
18          per admission to the county which, during that  
19          first year, would approximate, if our figures are  
20          correct, some two and a half million dollars; and  
21          then starting in, at the point where the permanent  
22          facility opens at the end of that year, would then  
23          amount to approximately three and a half million

1           dollars annually. Over a period of five years,  
2           that comes to \$18 million for the county. The  
3           grant to the City of Lawrenceburg, as discussed  
4           earlier, the development contract would  
5           approximate, we believe, some twelve and a half  
6           million dollars. The grant to the City of Aurora  
7           is a one dollar per admission commitment during  
8           the time when we operate at the temporary marina  
9           and, obviously, impact that community, of one  
10          dollar per person there. So it's about two and a  
11          half million for the City of Aurora as well.

12                   MR. VOWELS: Once you go to the  
13                   permanent dock, then Aurora doesn't receive  
14                   anything?

15                   MR. LIST: That's correct. They  
16                   continue to receive money under the, the dollar  
17                   that we give to the county, actually the county in  
18                   turn intends to redistribute that among the  
19                   townships and the cities and towns, as we  
20                   understand it, on a per capita population basis,  
21                   and that's why you saw the endorsements from the  
22                   various townships and cities. They will all share  
23                   in that dollar and, of course, Aurora will get a

1 share of that.

2 MR. VOWELS: Okay. I'm looking and  
3 based upon what you just told me, a dollar per  
4 each admission that would go to the county over  
5 and above what the statute requires, the figures  
6 show a year two increase of annual passengers of  
7 about 10 percent, year three 7 percent increase,  
8 year four 5 percent increase, year five 2 percent  
9 increase. Your market takes into account  
10 Louisville. Do these decreases and the increases  
11 from 10 percent, 7, 5, and 2, do they take into  
12 account the future competition, in particular the  
13 Louisville market?

14 MR. LIST: Yes, sir.

15 MR. VOWELS: So it still continues to  
16 increase but just not at the level that it has  
17 been?

18 MR. LIST: That's correct.

19 MR. VOWELS: Okay.

20 MR. THAR: On that same point, your  
21 numbers, your projections, are very aggressive  
22 compared to other applicants for Dearborn County  
23 or the southeast region as a whole. For instance,

1           your adjusted gross gaming receipts are  
2           approximately 37 percent greater than the average  
3           applicant for Dearborn County, and your numbers  
4           will continue to bear that type of relationship,  
5           from 30 up to 50 percent or more depending upon  
6           how one wants to look at the numbers. You've  
7           presented a relatively aggressive, and you  
8           projected 2.5 million people in the first year.  
9           My question is: How are you going to get 2.5  
10          million people in using a 20,000 square foot boat  
11          during the first year, and secondly, when do you  
12          lose your break even point if your projections  
13          don't pan out? What if they are too aggressive?

14                   MR. PARROTT: The numbers we are  
15                   showing -- first of all, the comment on the boat  
16                   of 20,000 square feet, that really is a definition  
17                   in gaming square footage in Louisiana.  
18                   Realistically if you look at the gaming square  
19                   footage available per position of their boat, it's  
20                   closer to 30,000 feet, and really I think there  
21                   are two answers.

22                           First, if we look at the capacity in a  
23                           market where one casino license is not responding



1 fully to the potential and we reflect on what  
2 happens in Illinois, we don't believe that there  
3 is a cash flow constraint in either our temporary  
4 or permanent facility. Secondly, our projections,  
5 as far as maybe being more optimistic than  
6 somebody else's, while we can't respond to theirs,  
7 we can say that it is really based on what we  
8 believe the draw and attraction of the facility  
9 itself will be as a magnet coupled with marketing  
10 that we believe is paralleled to others but we  
11 think is a facility draw.

12 From a break even standpoint, we have  
13 really set the repayment of what we have been  
14 referring to as equity on a long-term basis, and  
15 we have from a ratio standpoint and particularly  
16 now with third-party financing at approximately 7  
17 percent that doesn't start until after completion  
18 of the permanent facility for principal reduction,  
19 as very, very conservative. Even if for some  
20 reason these numbers ended up being optimistic. I  
21 would say we have absolutely no doubt that these  
22 numbers are not optimistic, but if for some reason  
23 should they be, they are still not close to cash

1 flow concern restraints.

2 MR. THAR: Your attendance average over  
3 a five-year period is 3.59 million average over  
4 five years.

5 MR. PARROTT: Average per year over five  
6 years.

7 MR. THAR: The Dearborn County applicant  
8 average is 2.8 million. If the applicant average  
9 were to be correct, can you guys operate on 2.8  
10 million passengers per year?

11 MR. PARROTT: Very definitely. I think  
12 there are a couple of things. First, in addition  
13 to what we view as the impact of the project, we  
14 have really a large boat. And if you look at the  
15 revenue again on the Illinois boats, the numbers  
16 come very close to supporting this with a boat  
17 that is appreciably smaller but without the  
18 similar facilities. So, yes, the project would  
19 still be profitable and cash flow very  
20 comfortable, particularly in the way we've  
21 structured the financing on this if the actual  
22 numbers would be closer to the applicant average  
23 you are referring to of the 2.8 versus something

1 higher. Clearly an unknown so what is win per  
2 passenger per day will be, whether it's fifty or  
3 sixty or higher or lower.

4 MR. THAR: Of course, on the Illinois  
5 boats, even though they may be smaller, they have  
6 the luxury of being able to balance out the  
7 crowds, particularly where you've got two boats  
8 per dock, which you would not be able to handle  
9 that same type of traffic mix.

10 MR. PARROTT: That's correct. With the  
11 exception of the Elgin boat, which is approaching  
12 close to twenty million a month in gaming wins  
13 with one boat.

14 Also, really, I appreciate the question  
15 because it allows me to lead into an answer. The  
16 facility is really designed to keep people there  
17 between cruises and to not have them feel like  
18 they are sitting and waiting so they can be  
19 entertained between cruises that they can't get on  
20 or if they can't get on the next cruise they can  
21 have something to do. If you look at what draws  
22 people to the distance, it's the ability to feel  
23 satisfied that they can have a good time for an

1 extended stay of maybe five hours. So we think  
2 that combination will help the peaks and valleys.

3 MR. THAR: Which leads me now to my next  
4 question, which is this: You have designed this  
5 as something where people come and they stay  
6 there. Mr. Sundwick had asked earlier, how does  
7 this mix, then, with the rest of the business  
8 community in Lawrenceburg? To a certain extent,  
9 if I was a businessman in Lawrenceburg I might  
10 think they will draw a lot of people there but is  
11 it designed for the people to say there so, as a  
12 consequence, I am not going to get benefit from  
13 that.

14 MR. PARROTT: I have an answer and I  
15 would also like Mr. Avansino to give one too. We,  
16 in our operation in Reno on the edge of town, the  
17 majority of people that go there go downtown to  
18 the casinos, but they happen to drive by us twice,  
19 going downtown and coming back. I think that our  
20 general feel is that in acting as a magnet for the  
21 area, we are going to see peripheral benefit, as  
22 we have seen everywhere else we operate, to other  
23 operators and particularly when they have to drive

1 through Lawrenceburg and basically they've already  
2 come to this side of the river. So that would be  
3 my first answer.

4 The second part, before I give it to  
5 Skip, is that we fully intend to have other  
6 operators with some of the amenities that we have  
7 in our facility. But I think as far as the pull  
8 for the town, if history is any indication, the  
9 town will feel their benefit too.

10 MR. AVANSINO: Mr. Thar, Skip Avansino.  
11 I think Lawrenceburg will enjoy a significant  
12 resurgence in business activity as a result of  
13 this project. Our evidence in Hilton over many  
14 years is that in Windsor just recently, we've only  
15 been open for one year, the occupancy rate at the  
16 various hotels has increased significantly, the  
17 restaurants have had booming business since we  
18 opened that temporary casino, the new businesses  
19 that are coming in now, into the Windsor area, is  
20 absolutely revitalizing the entire area. That has  
21 also been evident in our experience in Queensland  
22 in Surfer's Par-A-Dice, where Mr. Hilton started a  
23 casino ten years ago in a very depressed beach

1 area. It has enjoyed significant growths,  
2 attractiveness, tourist destination. This  
3 facility itself will augment what business  
4 activities and what opportunities that already  
5 exist in Lawrenceburg.

6 MS. BOCHNOWSKI: I just have a question  
7 and it's for Hilton. You know, as you were  
8 talking about this boat in New Orleans, this is  
9 your previous New Orleans boat that's now  
10 available for Indiana; is that correct?

11 MR. AVANSINO: Yes, ma'am; that's  
12 correct.

13 MS. BOCHNOWSKI: Did you replace it with  
14 a larger boat for New Orleans?

15 MR. AVANSINO: Yes, ma'am. We have a  
16 larger boat.

17 MS. BOCHNOWSKI: And I know that this  
18 isn't the time where we are investigating you or  
19 anything, but it just clicked in my mind. Right  
20 before you opened up your original boat, and now  
21 I'm hearing things aren't going quite that well, I  
22 don't know about your operation but in New Orleans  
23 in general, but some operators are having

1 problems. How is your operation doing there?

2 MR. AVANSINO: Well, our operation is  
3 continuing on. Our win per passenger is  
4 reasonable and certainly better than those just  
5 next to us who closed.

6 (Laughter.)

7 MR. AVANSINO: We are the only boat  
8 cruising right there on the Mississippi at this  
9 point. It has enhanced our occupancy, energized  
10 our restaurant business as well as all of our food  
11 and beverage operations. We think it's a very  
12 respectable performer for us. We are excited  
13 about the potential in New Orleans and certainly  
14 have had many discussions with our leadership  
15 there and the citizenship in that community. So  
16 we are pleased with it. And, yes, New Orleans has  
17 not become the gaming market that most have  
18 expected it to be, and it's more of a concern for  
19 the land-based casino that is under construction  
20 today.

21 MS. BOCHNOWSKI: You think that that is  
22 the problem, that there is a land-based casino?

23 MR. AVANSINO: There is a temporary

1 land-based casino which hasn't quite performed up  
2 to expectation, and they are building a new  
3 permanent facility just directly across from  
4 Hilton Hotel where our boat is, launches right  
5 from the back of our hotel on the river.

6 MS. BOCHNOWSKI: Right.

7 MR. AVANSINO: It's a beautiful  
8 structure.

9 MS. BOCHNOWSKI: I know right where it  
10 is. So you just decided you needed more capacity  
11 and that's why you switched boats?

12 MR. AVANSINO: This is a huge boat,  
13 quite nice, and we are very pleased with that.

14 MS. BOCHNOWSKI: Just curious about  
15 that. I know we'll get into that later.

16 MR. KLINEMAN: Everyone will be  
17 disappointed if we don't talk about traffic.

18 This morning we saw a slide that showed  
19 that Seagrams is so upset with the traffic they  
20 are talking about, according to the presentation,  
21 they are talking about leaving Lawrenceburg, and  
22 your solution to the traffic is this  
23 resignalization through Lawrenceburg and the



1 grading of the middle left turn lane. Do you have  
2 any other plans on the drawing board, say bypasses  
3 and things like that, to alleviate the traffic  
4 problems should your program be as successful as  
5 we all hope it will be?

6 MR. STUNKEL: As I spoke earlier, we've  
7 done considerable research into the traffic issue,  
8 and I think there's been three or four different  
9 applicants who have studied the same problem. We  
10 have come up with the same answer, that we believe  
11 that this road will control our traffic and be  
12 adequate for the capacity that we are creating.

13 The 275 interchange with 50 is an  
14 important interchange. And I did a little  
15 research in the last couple of days after I heard  
16 your question about it, and, as I understand it,  
17 INDOT has that on a program now that is being  
18 built simultaneous with the U.S. 50 improvements,  
19 and I believe that that will be completed by year  
20 end. If not, certainly by as soon as they can in  
21 the spring.

22 We've looked at the bypass around the  
23 city, the bypass I hope comes to fruition. We'll

1           certainly look at the possibilities as we can  
2           participate in that as it comes along. We got  
3           involved with the county in pushing this U.S. 50  
4           along, as we talked about, and offered to pay for  
5           the design for the highway improvements.

6                   MR. KLINEMAN: You did pay for the  
7           design? I missed that. I didn't understand that  
8           point in your presentation.

9                   MR. STUNKEL: We offered to pay for the  
10          design, but one of the nice things that we have in  
11          Dearborn County, every time we offer to pay for  
12          something, the County says, no, we'll pay for it.  
13          We, we offered to pay for it. The County did  
14          decide to pay for it because they didn't want it  
15          to look as though it was a gaming project. And it  
16          really isn't a gaming project. It's going to  
17          benefit the whole southeast area down there from  
18          Aurora to Greendale. But the bypass is something  
19          that should be weighed and we would certainly give  
20          it a lot of consideration.

21                   MR. LIST: If I may, one other  
22          discussion that we commenced is a discussion with  
23          a company which is an affiliate of our director,

1 Richard Gigline, whom you met earlier, the former  
2 president of Holiday. They are a company that  
3 specializes in water transportation, and they have  
4 explored a, they are in the process of exploring  
5 an arrangement that would benefit us pretty  
6 dramatically that would entail these new high  
7 speed boats that carry some 300 passengers at  
8 about 30 to 35 knots that during the summer  
9 periods, at least, during the open water periods,  
10 could easily shuttle from downtown Cincinnati to  
11 our marina and alleviate and mitigate some of the  
12 highway traffic.

13 MR. KLINEMAN: What is the distance by  
14 water, do you think, from downtown Cincinnati to  
15 your site?

16 MR. LIST: Approximately 20 to 25 miles.

17 MR. PARROTT: It's 25 minutes, Bob.

18 MR. STUNKEL: By water it's probably 15  
19 miles at the most. I would also say that INDOT  
20 right now is requiring the County to do a  
21 comprehensive long-range transportation plan to  
22 determine the best long-term solution for the  
23 traffic in that whole area and that bypass is a

1 part of it.

2 MR. MILCAREK: What would the estimated  
3 cost of that bypass be in today's dollars?

4 MR. STUNKEL: You know, that's a hard  
5 one for me because I don't know if it's two lane,  
6 I don't know if it's four lane, or six lane. It  
7 would be a considerable amount if it was done into  
8 a four-lane highway because, as it is now  
9 designed, it would come up off of 275 directly up  
10 the hill straight ahead and then cut through the  
11 higher elevations of Greendale and back on the  
12 backside of Lawrenceburg, come down, I think,  
13 almost parallel with 48 or come right at about  
14 that location. I'm not, I'm not, I can't give  
15 you --

16 MR. MILCAREK: What would the distance  
17 be? How many miles? 3 or 4 miles?

18 MR. STUNKEL: How many miles is the  
19 bypass projected? 3 or 4 miles?

20 MR. KLINEMAN: We need a name, excuse  
21 me.

22 MR. CORRIDINO: My name is Jose  
23 Menendez. No, my name is Joe Corradino from the

1           Corradino Group. The bypass would be a fairly  
2           large loop road. It would be 12 to 18 miles long  
3           as a bypass. By the same token, if it were built  
4           as an expressway, four lanes with a median,  
5           crossings every so often through county facilities  
6           and other access points, it could be 7 to 10  
7           miles. If it were two lanes, it would be a lot  
8           less.

9                   MR. KLINEMAN: I just think a bypass  
10           would open up the west side of Lawrenceburg in a  
11           pretty dramatic fashion, easier access and a lot  
12           of things. Anybody else have anything?

13                   MR. MILCAREK: On that 10 acre site, did  
14           you say that in order to have an adequate drive  
15           and not choke that site down that you need that 10  
16           acres?

17                   MR. STUNKEL: Yes, sir.

18                   MR. MILCAREK: And you have exclusive  
19           option than that?

20                   MR. STUNKEL: That's correct.

21                   MR. MILCAREK: If you're not awarded the  
22           license and somebody else decided to build on that  
23           site, what would you do with the 10 acres?

1 MR. STUNKEL: It would probably be a  
2 very expensive piece of ground.

3 (Laughter.)

4 MR. MILCAREK: You wouldn't just let  
5 your opponent have it?

6 MR. STUNKEL: I haven't got that in my  
7 plans right now.

8 MR. KLINEMAN: Well, since we are  
9 asking -- Are you done, Tom?

10 MR. MILCAREK: Yeah.

11 MR. KLINEMAN: Since we're asking sort  
12 of pointed questions, I guess I have a favorite  
13 which is the non-compete. What kind of  
14 non-compete would the joint venture itself be?  
15 Have the individuals thought about it and arrived  
16 at one? And I guess we would also like to know  
17 that that would be binding on the Hilton group  
18 should they come along too.

19 MR. PARROTT: I would like to make a  
20 comment. We certainly thought you might ask such  
21 a question. And although we haven't put it in  
22 writing, I would say that for SES, Boomtown, and I  
23 believe Hilton, we would be prepared to enter into

1 a five-year no compete in a 50 mile radius,  
2 basically the Cincinnati market, for a project  
3 such as this. If there's any . . .

4 (SES/Boomtown/Hilton associates nodding  
5 heads in agreement.)

6 MR. PARROTT: So that would be a  
7 tri-party agreement.

8 MR. KLINEMAN: I guess we would like in  
9 it writing.

10 MR. PARROTT: We would be prepared to do  
11 that.

12 MR. KLINEMAN: If you could give us a  
13 letter to that effect.

14 MR. THAR: Did you say 50 or 15?

15 MR. PARROTT: Five zero.

16 MR. KLINEMAN: That wouldn't include  
17 Hilton hotels. We are just talking about the  
18 gaming site.

19 MR. PARROTT: We understand.

20 MR. VOWELS: There's not any agreements  
21 with anyone or any intention to pursue casinos in  
22 other --

23 MR. STUNKEL: Are you in any current

1 negotiations with the State of Kentucky?

2 (Mr. Avansino shakes head negatively.)

3 MR. VOWELS: And that would be part of  
4 the non-compete also?

5 MR. PARROTT: For the 50-mile radius,  
6 no. We can't speak for Hilton, but what we  
7 believe this to be primarily is a protection of  
8 the investment for the State of Indiana for the  
9 greater Cincinnati market is what we are trying to  
10 address with this.

11 MR. VOWELS: I have one statutory  
12 question. The new statute requires that we can't  
13 grant a license if we determine -- the current  
14 statute now in fact requires that the gaming  
15 commission may not grant a license to an applicant  
16 if the commission determines that it is unlikely  
17 or difficult for the riverboat to depart from the  
18 dock. If you will address that to both temporary  
19 and permanent facilities.

20 MR. LIST: Both of our sites allow  
21 cruising. There's a, we showed you the picture  
22 during the presentation of a 750-foot wide lane  
23 that runs from the permanent site some distance



1 downstream. It allows us to carry out the planned  
2 cruises, turn around, and come back up. From the  
3 temporary site the same thing is true.

4 Interestingly enough, both of them, maybe it's  
5 because of Tanner Creek and Lockry creek, both of  
6 those areas of the river cause the flow to go out  
7 and the Indiana width in those, in the vicinity of  
8 those two creeks downstream, allows us to go down,  
9 turn around, and come back and cruise within the  
10 meaning of the law.

11 MR. VOWELS: And if I understand your  
12 question, has there been any problems with future  
13 employment compensation with officials of the  
14 county or any townships or cities in Dearborn for  
15 future employment compensation, any promises that  
16 have been made?

17 MR. LIST: No.

18 MR. STUNKEL: No, sir.

19 MR. VOWELS: I don't have anything  
20 further.

21 MR. KLINEMAN: If there's nothing  
22 further, I just want to know, Governor, if you  
23 paid your members of your gaming commission more

1 than \$50 a day?

2 MR. AVANSINO: No, sir.

3 (Laughter.)

4 MR. LIST: You heard it from the source.  
5 Actually, seriously, I think we have bettered it a  
6 bit, and hopefully they will do the same for you.

7 Apparently I'm the last one to stand  
8 here. Let me simply once again reiterate our  
9 appreciation for all the time and the patience  
10 that you and Mr. Thar and the employees and the  
11 entire staff have put into this whole process.  
12 It's been very, very professional. Having seen it  
13 around the country, you can be very, very proud of  
14 the way this has been conducted, and we reiterate  
15 our earnest wish that we receive a license. Thank  
16 you, sir.

17 MR. KLINEMAN: We thank you very much  
18 for a fine presentation.

19  
20 (WHEREUPON, the proceedings were  
21 concluded.)  
22  
23

1 STATE OF INDIANA )  
2 COUNTY OF MARION ) SS:

3  
4 I, Sherry L. Malia, Stenographic  
5 Reporter within and for the County of Marion,  
6 State of Indiana, do hereby certify that on the  
7 21st day of June, 1995, I reported the foregoing  
8 Public Meeting; and that the transcript is a full,  
9 true, and correct transcript made from my  
10 stenograph notes.

11  
12  
13  
14  
15 Sherry L. Malia  
16 Sherry L. Malia, Notary Public  
17 Residing in Marion County  
18 Indiana

18 My Commission Expires:

19 November 14, 1998  
20  
21  
22  
23